



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

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

AGENDA

Committee GOVERNANCE AND AUDIT COMMITTEE

Date and Time of Meeting TUESDAY, 24 JANUARY 2023, 4.30 PM

Venue COMMITTEE ROOM 4 - COUNTY HALL

Membership Hugh Thomas (Chairperson)
Gavin McArthur, David Price, Dr. Janet Wademan,

Councillors Ahmed, Carr, Goodway, Lewis, Moultrie, Palmer, Waldron
and Williams

*Time
approx.*

1 Apologies for Absence

To receive apologies for absence.

2 Declarations of Interest

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

3 Minutes (Pages 5 - 20)

To approve as a correct record the minutes of the meetings held on 15 November and 29 November 2022.

4 Update on Education & Lifelong Learning Directorate Control Environment - to follow 4.35 pm

Melanie Godfrey, Director Education & Lifelong Learning

5 Finance 5.05 pm

5.1 Financial Update including Resilience Issues (Pages 21 - 28)

6 Audit Wales 5.15 pm

6.1 AW Work Programme and Timetable Update (Pages 29 - 44)

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

- 7 **Internal Audit** 5.25 pm
- 7.1 Audit and Investigation Team - Progress Update (*Pages 45 - 114*)
- 7.2 Draft Internal Audit Charter and Summary Audit Plan 2023/24 (*Pages 115 - 146*)
- 8 **Performance** 5.50 pm
- 8.1 Mid-Year Self-Assessment Report Update (*Pages 147 - 148*)
- 9 **Treasury Management** 6.05 pm
- 9.1 Draft Treasury Management Strategy 2023/24 (*Pages 149 - 188*)
- 10 **Outstanding Actions** (*Pages 189 - 190*) 6.15 pm
- 11 **Correspondence** (*Pages 191 - 192*)
- 12 **Work Programme Update** (*Pages 193 - 194*)
- 13 **Urgent Items (if any)**
- 14 **Date of next meeting**
- Evaluation and Training Session
- The Committee's Annual Workshop and a Treasury Management Training session are scheduled for 31 January 2023, 1:00 - 4:30pm, Committee Room 4.
- The next meeting is scheduled for 21 March 2023.

Davina Fiore

Director Governance & Legal Services

Date: Wednesday, 18 January 2023

Contact: Graham Porter, 02920 873401, g.porter@cardiff.gov.uk

WEBCASTING

This meeting will be filmed for live and/or subsequent broadcast on the Council's website. The whole of the meeting will be filmed, except where there are confidential or exempt items, and the footage will be on the website for 6 months. A copy of it will also be retained in accordance with the Council's data retention policy.

Members of the public may also film or record this meeting.

If you make a representation to the meeting you will be deemed to have consented to being filmed. By entering the body of the Chamber you are also consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If you do not wish to have your image captured you should sit in the public gallery area.

If you have any queries regarding webcasting of meetings, please contact Committee Services on 02920 872020 or email [Democratic Services](#)

This page is intentionally left blank

GOVERNANCE AND AUDIT COMMITTEE

15 NOVEMBER 2022

Present: Hugh Thomas(Chairperson)
Gavin McArthur, David Price, Dr. Janet Wademan

Councillors Ahmed, Carr, Lewis, Moultrie, Palmer and Williams

37 : APOLOGIES FOR ABSENCE

Apologies were received from Councillors Goodway and Waldron.

38 : DECLARATIONS OF INTEREST

Councillor Palmer declared a personal interest in Item 7 on the agenda as a family member is employed in Childrens Services.

39 : MINUTES

The minutes of the meeting held on 27 September 2022 were approved as a correct record, subject to two minor typographical amendments.

40 : DRAFT AUDITED STATEMENT OF ACCOUNTS - CARDIFF AND VALE OF GLAMORGAN PENSION FUND

The Committee received the revised draft Statement of Accounts for the Cardiff and Vale Pension Fund, which included amendments arising from feedback received from the Committee's previous consideration of the draft financial statements on 19 July 2022. The Committee also received the draft Audit of Accounts Report (ISA 260) for 2021/22 in respect of the Cardiff and Vale of Glamorgan Pension Fund.

Julie Rees of Audit Wales was invited to present the ISA 260 audit report. Members were advised that the outstanding work in relation to contributions, investment income and contingent liabilities that were highlighted in the draft report have now been completed. Members were also asked to note that, in respect of contingent liabilities, further narrative was requested on GMP, which has also been included. The report proposed that the Audit General be recommended to sign an unqualified audit opinion. There were no uncorrected misstatements and the significant amendments were included at Appendix 3 of the report.

The Chairperson invited questions on the report. Members requested clarification of the reason for the £86 million misclassification highlighted in Appendix 3. Members were advised that the misclassification was based on interpretation rather than a coding error. Officers confirmed that the misclassification did not affect the net asset value or performance of the pension fund.

RESOLVED - That Governance and Audit Committee:

- (1) notes the 2021/22 Draft Audited Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund;

- (2) notes the 2021/22 Draft Audit of Accounts Reports (ISA 260) for the Cardiff and Vale of Glamorgan Pension Fund.

41 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources and Section 151 Officer, Chris Lee, presented a financial update including resilience issues and the financial challenges facing the authority.

Members were advised Month 6 position would be reported to Cabinet on 17 November 2022. A £7.5 million overspend would be reported at Month 6 for the current year. The main variances and the reasons for those variances were highlighted. These included variances in Corporate Management, Economic Development, Education and Childrens Services.

The Committee also received an update on the projected budget gap in 2023/24 which is projected to be in excess of £53 million. The individual elements of the budget gap were summarised. These included employee costs, price inflation, capital financing and service demand pressures. Members were asked to note that the projected budget gap of £53 million was the position after an AEF uplift of 3.5% was applied.

The ongoing areas of risk that are currently under review and work undertaken on the budget strategy for 2023/24 were also noted.

Members asked whether the 3.5% uplift which is assumed was at risk given the forthcoming budget statement from the Chancellor of the Exchequer. The Corporate Director stated that the 3.5% figure was an indicative figure received from Welsh Government. An assessment of the impact of the Chancellor's statement would need to be undertaken but there was clearly a risk.

Members asked whether there was a possibility of voluntary or mandatory redundancies as a result of the budget gap. The Corporate Director stated that staffing implications are likely as 70% of the overall budget is staff based. Work was currently being undertaken to identify where redundancies could be made on a voluntary basis.

The Committee requested further details on the governance arrangements in place in terms of developing proposals to meet the budget gap, particularly significant service change proposals. The Corporate Director stated that service areas are working to identify options. Those options will be reviewed by the Cabinet, who will ascertain whether they wish to take those changes forward for consultation. There is a requirement for effective consultation process to be in place and Equality Impact Assessments will need to be undertaken prior to the Council making a decision the budget strategy in March 2023. The provisional budget settlement is expected from Welsh Government on 13 December 2022 and this will provide more certainty on the level of the budget gap and the service change requirements.

RESOLVED – That the report be noted.

42 : HALF YEAR REPORT

The Committee were asked to note the Treasury Management Mid-Year Report 2022/23/ The report set out the position in terms of borrowing and investments as at 30 September 2022. Comments were invited prior to the report being submitted to Council.

RESOLVED – That the report be noted.

43 : UPDATE ON CHILDRENS SERVICES DIRECTORATE CONTROL ENVIRONMENT

Councillor Palmer declared an personal interest in the following item in accordance with the Members Code of Conduct as a member of his family is employed in Children Services.

The Committee received a report providing an update on the control environment within the Childrens Service directorate.

The Director of Childrens Service was invited to deliver a presentation. Members were advised that the Director had recently re-shaped the management structure within the directorate in order to respond to service demand challenges, including the creation of 2 additional Operational Manager posts.

The Director provided an overview of the service and its statutory obligations. The Director highlighted the risk management controls in place and applied within the Directorate. A summary of the key corporate and directorate risks that have been identified was provided. Members also received details of the senior management assurance and external assurance arrangements in place.

Members asked how the Directorate undertakes and assesses the impact of risk from budgetary changes and whether the Director was confident with the processes. The Director stated that there was a balance to be struck between the risk to the child and the risk to budgetary factors. Significant work is being undertaken to develop in-house services in Cardiff. This will mitigate against the risk of the high costs associated with external residential child care provision.

The Director was asked to provide details of the governance around decision making, specifically around children in residential placements. Members were advised the every decision to place a child into care is taken by the Senior Management Team and every decision has oversight. High cost placements are reviewed weekly. Very high cost or unregistered placements are reviewed twice-weekly.

Members asked whether any preventative measures could be applied that would help to mitigate increases in demand. The Director stated that corporately there was a need to work together to identify early warning signs, primarily in schools.

Members referred to the Directorate's complaint handling arrangements. Members indicated that they are likely to ask for further details of those arrangements in future, for example how those arrangements are reviewed and assessed and whether they

follow any particular standards. The Director accepted the point and agreed that more understanding of the complaints received was needed in order to improve processes.

A Member asked whether there was an understanding of how the time of qualified social workers is being deployed and the extent to which regulation and administration is affecting their ability to deliver front line services. The Director advised that studies have shown that over one third of social workers time is taken up with bureaucracy. In Cardiff Social Work Support Assistants have been brought in to help support with those tasks. A national working group has also been established to consider the issue. Members were asked to note that when inspections take place they focus on the regulatory regimes in place and not on the positive relationships that are established with children. Therefore, a balance needs to be struck between being 'inspection' ready and the needs of families.

The Director was asked to comment on the risks associated with deploying less qualified staff in front line social care functions. The Director stated that most social work assistants have a degree and experience in working in other sectors, albeit they don't have a social work qualification. Evidence suggests that they are very effective. The Director accepted that there was a risk having unregistered staff undertake work that qualified social workers should do. The authority has written to Welsh Government to advise them of the work unregistered and registered staff will be undertaking. The service area is supporting non-qualified social work assistants in becoming qualified within 3 years. Social Care Wales is also developing a new qualification and training package for Social Care Practitioners.

RESOLVED – That the report be noted.

44 : OUTSTANDING ACTIONS AND RECOMMENDATIONS

RESOLVED – That the report be noted.

45 : CORRESPONDENCE

RESOLVED – That the report be noted.

46 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

47 : URGENT ITEMS (IF ANY)

No urgent items.

48 : DATE OF NEXT MEETING

The next meeting is scheduled for 29 November 2022.

The meeting terminated at 3.00 pm

This page is intentionally left blank

GOVERNANCE AND AUDIT COMMITTEE

29 NOVEMBER 2022

Present: Gavin McArthur (Deputy Chairperson in the Chair)
David Price, Dr. Janet Wademan,

Councillors Carr, Lewis, Moultrie, Waldron and Williams

49 : APOLOGIES FOR ABSENCE

Apologies were received from Hugh Thomas and Councillors Goodway and Palmer.

50 : DECLARATIONS OF INTEREST

No declarations of interest.

51 : MINUTES

Deferred to 29 January 2023.

52 : FINANCIAL UPDATE

The Head of Finance provided a verbal update on the financial position. Members were advised that the Month 6 position was reported to Cabinet and the financial position remains challenging. Staff pay awards have been accepted and work is ongoing to maintain a balanced position by year end.

Members were advised that the 2023/24 provisional budget settlement figure would be announced on 13 December 2022. An anticipated budget gap of approximately £53 million is expected and budget proposals are being prepared for public consultation. The final settlement figure will be announced at end of February.

RESOLVED – That the report be noted.

53 : FOLLOW-UP WASTE MANAGEMENT REVIEW

The Committee received a report providing an opportunity for Members to consider an Audit Wales report that was published in respect of recycling performance and to consider the authority's management response.

Members were advised that the waste management service has undergone significant governance and audit review since 2017/18. Work carried out by Internal Audit resulted in 92 audit actions, with a further 51 audit actions arising from further follow up audits. Work has progressed and now the service area has only 5 outstanding internal audit actions open. These are due to be closed by December 2022.

In March 2020 Audit Wales completed a review of the Council's plans to reduce waste and achieve the national recycling targets. During this review Audit Wales noted that work had commenced with the Waste and Resources Action Programme (WRAP), Local Partnerships and Welsh Government to look at an operating model to inform the development of an appropriate approach in Cardiff. Correspondence by Audit Wales (Appendix A) was presented to Cardiff Council with several considerations made to the Council with regards to the development of the Waste Recycling Strategy. The considerations accepted by the authority were detailed in the report.

Members were advised that the Council has continued to work closely with the Welsh Government and WRAP to demonstrate its commitment to meeting the statutory targets. A segregated recycling pilot was undertaken in January 2022 and a compositional analysis of household and Trade waste in Cardiff. The findings of these exercises informed the development of a new Recycling Strategy which was approved by the Cabinet in September 2022.

In March 2022 Audit Wales undertook a follow up review of the Council's plans to reduce waste and improve its recycling performance to achieve the national recycling targets. All recommendations were agreed and a copy of the report and the management response were appended to the report.

The Chairperson welcomed the Director of Economic Development and officers from the Waste Management Service to the meeting. The Director was invited to deliver a presentation. The Chairperson also welcomed Ian Phillips of Audit Wales to the meeting. Mr Phillips was invited to present the Audit Wales report.

Members were invited to comment, seek clarification or raise questions on the report. Those discussions are summarised as follows:

- The Director stated that the recommendations set out in the review report were accepted. The Recycling Strategy has since been launched and recycling rates have improved over the last two quarters. The Recycling Strategy aims to achieve a recycling rate of 70% by 2025 and the Director considered that they service was on track to achieve that target.
- Members requested further detail of the governance structures in place that would support implementation of the strategy. Members were advised that regular Programme Board meetings are held between the Chief Executive, Head of Finance, Director of Economic Development and operational managers which aim to implement a sustainable service delivery model that will deliver the strategy. The Programme Board report to SMT on a six-weekly basis. Project Teams bring forward aspects of the strategy and monthly Management Teams also meet to review all aspects of performance. Regular updates are also provided to Cabinet and the Scrutiny function. Corporate Finance officers are also part of the project teams in order that issues are identified at an early stage.
- Members sought clarification on the Council's working relationship with WRAP and whether WRAP were represented in terms of project management, as suggested in the Audit Wales report. Officers advised that fortnightly meetings are held with representatives from WRAP to discuss the four core projects listed

in the report. WRAP do not attend project board meetings but internal board representatives are provided with an update on the progress of projects. The relationship with WRAP is an informal partnership. Members asked whether there were limitations on the work WRAP would undertake on the Council's behalf as the statutory obligations lie with the Council. Officers stated that WRAP facilitate feedback on the performance authority to the Welsh Government and provide expertise advice on waste management issues.

- Members sought reassurance that the measurement of waste recycling performance was accurate and also requested further details on the processes used to verify the accuracy of recycling figures. The Committee was advised that data is input into a dataflow system which is monitored and audited by Natural Resources Wales. Confidence in the accuracy of the figures is high and the same system is used across all Welsh local authorities.
- Audit Wales were asked to confirm the recycling rates for Cardiff and other Welsh local authorities are comparable. Audit Wales confirmed that recycling performance figures were comparable.
- Members asked what proportion of the authorities waste comes from commercial businesses. Members were advised that 126,000 tonnes of waste are collected from residential properties and 35,500 tonnes are collected from commercial customers. In 2023 changes to legislation requiring all commercial businesses to recycle will come into force. Cardiff Council has approximately 3000 commercial waste collection contracts in place currently.
- Members asked whether the restriction put in place at HWRCs during the covid pandemic would be lifted and whether this would lead to a reduction in fly-tipping. Officers stated that the restrictions – namely a no black bag policy and a booking system – had led to a step change in the recycling being presented and the total recycling performance had increased from 60% to 85%. There was also a 100% increase in the income received from trade waste. The controls will therefore be retained.
- Members noted that the findings in the Audit Wales report generally supported with work ongoing particularly around recycling. Members asked Audit Wales to comment on what the Committee could be doing to provide assurance that the sustainable development principal is being consistently applied across policy development areas. Ian Phillips (IP) of Audit Wales stated that there is an expectation that sustainable development principals will drive policy across all service areas. In terms of the waste report, recommendation 4 and paragraph 33 relate to the sustainable development principal. Paragraph 33 provides some feedback on where sustainable development principals could potentially be strengthened. Examples were a more integrated approach between the decarbonisation team and waste management, between planning and waste management; and involving communities in waste prevention and waste reduction initiatives. In answer to a question on what the Governance and Audit Committee can do, IP Audit Wales suggested that the Committee should be aware of the 'five ways of working' described in the Future Generation Act and how to challenge officers on the application of sustainable development principles but suggested that further training be considered on the Future Generation Act and

the sustainable development principal in particular.

- Members asked whether there was a more generic process that could be applied across the Council that ensure the principals of the Future Generation Act are embedded in policy and strategy. The Director of Economic Development stated that a programme of training across policy assessment areas has been undertaken. The work undertaken by Audit Wales in this area is recognised corporately and it will form a part of all future decision making. Cabinet reports and officer decision reports will be required to have the relevant policy assessment as part of that process.

RESOLVED – That the report be noted.

54 : FOLLOW-UP LEISURE REVIEW

The Committee received a report from Audit Wales on the Council's progress in meeting the proposals for improvement made in their Review of Leisure Services report in 2020 and to consider the management response.

The Chairperson invited Samantha Clements of Audit Wales to present the report including a summary of the findings. Members were advised that Audit Wales recognise both the Council and GLL are working constructively to address the unprecedented and significant implications of the COVID19 pandemic and the cost of living crisis.

Officers were invited to make a brief presentation on the management response to the report's recommendations.

Members were advised that in October 2020 Audit Wales reported the findings of their review of the leisure services provided by Greenwich Leisure Ltd (GLL) and how they contributed to the achievement of the Council's well-being objectives. A copy of the Audit Wales report was appended at Appendix E.

The findings from the above review were based on fieldwork undertaken prior to the COVID19 pandemic. The report concluded the Council had achieved its key aim of keeping its leisure centres open but there was scope for the Council to better apply the sustainable development principle and strengthen its arrangements to assure itself that its contract with GLL was delivering value for money.

The Leisure Services Contract was also subsequently reviewed by the Economy and Culture Scrutiny Committee and by Cabinet. Furthermore, to mitigate increased energy costs, it was agreed in principle, that the Council make relief payments to GLL and enable GLL to acquire their energy at a cheaper rate either directly or indirectly through the Crown Commercial Service.

Audit Wales undertook a follow-up review during April and May 2022 to assess the Council's progress in addressing the six proposals for improvement made in the 2020 report. All recommendations were agreed. The management response was appended at Appendix B.

The Chairperson invited Samantha Clements of Audit Wales to present the report including a summary of the findings. Members were advised that Audit Wales recognise both the Council and GLL are working constructively to address the unprecedented and significant implications of the COVID19 pandemic and the cost of living crisis.

Members were invited to comment, seek clarification or raise questions on the report. Those discussions are summarised as follows:

- A Member asked Audit Wales whether the statement in the report in relation to 'limited financial information' received by Audit Wales from GLL was exclusively in reference to the medium term financial forecasting information or whether it included other financial information. Sara-Jane Byrne of Audit Wales stated that the Audit Wales report was published prior to further information being presented to the Economy and Culture Scrutiny Committee. The statement referring to 'limited financial information' therefore related to both the medium term financial forecasting and other financial information.

RESOLVED – That the report be noted.

55 : SUMMARY REPORT OF ASSURANCE AND RISK ASSESSMENT WORK

Members received a report summarising the assurance and risk assessment work undertaken by Audit Wales during the year. Gareth Newell, Head of Performance introduced the report.

Members were advised that the report was received on 17 November 2022. Members were advised that a management response to the report was being drafted, however, there were no issues of concern identified through the SMT consideration to date.

Sara-Jane Byrne presented the Audit Wales report and provided a summary of the key assurance and risk assessment projects. The three areas covered by the report – financial position; the implications of the Local Government Elections Act; and carbon reduction plans; were undertaken at all 22 Welsh local authorities.

Members were invited to comment, seek clarification or raise questions on the report. Those discussions are summarised as follows:

- The Chairperson stated that ideally the Audit Wales reports would be presented at the same time as the management response in future.
- A Member commented on Exhibit 1 in the report which provided details of the amount of usable reserves in Welsh local authorities. Members considered that a range of the usable reserves would be more beneficial than the ranking order comparison that was provided in the report.

- A Member referred to references in the One Planet Cardiff Strategy – focussing on ‘carbon reduction’ and references in the Audit Wales report to ‘net zero’ and asked whether these are the same thing. Sara-Jane Byrne stated that her understand was that this referred to decarbonisation and agreed to provide further clarification on this point in writing.
- A Member noted that a number of the reports presented at the meeting endorsed the approaches being taken by the authority in terms of the application of sustainable development principals across a range of services. The Member asked what checks and assurances could the Committee expect to see in the future to ensure that those principals continue to be applied. The Head of Performance and Partnerships stated that a lot of work has been undertaken to increase organisational knowledge of what is meant and expected. Significant guidance is available for policy development and decision making, including a policy portal containing information on long-term thinking, how best to use data and preventative approaches, expectations around engagement, etc. A single integrated assessment of decisions has also been introduced which includes Future Generation Act assessments, policy implications, equalities impact assessments, child impact assessments, Welsh languages assessments and a range of environmental impact assessments.
- Members considered that the Committee would need to be assured that the commitments described above are being executed. The Head of Performance agreed to revisit where assurance can be improved beyond the Single Integrated Assessment.
- A Member considered that the strategic use of reserves and the resource implications referenced in paragraph 45 of the report should be addressed in the management response.

RESOLVED – That the report be noted.

56 : COMBINED SPRINGING FORWARD REPORT

Members received an Audit Wales report on the council workforce and assets. Gareth Newell, Head of Performance introduced the item. Members were advised that a management response to the report was currently being drafted and would be expected in due course.

Samantha Clements from Audit Wales introduced the report.

- A Member referenced comments in the report in relation to ‘valuable progress’ and asked whether more information could be provided in terms of identifying exactly what that valuable progress is. Members were advised that the report sets out that valuable progress was made in embedding hybrid working and delivering a property strategy.

- Responding to points raised by the Committee, the Head of Performance accepted that report commended the work undertaken in terms of consultation and engagement with staff but more work was needed in terms of consultation and engagement with partners and the public. The management response will address these points.

RESOLVED – That the report be noted

57 : WORK PROGRAMME AND TIMETABLE UPDATE

Sara-Jane Byrne presented the report. Members were asked to note that, in terms of the statement of accounts for 2021/22, the report states that the work programme timetable indicates that opinion on the accounts would be provided in December 2022. However this would be moved to January 2023 across Wales.

RESOLVED – That the report be noted.

58 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Committee received a report from the Audit Manager providing the Governance and Audit Committee with an update on the work and performance of the Internal Audit and Investigation Teams. The report covered the period from 1 July to 30 September 2022.

Members were reminded that the Committee approved the Audit Charter and the risk-based Audit Plan 2022/23 on 15 March 2022. The Internal Audit Progress Report at Annex 1 of the report provided details of performance in relation to the Internal Audit Plan and provided a summary of 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 asked to note that no 'unsatisfactory' audit opinions have been provided over the reporting period.

The Investigation Team Progress Report at 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 stated that it has not been possible to appoint to the vacant Senior Auditor post. Therefore a decision had been taken to add an additional a Principal Auditor at Grade 9 to the structure. Vacant posts would be released providing an overall saving of £15,000 in the next financial year. The restructure would provide additional management resource. Specialist contractors were also being used to undertake four specialist audits to support the work of the in-house team.

Members asked whether officers were confident that the Principal Auditor post would be filled, given the difficulties in appointing a Senior Auditor. The Audit Manager accepted that there were difficulties attracting suitable candidates. Members were advised that the failure to appoint to the vacant post did not result in the existing team were carrying additional workload, but rather to prioritised approach to deliver the plan in order to maximise assurance with the resources available.

A Member asked whether the timescales set for implementing audit recommendations were realistic. Members were asked to note that management determine the timescales for responding to recommendations.

Internal Audit will discuss responses to recommendations and if they are considered to be overly optimistic then this is highlighted. However, it is ultimately management responsibility to act upon recommendations.

The Committee noted the mainly positive conclusions drawn from the reports.

RESOLVED – That the report be noted.

59 : COUNCIL COMPLAINTS - MID YEAR REPORT

The Committee received a report to assist Members to review and assess the authority's ability to handle complaints effectively.

The Isabelle Bignall, Chief Digital Officer was invited to present the mid-year complaints report. A total of 1,348 complaints have been received during the first six months of the year – 69.4% of which were responded to within the 20 working day target. Of the remaining complaints 28.8% were responded to within 3 months.

Members were advised that the Project Manager responsible for the introduction of the new complaint handling system has left the authority and resources for a replacement were not yet available. There has been no impact upon the ability to respond to complaints on a day to day basis. However, the timeline for rolling out the new system will need to be revisited.

The key progress made on the project was highlighted, including webpage development and training. Colleagues in Cabinet Support, Waste and Adult Services were currently trialling the system.

The Key Performance Indicators (KPIs) were presented. The KPIs were yet to be ratified by the Halo Board. However, the Ombudsman's office recently published their own KPIs and consideration may need to be given to aligning with the Ombudsman's KPIs in the future.

Members and officers discussed how complaints were helping inform organisational learning and service improvement.

Members noted the differences between complaint categorisation used by the authority and by the Ombudsman. Members considered that it would be helpful to have a greater understanding of how the Ombudsman categorises complaints and whether it would be possible for discussions to take place with the Ombudsman with a view to the Ombudsman publishing data on complaints in Cardiff in a more useful way.

Officers stated that it would be possible to include reference to the authority's categorisation and the Ombudsman's categorisation in future reports. An undertaking was also provided that this would be raised as an agenda point at the next quarterly meeting between the Ombudsman and the other 22 Welsh local authorities. The point has been raised previously at which point the Ombudsman considered that their categorisation needs to work across all 22 Welsh local authorities.

Members also considered that organisational learning should also be extended to consider complaints referred to the Ombudsman. Officers advised that a feedback loop is in place.

RESOLVED – That the report be noted.

60 : CORPORATE RISK MANAGEMENT 2022/23 (MID-YEAR)

The Head of Finance presented the Corporate Risk Management Quarter 2 2022/23 Mid-Year report.

Members were asked to note that the risks for financial resilience and budget monitoring had increased during the period.

A Member considered that the Corporate Risk Register seemingly lists all the major areas of responsibility for the Council. For example, failure to deliver performance to meet statutory recycling targets could be interpreted as not being a risk as there was no uncertainty. Therefore, failure to meet the statutory targets is not a risk. It is an issue and it should be managed accordingly. Officers welcomed the feedback and agreed to reflect on the comments raised.

RESOLVED – That the report be noted.

61 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

62 : CORRESPONDENCE

RESOLVED – That the report be noted.

63 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

64 : URGENT ITEMS (IF ANY)

No urgent items.

65 : DATE OF NEXT MEETING

The next meeting is scheduled for 24 January 2023.

The meeting terminated at 4.00 pm



**STRONGER
FAIRER
GREENER**



Financial Update Governance & Audit Committee 24th January 2023



#GweithioDrosGaerdydd
#GweithioDrosochChi

#WorkingForCardiff
#WorkingForYou

Contents



**STRONGER
FAIRER
GREENER**



- Current Year Position 22/23
- Provisional Settlement Headlines 23/24
- Budget Modelling Update 23/24



**#GweithioDrosGaerdydd
#GweithioDrosochChi**

**#WorkingForCardiff
#WorkingForYou**

Current Year Position



STRONGER
FAIRER
GREENER



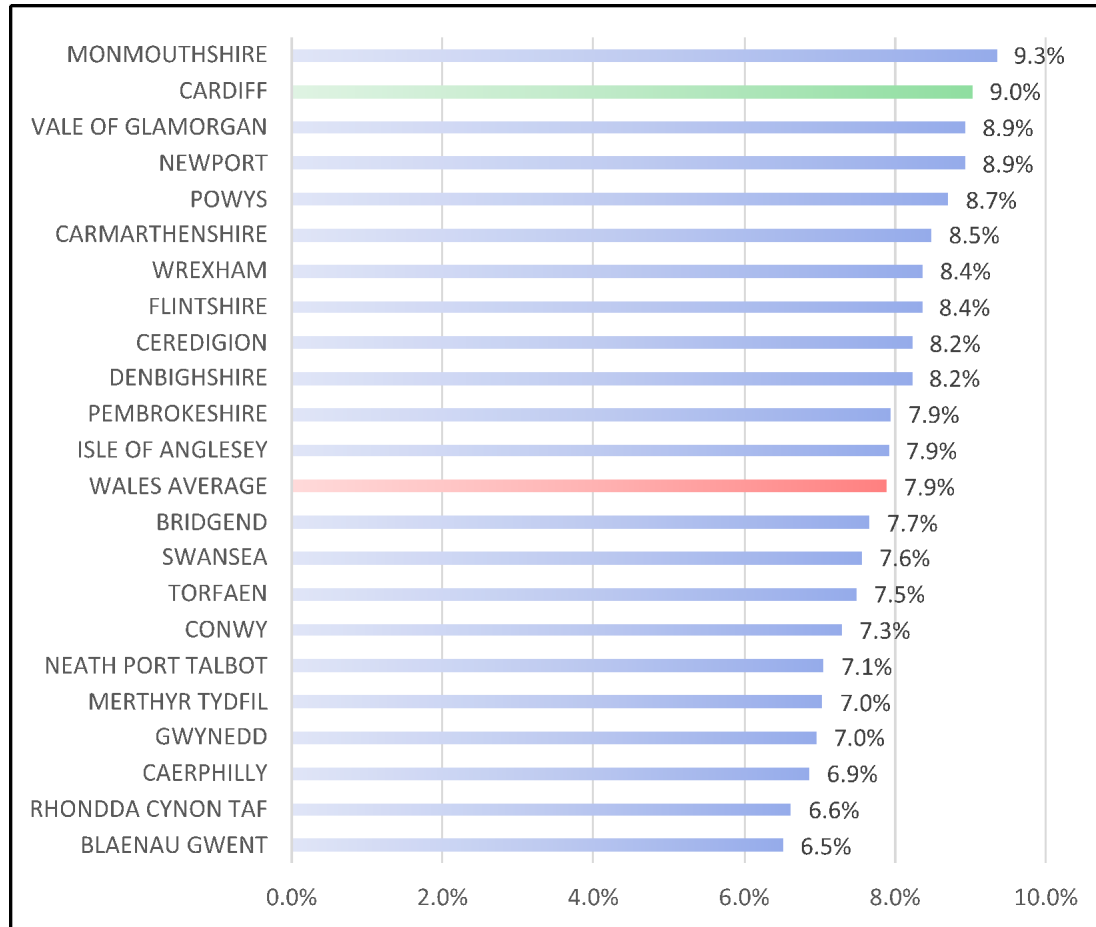
- Current Year Position continues to be challenging
- Month 6 report to Cabinet 17th November a projected Revenue overspend of £7.4M
- Services continuing to work to reduce spend and mitigate overspend
- Pressures continue and include:
 - Pay pressure
 - Income recovery
 - Service pressures such as Children’s Services and Home to School Transport
- Month 9 will be reported to Cabinet in February



Provisional Settlement Headlines – Revenue



**STRONGER
FAIRER
GREENER**



Page 24

Overview of Non-hypothecated Funding Wales

- Welsh average increase: 7.9%
- Range: 6.5% (Blaenau Gwent) - 9.3% (Monmouth)
- No floor funding mechanism
- No transfer in of specific grants applicable to Cardiff

Cardiff

- Cardiff: 9% - second highest in Wales (Cash £48.2m)
- Favourable but comes in the context of unprecedented cost pressure



#GweithioDrosGaerdydd
#GweithioDrosochChi

#WorkingForCardiff
#WorkingForYou

Budget Modelling Update



**STRONGER
FAIRER
GREENER**



Resources Available	£000	Reflects:
Base Budget B/F	743,746	
Pay Award, NI & LGPS changes	29,677	<ul style="list-style-type: none"> • Shortfall in funding for 2022/23 pay award • Assumed pay award for 2023/24 • Reversal of NI increases & reduced LGPS (actuarial review)
Price Inflation	27,967	<ul style="list-style-type: none"> • Energy and Fuel • Commissioned Care Costs (inc RLW impact) • Home to School Transport • Levy increase to South Wales Fire Service
Commitments & Realignments	10,653	<ul style="list-style-type: none"> • Risk based realignments linked to Month 6 • Total figure is £16.653m – offset by release of £10m former Covid 19 contingency budget
Demographic Pressures	6,701	<ul style="list-style-type: none"> • Adult Services • Pupil Numbers, Special Schools, LDP places
Sub-Total Cost Pressures	74,988	
Resources Required	818,744	

- Total Cost Pressures - £74.988m
- Higher than anticipated settlement has helped in managing some of these
- However there is still a significant budget gap:
 - Resources Required - £818.7m
 - Resources Available - £795.2m
 - **Budget Gap - £23.5m**

Resources Available	£000	Reflects:
Aggregate External Finance	592,891	• Per Provisional Settlement
Council Tax	200,856	• 2023/24 tax base at 2022/23 prices
Earmarked Reserves	1,500	• Baseline assumption of £0.5m plus £1m energy reserve
Resources Available	795,247	

Page 25



#GweithioDrosGaerdydd
#GweithioDrosochChi

#WorkingForCardiff
#WorkingForYou

Budget Modelling Update



**STRONGER
FAIRER
GREENER**



Page 26

	£000	Reflects
Budget Gap	23,497	Resources required less resource available
Council Tax increase	(4,975)	Draft only - modelled at 3%
Efficiency Proposal	(8,500)	Current target
Shortfall still to be addressed	10,022	

The shortfall still to be addressed will be bridged through a combination of factors. Subject to consultation, these may include:

- Agreed service change proposals included post budget consultation
- Further efficiency proposals - including corporate measures, grant maximisation opportunities and expressions of interest in voluntary redundancy
- Further consideration of the overall level of reserves to be used in support of the budget



**#GweithioDrosGaerdydd
#GweithioDrosochChi**

**#WorkingForCardiff
#WorkingForYou**

Consultation



**STRONGER
FAIRER
GREENER**



Promotion of Consultation

- Survey available for online completion on the Council's website
 - Co-ordinated social media & press campaign – links available through Council's social media accounts.
- Targeting of localised community groups & advertising to groups with typically lower response rates
- Links to survey shared with community groups – faith groups, community councils and partners including members of PSB. Also shared with Access Forum, Deaf Hub and RNIB
 - Council staff - promoted via intranet, staff information email alerts and on Digigov

Page 27

Content

- **School Funding**
- **Fee Increases** - Schools Meals, Bereavement, Sports Pitch hire, CPE Tariffs (Pay and Display) and Residents Permits
- **Service Change / Alternative Delivery** - Saint David's Hall, Cardiff International White Water, Museum of Cardiff, Recycling Centre Hours, Hubs – various, Sports pitches – rationalisation and asset transfer



#GweithioDrosGaerdydd
#GweithioDrosochChi

#WorkingForCardiff
#WorkingForYou

Next Steps



**STRONGER
FAIRER
GREENER**



- Ongoing refinement and analysis of base requirements, savings proposals and modelling
- Consultation ends 29th January – Cabinet consider consultation feedback in drafting final budget proposal
- Late Feb / Early March – Budget Scrutiny
- Council consideration of Cabinet’s draft budget proposal – 9th March 2023



**#GweithioDrosGaerdydd
#GweithioDrosochChi**

**#WorkingForCardiff
#WorkingForYou**

Audit Wales Work Programme and Timetable – Cardiff Council

Quarterly Update: 31 December 2022

Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in November 2021	January 2023	Drafting - Pending conclusion of the accounts audit

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's 2021-22 statement of accounts	Providing the audit opinion on the Authority's 2021-22 statement of accounts, including its Housing Revenue Account, Cardiff Harbour Authority, Cardiff Port Health Authority, Glamorgan Archives, Prosiect Gwyrdd.	January 2023	Ongoing. Audit of draft accounts and Annual Report is in progress.
Audit of Cardiff and Vale of Glamorgan Pension Fund's Annual Report (including the statement of accounts)	Providing the audit opinion on the 2021-22 Cardiff and Vale of Glamorgan Pension Fund's statement of accounts. The draft statement of accounts was received on 6 September.	November 2022	Completed November 2022
Audit of the Council's 2021-22 Grant Claims	Completing the audits of the Council's DWP Housing Benefit, NNDR & Teachers Pensions Authority grant claims	January/February 2023	Ongoing.

Performance Audit work

2022-23 Performance audit work	Scope	Timetable	Status
Assurance and Risk Assessment	<p>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 and acting in accordance with the sustainable development principle.</p> <p>The project is likely to focus in particular on:</p> <ul style="list-style-type: none"> • Financial position • Capital programme management • Use of performance information – with a focus on service user feedback and outcomes • Setting of well-being objectives (depending on the Council’s plans to do this) 	April 2022 – March 2023	Ongoing
Thematic Review – Unscheduled Care	<p>A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p>	July – December 2022	Concluding fieldwork

2022-23 Performance audit work	Scope	Timetable	Status
Thematic review – Digital	Specific focus of this review to be confirmed.	February/April 2023	Scoping
Local work	Scope to be discussed with the Council.	To be confirmed.	Scoping

Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Cardiff Council
Building Social Resilience and Self reliance	Review of how local authorities can build greater resilience in communities	Autumn 2021 – Autumn 2022	Clearance – publish January 2023	Yes – interview with nominated officer at the Council.
Building safety	Review of how well local authorities are delivering their responsibilities for building safety	September 2022 – August 2023	Evidence Gathering – fieldwork planned for January – March 2023	Yes – interview with nominated officer at the Council and survey.
Planning for sustainable development – Brownfield regeneration	Review of how local authorities are promoting and enabling better use of vacant non-domestic dwellings and brownfield sites	October 2022 – September 2023	Evidence gathering – fieldwork being set up for January – March 2023	Yes – interview with nominated officer at the Council and survey.
Governance of special purpose authorities – National Parks	Review of systems and effectiveness of governance	November 2022 – September 2023	Planning	No

Study	Scope	Timetable	Status	Fieldwork planned at Cardiff Council
Corporate Joint Committees	Assessing CJsCs' progress in developing their arrangements to meet their statutory obligations and the Welsh Government's aim of strengthening regional collaboration.	September 2022 – January 2023	Fieldwork complete	Yes – We are exploring the Council's perspective via our routine liaison meetings. Fieldwork includes interviews with the chief executive, director of finance and chair of each of the four CJsCs.

Estyn

Estyn planned work 2022-23	Scope	Timetable	Status
Local Government Education Services Inspections	<p>Estyn carried out a post-inspection improvement conference in Torfaen in September as part of our follow-up process for an authority causing significant concern. Pembrokeshire was removed from our follow-up category following our monitoring visit in early October. Wrexham local authority is still in a causing concern category, and we convened a progress conference in December to look specifically at the school improvement recommendation. We are proposing to re-visit Wrexham in the summer term. We inspected Blaenau Gwent in December, and we will be inspecting RCT in early spring.</p>	<p>RCT inspection week beginning 23 January</p>	<p>N/A</p>
Education Other than at School (EOTAS) thematic review	<p>Field work being carried out in late autumn/early spring term across all local authorities.</p>	<p>Report published on 30 June</p>	<p>N/A</p>

Care Inspectorate Wales (CIW)

CIW planned work 2022-23	Scope	Timetable	Status
Programme 2022-23	Following our testing phase we are making the final amendments to our approach and code of practice. This will result in a revised code of practice. We will consult on this early 2023 with implementation from 01 April 2023.	April 2022- March 2023	In progress
Joint work	<p>We continue to work with partners, sharing information and intelligence including completing joint reviews.</p> <p>We currently are working in collaboration with HIW for a national review of the stroke pathway and CMHT inspections.</p>	Current	In progress
Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2021-22	Following the publication of the 2020-21 report planning is underway for the next report: publication date to be confirmed.	Publication to be confirmed	Pre-publication
Annual meeting with Statutory Directors of Social Services	CIW will meet with all Directors of Social Services.	December 2022 and January 2023	Delivery

CIW planned work 2022-23	Scope	Timetable	Status
<p>National review of Care Planning for children and young people subject to the Public Law Outline pre-proceedings</p>	<p>Purpose of the review</p> <p>To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings.</p> <p>To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre proceedings' and the publication of the PLO working group report 2021 including best practice guidance.</p>	<p>September 2022 – Spring 2023</p>	<p>Delivery</p>
<p>Joint Inspection Child Protection Arrangements (JICPA)</p>	<p>Cross-inspectorate approach. Areas to be determined. We will complete a further four multi-agency joint inspections.</p> <p>We will publish a national report in late 2023.</p>	<p>Autumn 2022 – Spring 2023</p>	<p>Planning</p>

Audit Wales national reports and other outputs published since January 2022

Report title	Publication date and link to report
A Picture of Flood Risk Management	December 2022
'A missed opportunity' – Social Enterprises	December 2022
Poverty Data Tool	November 2022
'Time for change' – Poverty in Wales	November 2022
Learning from cyber-attacks	October 2022 (distributed privately to audited bodies)
National Fraud Initiative 2020-21	October 2022
COVID-19 business support in 2020-21 – Memorandum for the Public Accounts and Public Administration Committee	October 2022
Payment to the Welsh Government's Former Permanent Secretary on Termination of Employment	September 2022
Equality Impact Assessments: More than a Tick Box Exercise?	September 2022
Welsh Government – setting of well-being objectives	September 2022

Report title	Publication date and link to report
Welsh Government workforce planning and management	September 2022
NHS Wales Finances Data Tool – up to March 2022	August 2022
Public Sector Readiness for Net Zero Carbon by 2030: Evidence Report	August 2022
Public Sector Readiness for Net Zero Carbon by 2030	July 2022
Sustainable Tourism in Wales’ National Parks	July 2022
Third Sector COVID-19 Response Fund – Memorandum for the Public Accounts and Public Administration Committee	July 2022
The Welsh Community Care Information System – update	July 2022
Tackling the Planned Care Backlog in Wales – and waiting times data tool	May 2022
The new Curriculum for Wales	May 2022
Unscheduled care – data tool and commentary	April 2022
Direct Payments for Adult Social Care	April 2022

Report title	Publication date and link to report
Local Government Financial Sustainability data tool	February 2022
Joint Working Between Emergency Services (including data tool)	January 2022

Audit Wales national reports and other outputs (work in progress/planned)¹

Title	Anticipated publication date
The Welsh Government's purchase of Gilestone Farm – letter to the Public Accounts and Public Administration Committee	January 2023
Quality governance in the NHS	February 2023
Orthopaedic services	February 2023
Digital inclusion	February 2023
NHS workforce planning data briefing	March 2023
Maximising EU funding	May 2023

¹ We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. Since the previous update we have progressed planning work on several new topics although the scope and timetable for some of these pieces of work are still to be confirmed.

Title	Anticipated publication date
Covering teachers' absence – follow-up	July 2023
Affordable housing	To be confirmed
Ukrainian refugee response	To be confirmed
Active travel	To be confirmed
Cancer services	To be confirmed

Good Practice Exchange events and resources

Title	Link to resource
<p>Tackling poverty in Wales: responding to the challenge – this shared learning event brought people together from across public services to share ideas, learning and knowledge on how organisations can respond to the challenges caused by poverty. We shared examples of approaches being taken by organisations within Wales and across the UK.</p>	<p>Tackling poverty resources</p>
<p>Making Equality Impact Assessments more than a tick box exercise: This shared learning event aims to assist public bodies to improve use and application of EIAs beyond an exercise in compliance by bringing people together from across public services to share ideas, learning and knowledge.</p>	<p>Making EIAs more than a tick box exercise: Online event registration</p>

Title	Link to resource
<p>'A missed opportunity': Social Enterprises: Following on from our Tackling Poverty in Wales: responding to the challenge event held in October, we will be holding another shared learning event on our themed work looking at social enterprises in the new year. This event will bring people together from across public services to share ideas, learning and knowledge to lessen the challenges caused by poverty.</p>	<p>Further detail will be available on our event page shortly.</p>

Recent Audit Wales blogs

Title	Publication date
<p>A perfect storm – the cost of living crisis and domestic abuse</p>	<p>21 November 2022</p>
<p>Tackling poverty means tackling poverty data</p>	<p>11 November 2022</p>
<p>Cost of living and putting away the bayonet</p>	<p>21 September 2022</p>
<p>Heat is on to tackle Climate Change</p>	<p>18 August 2022</p>
<p>Direct Payments in Wales</p>	<p>15 June 2022</p>
<p>Unscheduled Care in Wales – a system under real pressure</p>	<p>21 April 2022</p>
<p>Skills Competition Wales</p>	<p>18 February 2022</p>

Title	Publication date
<u>Cyber resilience – one year on</u>	9 February 2022
<u>Helping to tell the story through numbers</u> (Local government financial sustainability data tool)	3 February 2022
<u>Call for clearer information on climate change spending</u>	2 February 2022
<u>Actions speak louder than words</u> (Building social resilience and self-reliance in citizens and communities)	14 January 2022

This page is intentionally left blank

GOVERNANCE & AUDIT COMMITTEE: 24 January 2023

INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT**REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 7.1**

Appendices D and E 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 Terms of Reference of the Governance and Audit Committee 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 the Governance and Audit Committee with an update on the work and performance of the Internal Audit and Investigation Teams. This progress report covers the period from 1 October – 31 December 2022, and follows the updates provided in the Committee meeting held on 29 November 2022.

Background

3. The Governance and Audit Committee approved the Audit Charter and the risk-based Audit Plan 2022/23 on 15 March 2022 at which time the planned activity of the Investigation Team was also provided for consideration.
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 Governance and Audit Committee. It is positive to report that no 'unsatisfactory' audit opinions have been provided over the reporting period.
5. The Investigation Team Progress Reports (**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 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 Public Sector Internal Audit Standards (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 Governance and Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

Issues

a) Audit

8. Annex 1 provides details of an external peer assessment, which is being completed, for external assurance of ongoing internal audit conformance with the PSIAS. This information is contained within section 1.4 'External Peer Assessment'.
9. The report outlines how during quarter three the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to further progress the delivery of assurance engagements from the Audit Plan.
10. Work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, and where there is a need to observe the operation of physical controls or operating practices. The Internal Audit Team has also continued to be available and to provide advice and guidance across the Council on schemes, initiatives and systems, and further details are provided within section 2.1. 'Current Activities'.
11. Section 2.2 'Resources', outlines that a new Principal Auditor post has been widely advertised with a closing date of 16 January 2023. This is in accordance with the audit team structure update provided to the Governance and Audit Committee on 29 November, whereby Members were advised of the decision to invest in an additional Principal Auditor post, to enhance a solid core of senior officers within the team and to not fill vacant posts at lower grades.
12. Since the last Committee update, a flexible retirement request has been approved for the Group Auditor through which their hours will reduce by 10 hours per week (from 37 to 27) from 1 April 2023. Information on this, and minor adjustments in the working hours of other members of the audit team relating to the financial year 2023/2024 are contained in agenda item 8.2 – Internal Audit Charter and Audit Plan 2023/24.
13. Section 2.3 'Annual Plan', advises that delivery of the Audit Plan 2022/2023 has been significantly lower than targeted in quarter three. This is attributed in part to a reduced level of staff resources as outlined in section 2.2. 'Resources', and to some isolated delays in receiving the information requested in order to conclude audit fieldwork. The quarter three position in delivering the Audit Plan is shown in section 3.2 'performance'. A contract has been awarded for the delivery of four audit engagements under the direction of the Audit Manager. At the time of reporting, the two IT audits are in a position of active fieldwork.
14. The Audit Plan has been reviewed and the Audit Manager has identified forty remaining audits in scope to be worked upon before the financial year end. The audits are targeted to provide a sufficient spread of assurance, that mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/2023. Delivering the prioritised audits would ensure all fundamental areas of the plan are

delivered, that core areas of corporate governance have been reviewed, and that there is sufficient coverage at the directorate level. Alongside this targeted approach, there will be a need to ramping audit delivery during quarter four, to be managed through monitoring and review arrangements, and assisted in part by the four audits being delivered under contract within this timescale.

15. Within Annex 1, section 2.4 'Critical Findings or Emerging Trends (Q3 2022/23)', details are given of the audit of contract variations which has a draft audit opinion of 'insufficient with major improvement needed'. Management consideration and discussion will follow before the report is finalised, at which time the assurance rating and recommendations will be confirmed.
16. Performance information is contained within section 3.2 'Performance', which shows an improving position of the timeliness of issuing audit outputs and a reduction in the audit recommendations delivered within the agreed timescale. Measures of auditor output and performance has been impacted by the lower capacity within the team as referred to within Section 2.2 'Resources'.
17. **Appendix A** shows a list of audits and their reporting status in the current year, as at 31 December 2022, in which thirty new audit engagements have been completed to at least draft output stage. There have been no unsatisfactory audit opinions provided in 2022/23, as at 31 December 2022. The current position for the full Audit Plan is shown in **Appendix B**.

b) Investigations

18. Annex 2 outlines the activities of the Investigation Team in quarter 3. For the year as a whole there are four hundred and forty-three chargeable days available based on current resources, indicatively split between strategic (80 days) and operational activities (363 days).
19. Excluding blue badge pilot work and outcomes as reported separately, as at 31 December 2022:
 - 88 cases have been identified for investigation, compared to 305 for the same period last year.
 - 58 investigations are ongoing, compared to 85 for the same period last year.
 - 115 investigations have concluded, compared to 317 over the same period last year.
 - 274,165 has been attributed to concluded investigations, compared to £616,737 for the same period last year.
20. In addition to identifying and progressing investigation cases, the team has continued to provide counter-fraud advice, guidance, training and support across the Council. An updated counter-fraud and corruption strategy and a suite of updated operational policies and procedures are being developed, these will be shared with the Governance and Audit and Committee as part of consultation and assurance processes in due course.
21. The summary report in Annex 2 provides further details in respect of the above, the training and awareness campaigns, the Council's involvement in the National Fraud Initiative exercise and a blue badge scheme.

Audit Recommendations

22. The recommendations and progress at the reporting date are provided in the following appendices.

Appendix C	Recommendations Summary
Appendix D	Contains the red & red / amber open recommendations
Appendix E	Contains the red and red / amber recommendations completed since the last Committee meeting in November 2022.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

25. That the Governance and Audit Committee note and consider the contents of the:

- Internal Audit and Investigation Team Progress Reports.

CHRIS PYKE AUDIT MANAGER

The following are attached:

Annex 1 - Internal Audit Progress - Summary Report

- Appendix A** Report Status as at 31 December 2022
- Appendix B** Audit Plan
- Appendix C** Recommendations Summary
- Appendix D** Red & red / amber open recommendations
- Appendix E** Red & red / amber recommendations completed since last Committee

Annex 2 - Investigation Team Progress – Summary Report



Resources Directorate Internal Audit Section



Internal Audit Progress Report (as at 31 December 2022)

Introduction	2
Background	2
Independence and Objectivity	2
Continuing Professional Development	2
External Peer Assessment	3
 Summary of Work Performed	 3
Current Activities	3
Resources	6
Annual Plan	7
Critical Findings or Emerging Trends (Q3 2022/23)	10
Value for Money Findings (Q3 2022/23)	11
 Audit Performance and Added Value	 11
Added Value	11
Performance	14
Audit Plan Delivery	14
Recommendations	14
 Conclusion	 15
 Appendix A	 Report Status as at 31 December 2022
Appendix B	Audit Plan
Appendix C	Recommendations Summary
Appendix D	Red & red / amber open recommendations
Appendix E	Red & red / amber recommendations completed since last 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.

This progress report covers the period from 1 April – 31 December 2022, and follows the updates provided in the last Committee meeting held on 29 November 2022. This report is structured to provide a summary account of audit activities, outcomes and progress made against the Audit Plan 2022/23.

The Audit Plan 2022/23 was approved by the Governance and Audit Committee on 15 March 2022. 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.

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 Governance and Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

1.3 Continuing Professional Development

Auditors have completed their year-end personal reviews and formalised their objectives for 2022/23. Prior to discussing performance, auditors updated their skills assessment in application of 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.

1.4 External Peer Assessment

The Public Sector Internal Audit Standards (PSIAS) requires an external assessment of conformance with the Standards to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The latest external peer assessment was completed by the Head of Audit from Rhondda Cynon Taf and reported to the Governance and Audit Committee in March 2018.

Further to the details provided to Committee in July and November 2022, the assessment is being completed by the Chief Auditor in Monmouthshire / Newport who has been allocated to undertake the peer assessment of Cardiff Council's Internal Audit service.

It is intended for the assessment to be presented to the Governance and Audit Committee in its March 2023 meeting.

2 Summary of Work Performed

2.1 Current Activities

During quarter three 2022/23, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to further progress the delivery of assurance engagements from the Audit Plan.

The Internal Audit Team has continued to be available and to provide advice and guidance on the design and implementation of effective controls in the administration of Welsh Government COVID-19 grants schemes as well as for the Homes for Ukraine Scheme, to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

Work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, and where there is a need to observe the operation of physical controls or operating practices.

The table below shows a list of audits and their reporting status in the current year until 31 December 2022, whereby 30 new audit engagements were completed to at least draft output stage and 19 audit engagements from the prior year have been finalised. A summary of the audit outputs and opinions in the year to date is shown below.

Figure 1. Audit outputs and opinions (at 31 December 2022)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	12	3	8	1	0	0
Final	37	5	20	5	0	7
TOTAL	49	8	28	6	0	7
	30	New Audit Engagements completed				
	19	Finalised Audit Engagements from 2021/22				

Figure 2. 2022/23 Audit outputs and opinions (at 31 December 2022)

No.	Assurance Audit Engagement	Audit Opinion
1.	Welsh Government Covid Grants - Assurance (2021/22)*	Effective
2.	Get me home service	
3.	ICF schemes (incl. Families First)	
4.	School Asset Management - Thematic (Albany)	
5.	Housing Benefit / Local Housing Allowance / Council Tax Reduction Scheme	
6.	Income and Debtors	Effective with opportunity for improvement
7.	Health and safety	
8.	Leisure Contract Governance	
9.	Shared Regulatory Services in Cardiff	
10.	Cantonian	
11.	Schools with Surplus Balances - Thematic	
12.	Agency Staff Payments	
13.	Risk Management Arrangements	
14.	Procurement	
15.	Brindley Road Stores	
16.	Safeguarding	
17.	Cardiff Caravan Park	

No.	Assurance Audit Engagement	Audit Opinion	
18.	Cardiff Riding School		
19.	Cardiff Organic Waste Treatment Contract		
20.	Glyncoed Primary School		
21.	Catering in Opted out schools		
22.	Cardiff Dogs Home		
23.	Contract Variations		Insufficient, major improvement needed
Audit Work with 'No Opinion'			
24.	CRSA - Purchases and Payments	Consultancy, and certification, advice guidance	
25.	CRSA - Payroll and HR		
26.	Joint Committees - Prosiect Gwyrdd		
27.	Joint Committees - Port Health Authority		
28.	Joint Committees - Glamorgan Archives		
29.	Service / Process Consultancy		
30.	Education Improvement Grant 2021/22		
Concluded Audits from the Prior Year			
31.	Purchasing and Payments - in year testing	Effective	
32.	Commissioning and Procurement - People and Communities		
33.	Main Accounting		
34.	Cradle to grave audit	Effective with opportunity for improvement	
35.	Telecare		
36.	Information Governance		
37.	Business Continuity and Incident Management		
38.	Performance management		
39.	Purchasing cards		
40.	Directorate Recovery Planning		
41.	Resources - Pre-Contract Assurance		
42.	Income and debtors - Social Services		
43.	School Health and Safety – Thematic		
44.	Value for money in Digital Initiatives		
45.	Children's Placements		Insufficient, major Improvement needed
46.	Section 106 agreements		
47.	Mileage & Subsistence		

No.	Assurance Audit Engagement	Audit Opinion
48.	Cloud Computing	
49.	Pre-contract assurance - Children's Services	

*Arrangements were made for the audit of 'Welsh Government Covid Grants – Assurance' to be overseen by another Operational Manager within Accountancy, and to remove any involvement in the audit review from the Audit Manager, who has advised on the design and operation of controls in the administration of these grants.

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

Figure 3. Completed audits without an assurance opinion (at 31 December 2022)

Audit	Comments
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2021/22
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
Service and Process Consultancy –Homes for Ukraine Scheme and Welsh Government COVID-19 Grants.	Compliance, control, and counter-fraud guidance
Education Improvement Grant 2021/22	Grant certification
CRSA - Purchases and Payments	Control Risk Self-Assessment completion exercises with clients
CRSA - Payroll and HR	

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

2.2 Resources

A new Principal Auditor post has been widely advertised with a closing date of 16 January 2023. This is in accordance with the audit team structure update provided to the Governance and Audit Committee on 29 November, whereby Members were advised of the decision to invest in an additional Principal Auditor post, to enhance a solid core of senior officers within the team and to not fill vacant posts at lower grades.

Since the last Committee update, a flexible retirement request has been approved for the Group Auditor through which their hours will reduce by 10 hours per week (from 37 to 27) from 1 April 2023. Information on this, and minor adjustments in the working hours of other members of the audit team relating to the financial year 2023/2024 are contained in agenda item 8.2 – Internal Audit Charter and Audit Plan 2023/24.

Committee has been advised of the impact of vacant posts on the progression of the audit plan in the year to date and, to support audit coverage in areas of IT and corporate governance this year, a contract has been awarded for the delivery of four audit engagements under the direction of the Audit Manager. At the time of reporting, the two IT audits are in a position of active fieldwork. There have also been some instances of sickness which have had an impact on the available staff resources during quarter three.

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 891 chargeable days up to the end of quarter three, against a pro-rata plan of 1078 days. The lower number of chargeable days to planned are primarily attributed to the vacant senior auditor post, but also impacted by greater use of administrative and management time, and staff engagement in development and corporate wellbeing initiatives. There have been some instances of short-term sickness, although the impact of this on staff resources has been relatively minor.

Time is available for audit development purposes, and one Auditor has funding in place to study the Certified Information Systems Auditor (CISA) Qualification with ISACA.

2.3 Annual plan

The Audit Plan 2022/2023 is contained within Appendix B. 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.

For the information of the Committee, all audits that were at draft status at the end of 2022/2023 are highlighted in 'grey' in order to enable the finalisation of these audits to be tracked, whilst

providing a visible separation from the audit engagements contained within the Audit Plan 2022/2023.

Delivery of the Audit Plan 2022/2023 has been significantly lower than targeted in quarter three. This is attributed in part to a reduced level of staff resources as outlined in section 2.2. 'Resources', and to some isolated delays in receiving the information requested in order to conclude audit fieldwork. The quarter three position in delivering the Audit Plan is shown in section 3.2 'performance'.

The Audit Plan has been reviewed and the Audit Manager has identified forty remaining audits in scope to be worked upon before the financial year end. The audits are targeted to provide a sufficient spread of assurance, that mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/2023. These have been grouped into priority 1 audits (25 audits) and priority 2 audits (15 audits) and are contained within the tables below.

- **Priority 1 audits** are all to be targeted to for issue to draft report stage by the end of the financial year. Delivering these audits would ensure all fundamental areas of the plan are delivered, that core areas of corporate governance have been reviewed, and that there is sufficient coverage at the directorate level. Delivering these audits would achieve 52% of the Audit Plan against a target of 70%.
- **Priority 2 audits**, which include the thematic audit of performance management across each directorate, and wider directorate-level audits, are to commence when the allocated auditor has delivered their priority 1 audits.
- It is intended to conclude any priority audits which have not been completed by the financial year-end in quarter one 2023/2024, for which a provision will be made in the Audit Plan 2023/2024 with a request for Committee approval on 21 March 2023.

Alongside this targeted approach, there will be a need to ramping audit delivery during quarter four, to be managed through monitoring and review arrangements, and assisted in part by the four audits being delivered under contract within this timescale.

Figure 4. Priority 1 Audits

Status (as at 31.12.2022)	Assignment
Report Writing / Review	Waste Management Enforcement
	City Deal 2021/22
Audit Fieldwork	ICT Audit - Cyber Security Governance
	Directorate PCI - DSS Compliance
	Central Transport Service
	Norwegian Church Preservation Trust 2021/22
	Disposal of Land and Buildings
Commencing Fieldwork	Council Tax
	Pensions and Investments
	Cardiff Further Education Trust Fund 2021/22
Planning	Ethics and Values
	Partnership / Arms-length Assurance
	In-year testing - Purchases and Payments
	In-year testing - Payroll and HR
	Complaints and Compliments
	Alarm Receiving Centre
	Performance Management – Economic Development
	Eastern High
	FOLLOW UP - Cardiff West Community High School
	International White Water
Not yet started	Harbour Authority
	Health and Safety – Education & LL
	National Fraud Initiative
	Fitzalan High School
	Baden Powell Primary school

Figure 5. Priority 2 Audits

Status <i>(as at 31.12.2022)</i>	Assignment
Planning	Performance Management - Adults, Housing & Communities
	Performance Management - Education and Lifelong Learning
	Performance Management - People and Communities
	Performance Management - Childrens Services
	Performance Management - Resources
	Performance Management - PTE
	Performance Management - Governance and Legal Services
	Youth Offending Service
	Commercial Waste
Not yet started	Skip Hire
	Emergency Duty Team
	Home Care
	Community Safety
	Delegation and decision making
	Residential Care

2.4 Critical findings or emerging trends (Q3 2022/2023)

During quarter three, one draft report has been issued with an opinion of ‘insufficient with major improvement needed’. The audit, of contract variations, relating to formal changes to a contract relating to price, volume, costs, the term etc. has been issued in draft. Management consideration and discussion will follow before the report is finalised, at which time the assurance rating and recommendations will be confirmed.

Sample-based testing did not identify instances where contract variations had not been appropriately approved, but it was considered that systems were not being utilised effectively in order to have a complete central record of contract variations. Variation information was being recorded on the Council’s electronic procurement systems and Contracts Register (Proactis) and not being integrated with the financial ledger (SAP), representing a risk to the completeness and accuracy of variation order information held. In the absence of a complete central record, it is

not possible to provide the necessary assurance that variations are being appropriately reported and consistently approved in accordance with corporate requirements.

Further legislative requirements are coming into force that the organisation needs to begin to prepare for. The Procurement Bill is due to come into force in the next 12-18 months which aims to improve transparency on public procurements and requires greater reporting on public procurements across the board, including contract variations. The audit has advocated that a project-based approach is used to review, and update where required, current systems and processes, and to ensure all responsibilities are clearly defined and understood across the Council aligned to the requirements of the Bill. In making any system updates there is an opportunity to make the best use of technology and automation. Further to this a system of training and guidance on systems and responsibilities has been recommended.

2.5 Value for Money findings (Q3 2022/2023)

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 Manager meetings were held with Directors and their representatives during the development of the audit plan in quarter four 2021/2022. Further meetings were then held quarterly during 2022/2023, with particular focus 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.

Feedback from audit clients has been positive in the year to date, with satisfaction rates at 100% from clients who have responded, 88% of whom advised that their audit ‘added value’

In the audit outputs issued to date (as at 31 December 2022), there have been 237 recommendations made, of which 96 have been agreed, and 141 are presently 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	1	0	1
Red / amber	77	41	36
Amber / green	155	53	102
Green	4	2	2
TOTAL	237	96	141

One recommendation relating to a contract management review reported in 2021/2022 has recently not been accepted. The amber / green recommendation was for steps to be taken to check professional indemnity insurance is in place for those instructed for legal practice (namely solicitors and barristers) on a particular framework. In order to be part of the Framework, appropriate arrangements for professional indemnity insurance have to be in place and on that basis, management consider that it isn’t necessary to check those provisions when work is outsourced under the Framework.

3.2 Performance

As outlined in section 2.1 (‘Current Activities’), the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to further progress the delivery of assurance engagements from the Audit Plan.

The primary reasons why the audit service is operating at a lower capacity are outlined in 2.2 (‘Resources’). At the outset of the year, a proposed target for delivery of the Audit Plan was set at 70% and integrated into audit planning and performance management processes. The target was considered to be stretching and achievable, for which the primary reason for slippage against this measure relates to the ongoing vacancy for which a recruitment exercise is underway, as referred to in section 2.2 (‘Resources’). Steps have been taken to prioritise the audits for delivery

during quarter 4, and a ramping up of delivery, for which details are provided in section 2.3 ('Annual Plan').

A number of audits have been finalised from last financial year, as shown in figure 1 and 2, but the majority of the new audits completed this year are at draft stage. Once reports have been considered and responded to by management the number of finalised audits will increase, as will the measure of finalised audits per full time equivalent. Attention is being given to engaging managers with a view to concluding draft audits.

The percentage of draft reports completed in four weeks has been improving each quarter and recovering from quarter one performance. The importance of prompt audit reporting will be a continued focus this year.

Governance and Audit Committee Members have taken particular interest in performance against the percentage of audit recommendations implemented within the agreed timescale, which has been below target for a number of years. After an improvement in performance against this measure in quarter two, which allows for slippage of two working weeks from the target set for actions to be evidenced as complete, performance has fallen slightly. The Audit Manager attended Senior Management Team on 10 January 2023 to present and discuss the position in responding to recommendations on a timely basis and emphasise the importance of maintaining good and clear communication as recommendations are progressed, and in the event of any difficulties or changing circumstances.

Figure 7. Performance against targets for 2022/2023 (to date)

Performance Indicator	2021/22 Outcome	2022/23 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome
The percentage of the Audit Plan completed	61%	70%	13%	25%	29%
The average number of audit productive days per FTE	147	150	37	68	103
The average number of finalised audits per FTE	7.4	9	1.43	3.13	4.82
The percentage of draft audit outputs delivered within four weeks	92%	90%	80%	84%	87%

Performance Indicator	2021/22 Outcome	2022/23 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome
The percentage of audit recommendations implemented within the agreed timescale	68%	80%	56%	71%	65%

3.3 Audit Plan Delivery

In addition to monitoring and managing the numbers of audits delivered, audit engagements are allocated in order to ensure that there is a breadth of assurance by the financial year-end, upon which to provide a complete Audit Manager annual opinion.

As outlined in section 2.4 – Current Activities, there have been thirty new audit engagements completed in the financial year 2022/2023 to date. The current position for the full Audit Plan 2022/2023 is shown in **Appendix B – Audit Plan**.

3.4 Recommendations

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

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

The table below shows the instances where implementation dates have been revised typically by audit clients, for audits which are not recognised as fully addressed by management (as at 31.12.2022). The position against recommendations is reported, to monitor progress and target discussions on the effective management of risk, in relationship management meetings each quarter.

Figure 8. Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Fundamental	22	20	2
Corporate	24	18	6
External and grants	13	9	4
Adults, Housing and Communities	40	25	15
Children' Services	29	23	6
Economic Development	39	30	9
Education and Lifelong Learning	86	59	27
Planning Transport and Environment	45	33	12
People and Communities	1	1	0
Resources	57	44	13
Governance and Legal Services	8	8	0
Waste Management	81	78	3
	445	348	97
Schools	187	133	54
TOTAL	632	481	151

NB - It should be noted that the table above represents the position as at 31 December 2022, 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

During quarter three 2022/2023, the priorities and approach of the audit team have continued to be the delivery of a combination of management support through consultation and engagement in high-risk areas, and delivery of assurance engagements from the Audit Plan.

A new Principal Auditor post has been widely advertised with a closing date of 16 January 2023. This is in accordance with the audit team structure update provided to the Governance and Audit Committee on 29 November, whereby Members were advised of the decision to invest in an additional principal auditor post, to enhance a solid core of senior officers within the team and to not fill vacant posts at lower grades.

Delivery of the Audit Plan 2022/2023 has been significantly lower than targeted in quarter three. This is attributed in part to a reduced level of staff resources as outlined in section 2.2. 'Resources', and to some isolated delays in receiving the information requested in order to

conclude audit fieldwork. The quarter three position in delivering the Audit Plan is shown in section 3.2 'performance'.

The Audit Plan has been reviewed and the Audit Manager has identified forty remaining audits in scope to be worked upon before the financial year end. The audits are targeted to provide a sufficient spread of assurance, that mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/2023.

Delivering the prioritised audits would ensure all fundamental areas of the plan are delivered, that core areas of corporate governance have been reviewed, and that there is sufficient coverage at the directorate level.

Alongside this targeted approach, there will be a need to ramping audit delivery during quarter four, to be managed through monitoring and review arrangements, and assisted in part by the four audits being delivered under contract within this timescale.

Report Status (as at 31 December 2022)

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
Fundamental / High				
Effective	Resources – Income and Debtors (cf. 2021/22)			Drafts
	Welsh Government Covid Grants - Assurance (2021/22)			Issued
	School Asset Management - Thematic (Albany)			
	Housing Benefit / Local Housing Allowance / Council Tax Reduction Scheme			
	People and Communities – Commissioning & Procurement (cf. 2021/22)			
	Main Accounting (cf. 2021/22)			
	Purchasing and Payments - in year testing (cf. 2021/22)			
	St Illtyd's – School Asset Management (cf. 2021/22)			
Effective with opportunity for improvement	Resources - Health and Safety (cf. 2021/22)			Drafts
	Adults, Housing and Communities - Pre-Contract Assurance (cf. 2021/22)			Issued
	Whistleblowing Processes (cf. 2021/22)			
	Payroll & HR – In Year-Testing (cf. 2021/22)			
	Asset Management (cf. 2021/22)			
	Income and Debtors			
	Health and safety			
	Procurement			
	Cradle to grave audit (cf. 2021/22)			
	Purchasing Cards (cf. 2021/22)			
	Corporate Performance Management (cf. 2021/22)			
	The Hollies – School Asset Management (cf. 2021/22)			
	Herbert Thompson – School Asset Management (cf. 2021/22)			
	Allensbank - School Health and Safety (cf. 2021/22)			
	Information governance (cf. 2021/22)			
	Resources - Pre-Contract Assurance (cf. 2021/22)			
	St Mellons - School Health and Safety (cf. 2021/22)			
	Severn - School Health and Safety (cf. 2021/22)			
Greenhill - School Health and Safety (cf. 2021/22)				

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Llanishen - School Health and Safety (cf. 2021/22)			
	Social Services – Income and Debtors (cf. 2021/22)			
	Directorate Recovery Planning (cf. 2021/22)			
	Value for money in Digital Initiatives (cf. 2021/22)			
	Risk Management Arrangements			
	Agency Staff Payments			
	Brindley Road Stores			
	Safeguarding			
Insufficient with major improvement needed	PTE – Pre-Contract Assurance (cf. 2021/22)	1		Drafts
	St Patricks – School Asset Management (cf. 2021/22)	1		Issued
	Contract Variations	1		
	Children's Services - Pre-Contract Assurance(cf. 2021/22)	1	1	
	Mileage and Subsistence (cf. 2021/22)	1	1	
	Cloud Computing (cf. 2021/22)	1	1	
Medium				
Effective	Ysgol Bro Edern (cf. 2021/22)			Draft
	Get me home service			
	ICF schemes (incl. Families First)			
Effective with opportunity for	Shared Regulatory Services in Cardiff			Drafts
	Schools with Surplus Balances – Thematic			Issued
	Glyncoed Primary			
	Catering in Opted out schools			
	Cardiff Dogs Home			
	Business Continuity and Incident Management (cf. 2021/22)			
	Telecare (cf. 2021/22)			
	Cantonian			
	Cardiff Caravan Park			
	Cardiff Riding School			
	Leisure Contract Governance			
Cardiff Organic Waste Treatment Contract				
Insufficient with Major	Children's Placements (cf. 2021/22)	1	1	

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
improvement needed	S106 Agreements (cf. 2021/22)	1	1	
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			
	Service / Process Consultancy			
	Education Improvement Grant 2021/22			
Other assignments				
No assurance opinion given	People and Communities - Pre-Contract Assurance (cf. 2021/22)	No recent contact awards – assurance to be obtained via wider audits under portfolio of Corporate Director		Pending finalisation of wider audits
	Service and Process Consultancy	compliance, control and counter-fraud guidance		
	Purchasing Payments and Processing – Control Risk Self-Assessment (CRSA)	Review and engagement with client on their CRSA		
	Payroll & HR – Control Risk Self-Assessment (CRSA)			

This page is intentionally left blank

Audit Category	Risk	Engagement Type	CIPFA Classification	Audit Plan, 2021/22	Original Audit Plan 2022/23	Assignment	Days	Audit Scope	National Issue	Audit Output Status 31.12.22	Audit Opinion
Fundamental Audits - S151 Assurance											
Purchasing Payments and Processing	High	Assurance	Chargeable	50	50	CRSA In-year testing 2021/22 (cf. 2021/22) Purchasing Cards (cf. 2021/22) In-year testing 2022/23 Purchasing Cards	5 0 0 25 20	Purchases and Payments are compliant, authorised, accurate and timely		Final Issued Final Issued Final Issued	No Opinion Given Effective Effective with Opportunity for Improvement
Payroll & HR				50	50	CRSA In-year testing 2021/22 (cf. 2021/22) In-year testing 2022/23 Agency Staff Payments Time Recording	5 0 15 15 15	Recruitment processes are transparent and robust, leave processes are well governed, only bona fide, authorised and accurate payments are made, with effective prevention, detection and recovery of errors		Final Issued Draft Issued Final Issued	No Opinion Given Effective with Opportunity for Improvement Effective with Opportunity for Improvement
Council Tax				0	20	Council Tax	20	Compliance and control, with effective and efficient processes			
HB / LHA/ CTRS				0	20	HB / LHA/ CTRS	20	Effective controls to ensure accurate processing of bona fide claims		Draft Issued	Effective
Income and Debtors				20	0	Income and Debtors	3	Operation of appropriate arrangements to record, monitor and recover sundry debts.		Draft Issued	Effective with Opportunity for Improvement
Main Accounting				20	0	Main Accounting (cf. 2021/22)	0	The main accounting system and processes are well controlled and operating effectively		Final Issued	Effective
Asset Management				20	0	Asset Management (cf. 2021/22)	0	Effective recording, monitoring, management and control of physical assets		Draft Issued	Effective with Opportunity for Improvement
NDR				20	0						
Treasury Management				20	0						
Housing Rents				10	0						
Total				210	140		143				
Corporate Audit											
Risk Management	High	Assurance	Chargeable	15	15	Risk Management Arrangements	15	Risk management arrangements are effective and operated consistently		Final Issued	Effective with Opportunity for Improvement
Ethics and values				15	20	Whistleblowing Processes (cf. 2021/22) Ethics and Values	0 20	Whistleblowing processes are compliant and effective Policy and process alignment to principles of best practice ethics and values		Draft Issued	Effective with Opportunity for Improvement
Delegation and decision making				20	20	Delegation and decision making	20	Effective application of delegated authority and decision making			
Contract Audit				40	40	Cradle to Grave Audit (cf. 2021/22) Cradle to Grave Audit Contract Variations	0 20 20	Effective contract compliance, control and delivery of objectives Effective contract compliance, control and delivery of objectives		Final Issued	Effective with Opportunity for Improvement
Taxation				20	20	Taxation	20	Effective compliance and control.		Draft Issued	Insufficient with Major Improvement Needed
Procurement				20	20	Procurement	20	Effective and compliance commissioning and procurement compliance and control arrangements		Draft Issued	Effective with Opportunity for Improvement
Mileage & subsistence				0	0	Mileage & Subsistence (cf. 2021/22)	0	Accurate claiming and authorisation for reasonable expenditure.		Final Issued	Insufficient with Major Improvement Needed
Welsh Government Covid Grants				15	15	Mileage & Subsistence	15	Accurate claiming and authorisation for reasonable expenditure.			
				0	0	Welsh Government Covid Grants - Assurance (2021/22)	0	Sample check of effective compliance and control in administering WG Grants	y	Draft Issued	Effective
				20	20	Welsh Government Covid Grants - Assurance	20	Sample check of effective compliance and control in administering WG Grants	y		
ICT Audit						Cloud Computing (cf. 2021/22)	0	Effective co-ordination, risk management and control.		Final Issued	Insufficient with Major Improvement Needed
				30	30	ICT Audit - Cyber Security Governance Directorate PCI - DSS Compliance	15 15	Effective co-ordination, risk management and control Effective co-ordination, risk management and control			
Complaints and Compliments				0	20	Complaints and Compliments	20	Effective arrangements and systems in place for handling complaints & compliments			
National Fraud Initiative		Participation		10	10	National Fraud Initiative	10	Data matching counter-fraud exercise			
Value for Money studies		Assurance		30	30	Value for money in Digital Initiatives (cf. 2021/22) Value for money in use of Council Vehicles Value for money in use of Overtime	0 15 15	Assurance on value for money in digital initiatives Assurance on value for money in use of Council vehicles Value for money in use of overtime		Final Issued	Effective with Opportunity for Improvement
Stores				10	10	Brindley Road Stores	10	Effective and efficient stores management, and stock / equipment control		Final Issued	Effective with Opportunity for Improvement
Partnership / Arms-length Assurance				0	20	Partnership / Arms-length Assurance	20	Effective governance, risk management and control arrangements			
Education - SOP				0	20	Education - SOP	20	Delivery of objectives, with effective compliance and control			
Pensions and Investments		Assurance		0	20	Pensions and Investments	20	Effective compliance and control			
Governance Arrangements				0	20	Governance Arrangements	20	Audit of the application of good corporate governance arrangements			
Programmes and Projects				0	20	Programmes and Projects	20	Effective, clear and consistent project governance arrangements.			
System Development		TBC		0	30	Provision for System Development	30	Consultation or assurance services, as relevant.			
Health and safety		Assurance		20	0	Health and safety	5	Effective and compliant application of the Council's health and safety framework		Draft Issued	Effective with Opportunity for Improvement
Safeguarding				20	0	Safeguarding	4	Effective safeguarding governance and control processes		Final Issued	Effective with Opportunity for Improvement
Performance Management				0	0	Performance Management (cf. 2021/22)	0	Performance management arrangements are effective, and operated consistently.		Final Issued	Effective with opportunity for improvement
Information governance				20	0	Information governance	0	Effective mechanisms and systems operated in accordance with the data protection act 2018		Final Issued	Effective with opportunity for improvement
Directorate Recovery Plans				30	0	Directorate Recovery Planning	0	Effective directorate recovery plans from the COVID-19 pandemic		Final Issued	Effective with Opportunity for Improvement
Business Continuity	Medium			20	0	Business Continuity and Incident Management (cf. 2021/22)	0	Effective business recovery and incident management systems.	y	Final Issued	Effective with opportunity for improvement
Investigation Processes				30	0						
Members' allowances				15	0						
Total				400	400		409				
Service Specific Audit											
Service / Process Consultancy	High	Consultancy	Chargeable	40	40	Provision for Service / Process Consultancy	40	Consultancy support across the Council, as appropriate		Work Completed (and ongoing)	No Opinion Given
Resources	High	Assurance		65	60	Resources – Income and Debtors (cf. 2021/22) Resources - Health and Safety (cf. 2021/22) Resources - Pre-Contract Assurance (cf. 2021/22) Performance Management Telecare (cf. 2021/22)	0 0 0 15 0	Operation of appropriate arrangements to record, monitor and recover sundry debts. Directorate health and safety compliance and risk management. Relevant compliance and due diligence checks are undertaken Performance management arrangements are effective, and operated consistently. Delivery of service objectives with effective compliance and control.		Draft Issued Draft Issued Final Issued	Effective Effective with Opportunity for Improvement Effective with Opportunity for Improvement
	Medium					Insurance Alarm Receiving Centre Central Transport Service	15 15 15	Delivery of service objectives with effective compliance and control		Final Issued	Effective with opportunity for improvement
Governance and Legal Services	High Medium	Assurance		50	45	Performance Management Electoral Services Land Charges	10 20 15	Performance management arrangements are effective, and operated consistently. Delivery of service objectives with effective compliance and control			
People and Communities	High	Assurance		45	40	People and Communities – Commissioning & Procurement (cf. 2021/22) Social Services – Income and Debtors (cf. 2021/22) Performance Management Community Safety Hubs	0 0 15 15 10	Commissioning and Procurement compliance and control Operation of appropriate arrangements to record, monitor and recover sundry debts. Performance management arrangements are effective, and operated consistently. Assurance on compliance with statutory requirements Assurance on payroll, asset management, information governance, payment and income systems		Final Issued Final Issued	Effective Effective with Opportunity for Improvement
Adults, Housing & Communities	High	Assurance		145	150	Adults, Housing and Communities - Pre-Contract Assurance (cf. 2021/22)	0	Delivery of service objectives with effective compliance and control.		Draft Issued	Effective with Opportunity for Improvement
	Medium					Performance Management Mental Health Day Services Independent Living Residential Care Emergency Duty Team Adult Services Income Processes Allocations, lettings and voids Home Care Direct Payments - Children's and Adults Get me home service ICF schemes (incl. Families First)	15 15 15 15 15 20 20 15 20 2 2	Performance management arrangements are effective, and operated consistently. Delivery of service objectives with effective compliance and control		Final Issued Final Issued Final Issued	Effective Effective Insufficient with major improvement needed
Children's Services	High Medium	Assurance		70	40	Pre-Contract Assurance (cf. 2021/22) Performance Management Children's Placements (cf. 2021/22) Youth Offending Service Crosslands Children's Home	0 15 0 15 10	Relevant compliance and due diligence checks are undertaken Performance management arrangements are effective, and operated consistently. Delivery of service objectives with effective compliance and control Delivery of service objectives with effective compliance and control		Final Issued	Insufficient with major improvement needed
Economic Development	High Medium	Medium		100	95	Performance Management (inc Waste Management) Harbour Authority	15 15	Performance management arrangements are effective, and operated consistently. Delivery of service objectives with effective compliance and control			

						International White Water	15			
						St David's Hall	15			
						Cardiff Caravan Park	10			
						Cardiff Riding School	10			
						Disposal of Land and Buildings	15			
						Leisure Contract Governance	5			
Economic Development (Waste Management)	Medium	Assurance		60	60	Commercial Waste	15		Delivery of service objectives with effective compliance and control	
						Cardiff Organic Waste Treatment Contract	15			
						Skip Hire	15			
						Street Cleansing	15			
						Waste Management Enforcement	5			
						Shared Regulatory Services in Cardiff	2			
Education and Lifelong Learning	High	Assurance		190	180	School Health and Safety- Thematic (cf. 2021/22)	0		Schools health and safety compliance and risk management.	yes
						School Asset Management - Thematic (cf. 2021/22)	0		Schools asset management compliance and control.	
						School Asset Management - Albany Primary School			Schools asset management compliance and control.	
						Performance Management	15		Performance management arrangements are effective, and operated consistently.	
						Health and Safety	15		Directorate health and safety compliance and risk management.	
	Medium					Ysgol Bro Ederm (cf. 2021/22)	0		Audit of systems of governance and internal control within individual school	
						School Admissions	15		Effective and well governed arrangements for school admissions	
						Secondary school audits *5	40		Audits of systems of governance and internal control within individual schools	
						Primary school audits*4	25			
						Glyncod Primary School				
						FOLLOW UP - Cardiff West Community High School	10			
						Cantonian	2			
						Schools VAT Assurance	15		Effective compliance and control	
						Cashless catering in secondary schools	10			
						Catering in Opted out schools	15			
						Schools Information Management	20			
						Schools with Surplus Balances - Thematic	0			
Planning, Transportation and Environment	High	Assurance		55	55	Pre-Contract Assurance (cf. 2021/22)	0		Relevant compliance and due diligence checks are undertaken	
	Medium					Performance Management	15		Performance management arrangements are effective, and operated consistently.	
						S106 Agreements	0		Effective systems, compliance and control	
						Cardiff Dogs Home	10		Delivery of service objectives with effective compliance and control	
						Highways Maintenance	15			
						Planning	15			
Total				820	765		783			
External				<i>Original audit plan, 2021/22</i>	<i>Original audit plan 2022/23</i>	Assignment	Days			
External clients	High	Assurance	Chargeable	35	25	City Deal 2021/22	10		Scope as per rolling SLA	y
	Low	Certification				Cardiff Further Education Trust Fund 2021/22 - tbc	2		Grant certification / statement of accounts work	
						Norwegian Church Preservation Trust 2021/22 - tbc	2			
						Joint Committees	6			
						Education Improvement Grant 2021/22	5			
Total				35	25		25			
Contingencies				<i>Original audit plan, 2021/22</i>	<i>Original audit plan 2022/23</i>	Assignment	Days			
General Audit	TBC	TBC	Chargeable	10	25	General Audit (provision for carried forward audits / other work)	10	TBC		
Total				10	25		10			
Management				<i>Original audit plan, 2021/22</i>	<i>Original audit plan 2022/23</i>	Assignment	Days			
Corporate work – Audit Committee, Audit Wales etc.	Medium	Management	Chargeable	50	50	Corporate work – Audit Committee, Audit Wales etc.	50		Internal Audit management, planning, guidance and support activities.	
Assurance mapping		Management	Chargeable	10	15	Assurance mapping	15			
CRSA development		Management	Chargeable	0	10	CRSA development	10			
Process development		Management	Chargeable	15	15	Process development	15			
Work for Audit Manager		Management	Chargeable	30	30	Work for Audit Manager	15			
Planning, monitoring & reporting		Management	Chargeable	30	30	Planning, monitoring & reporting	30			
Review of financial rules etc.		Management	Chargeable	15	40	Review of financial rules etc.	40			
General advice and guidance		Management	Chargeable	10	10	General advice and guidance	10			
Total				160	200		185			
Total chargeable days				1,635	1,555		1,555			

Final Issued	Effective with Opportunity for Improvement
Final Issued	Effective with Opportunity for Improvement
Final Issued	Effective with Opportunity for Improvement
Final Issued	Effective with Opportunity for Improvement
Draft Issued	Effective with Opportunity for Improvement
Final Reports Issued	Effective with Opportunity for Improvement
3 Final & 2 Drafts Issued	2 x Effective, 2x Effective with Opportunity for Improvement, 1 x Insufficient
Draft Issued	Effective
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
Draft Issued	Insufficient with major improvement needed
Final Issued	Insufficient with major improvement needed
Draft Issued	Effective with Opportunity for Improvement
Final Issued	No Opinion Given
Final Issued	No Opinion Given

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

7.1 Annex 1 - Appendix C

Directorate / Area	No. of Audits	No. of Red Recs	No. of Red/ Amber Recs	'open recommendations' - by audit assurance rating					'open recommendation' by		
				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 N/A	No. of Recs with Amended Action Date	No. of Recs where action date has passed	Current target date not yet due
Economic Development	6	2	15		14	3			11	0	17
Education & Lifelong Learning - Schools	18	2	49		46	3	2		40	27	24
Education & Lifelong Learning	8	4	12		4	8		4	16	5	11
Corporate Governance (Resources)	3		3		2	1			0	0	3
External and Grants (Resources)	1		3		3				1	3	0
Fundamental (Resources)			1		1				1	0	1
Other Assurance (Resources)	1	1	2			3			2	3	0
Resources	3	1	5		1	5			2	3	3
Governance & Legal Services	1		2					2	0	2	0
Planning, Transport & Environment	7		12		7	3		2	8	3	9
People and Communities	1		1		1				0	0	1
Children's Services	4	2	5			5		2	4	3	4
Adults Social Services, Communities & Housing	5	1	7		2	6			7	1	7
Social Services - General	2	1	3		2	2			2	0	4
TOTALS	60	14	120	0	83	39	2	10	94	50	84

3 - overdue actions for which evidence has been requested, in order to close actions.
 11 - overdue actions where Internal Audit are liaising with Education.
 3 - overdue actions for which an update has been requested.
 10 - overdue actions for which an update has not been received.

4 - overdue actions for which a revised action date has been requested.
 1 - overdue action relates to an area currently being audited. The action will be updated/closed when the final report is issued.
 4 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.

3 - overdue actions relate to an area currently being audited. The actions will be updated/closed when the final report is issued.

3 - overdue actions for which an update has been requested.

2 - overdue actions relate to an area currently being audited. The actions will be updated/closed when the final report is issued.
 1 - overdue action for which an update has been requested.

2 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.
 2- overdue actions for which an update has been requested.

2 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.
 1 - overdue actions for which an update has been requested
 2 - overdue actions for which a revised action date has been requested

2 - N/A actions related to instance where Directorate was sampled as part of a wider corporate report, and an opinion was not provided at a directorate level.
 3 - overdue actions for which an update has been requested.

1 - overdue action for which an update has been requested

This page is intentionally left blank

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



Resources Directorate Internal Audit Section

Investigation Team Progress Report

(as at 31 December 2022)

2022/23

Planning & Resources

Further to the high-level allocation of days reported to Committee on 25 January 2022, four hundred and forty-three chargeable days are available based on current resources, indicatively split between strategic (80 days) and operational activities (363 days), as summarised below, for awareness and comment:

Strategic	Fraud awareness / reporting	25	Days
	Policy and procedure review / planning	25	
	Intelligence sharing / working groups / police liaison	10	
	National Fraud Initiative	10	
	Training development / delivery	10	
Operational	Council Tax Liability (CTL)	180	Days
	Council Tax Reduction (CTR)	50	
	Employee misconduct (disciplinary investigations)	40	
	Other fraud (Ad hoc and contingency)	38	
	Tenancy fraud	30	
	Grants	20	
	Advice and guidance	5	

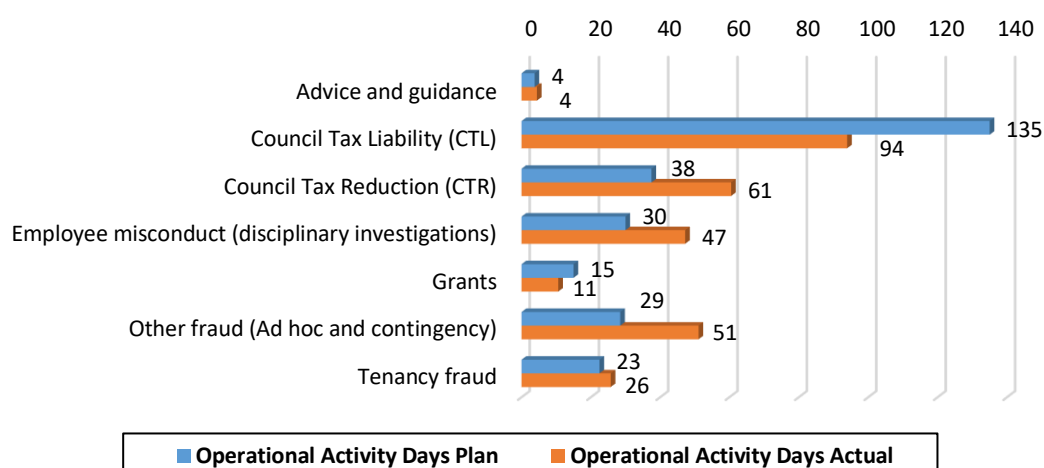
NB – Audit Manager time is not included within the above apportionment.

Activities

In the financial year to 31 December 2022, the team have applied 355 days as follows:



Operational Activity Days



Training and Awareness

Mandatory Fraud Awareness training continues to be delivered. More than 6,500 staff and school governors have completed the eLearning or attended a face-to-face session. The eLearning module that was created by the Corporate Fraud Investigation Team is currently under review in order for a refreshed module to be developed and published during 2023.

An updated counter-fraud and corruption strategy and a suite of updated operational policies and procedures are being developed, these will be shared with the Governance and Audit and Committee as part of consultation and assurance processes in due course.

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NFI uses data sharing and matching to help confirm that services are provided to the correct people.

Biennial - National Exercise

Cardiff Council participates in the National data matching exercise every two years, the Corporate Fraud Investigation Team uploaded the data sets during October 2022 and the matches will be published during January / February 2023.

Annual Exercise - Council tax and Electoral Register

Each year the Corporate Fraud Investigation Team submit council tax single person discount and electoral register data to help find where people are receiving the discount, but are not the only countable adult at their residence.

The latest output (December 2022) generated 2,798 matches for Cardiff Council to review, to determine if the council tax bill payer is eligible to the single person discount.

The 2020-21 NFI exercise found that the total council tax discount incorrectly awarded across Welsh local authorities totalled £2.6 million. This is an average outcome of £1,305 for each case (£1,003 per case in the 2018-19 NFI). Review of the NFI matches led to the cancellation of 1,987 SPD claims.

Pilot Exercises

Cardiff Council is often contacted by the Cabinet Office / Audit Wales and invited to participate in pilot data matching exercises. The team is currently participating in a Housing Tenancy data matching exercise, designed to help prevent and detect housing tenancy fraud, and to also prove the concept of a holistic approach to data matching using public and private data.

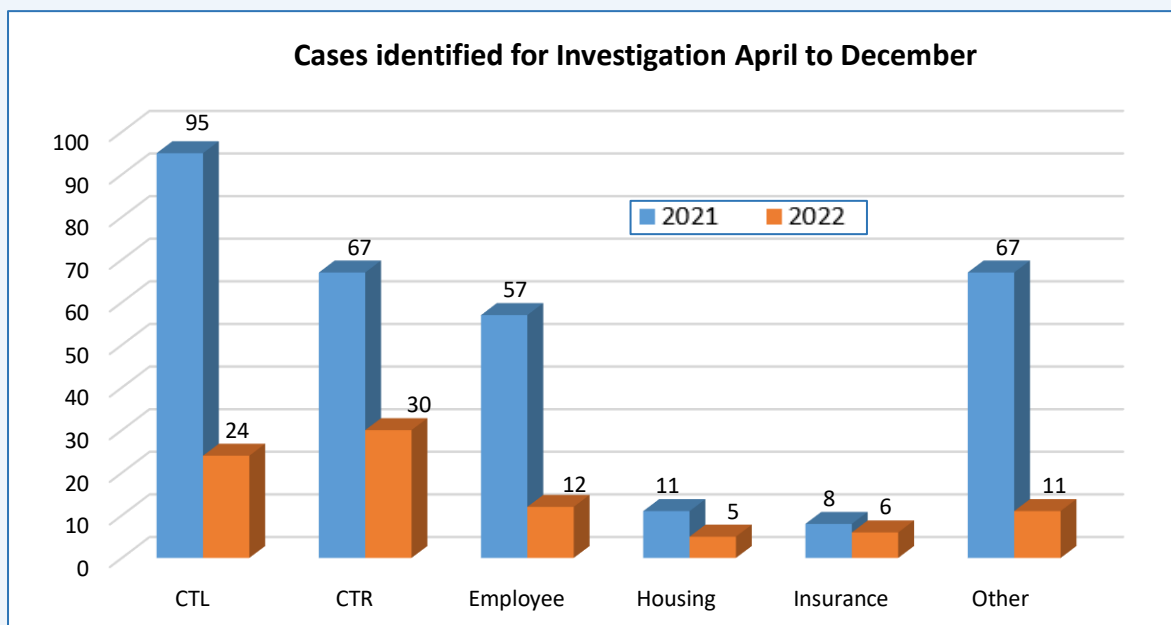
The data has been cross matched against other data sets and risk assessed, prior to the production of 1,462 high risk matches.

Housing have committed to providing a resource to work through the matches, to date, the Corporate Fraud Investigation Team has reviewed the 44 matches and concluded 30, 14 have been passed to Housing for progression, 11 have subsequently been cleared and 3 are subject to ongoing review.

Fraud within housing takes a number of forms, including sub-letting, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principal home, abandonment.

Cases Identified for Investigation

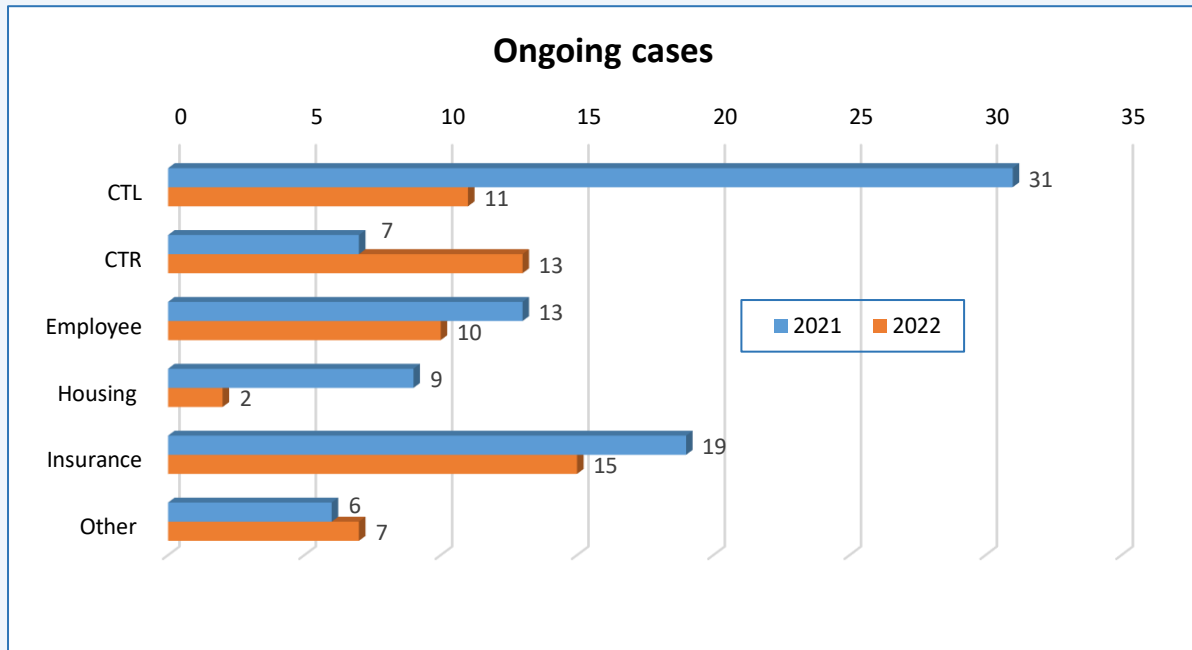
Excluding blue badge pilot work and outcomes as reported separately, 88 cases have been identified for investigation so far this year, compared to 305 for the same period last year:



The cases designated as other this year related to, 4 various Grants, Business Rates, Care Provider, Concessionary Travel, Insurance, Pension fraud, Scam attempt, and a stolen / intercepted cheque.

Ongoing Cases

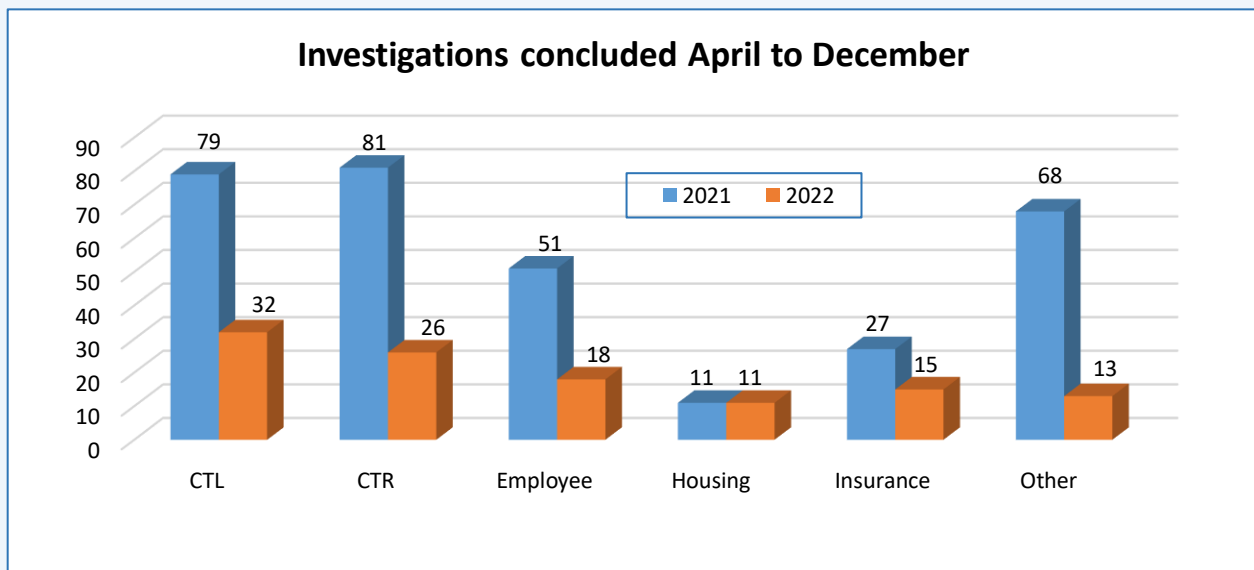
Excluding blue badge pilot work and outcomes as reported separately, there are currently 58 investigations ongoing, compared to 85 for the same period last year:



The cases designated as other this year related to, Business Grant, Concessionary Travel, Corruption, Domiciliary Care, Guardianship Order, Pension fraud, and a Scam attempt.

Concluded Cases

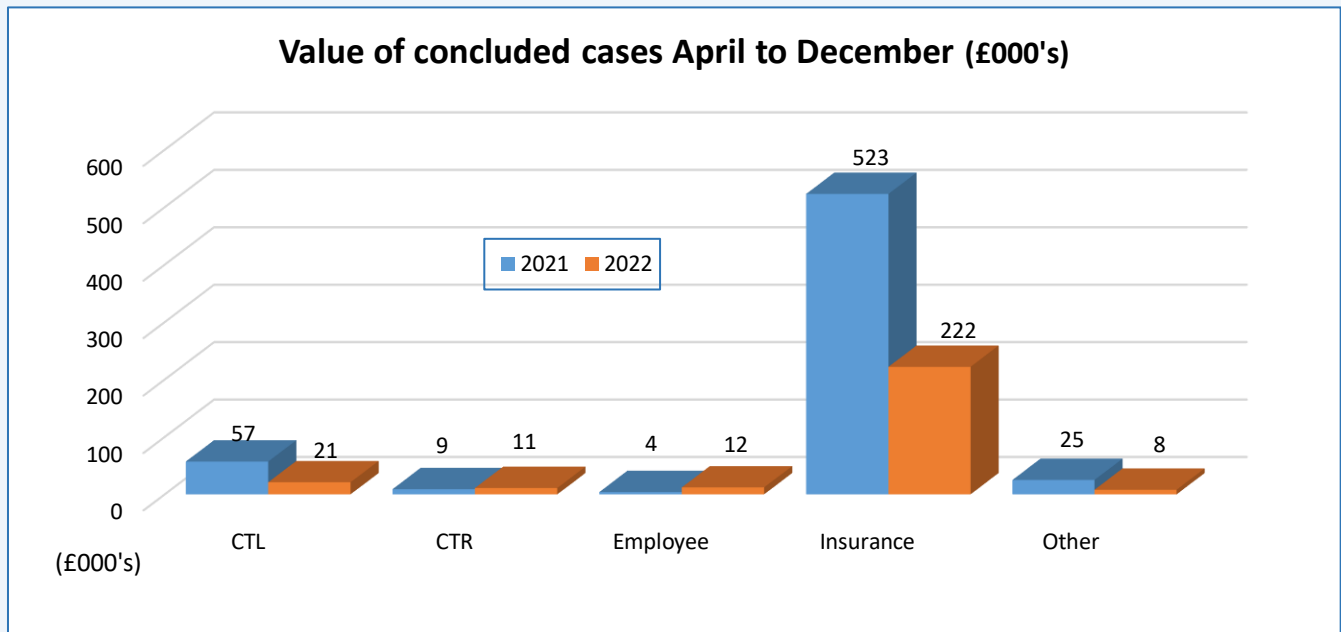
Excluding blue badge pilot work and outcomes as reported separately, 115 investigations have concluded so far this year, compared to 317 over the same period last year:



The cases designated as other this year related to, 7 various grants, Business Rates, Care Provider, Conflict of interest, Corruption, Insurance, and a stolen / intercepted cheque.

Financial Value

Excluding blue badge pilot work and outcomes as reported separately, £274,165 has been attributed to concluded cases in the 2022/23 year to date, compared to £616,737 for the same period last year:



- Insurance cases relate to contrived, exaggerated, fictitious misrepresented, and staged claims.
- 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.
- The cases designated as other related to 1 Covid Grant, 1 Insurance claim, 1 stolen / intercepted cheque.

Blue Badge Update

Further to the above activities, on-street enforcement activity continues, this year 55 badges were seized, there are 21 cases ongoing which are at various stages of investigation, including being prepared for / due to go to Court.

This page is intentionally left blank

**GOVERNANCE & AUDIT COMMITTEE: 24 JANUARY 2023**

DRAFT INTERNAL AUDIT CHARTER AND DRAFT AUDIT PLAN 2023/24**REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 7.2**

Reason for the Report

1. The Terms of Reference for the Governance and 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 Governance and Audit Committee has a responsibility to review its Terms of Reference annually.
3. This report has been prepared to provide Governance and Audit Committee Members with the Draft Internal Audit Charter for 2023/24 and appendices, including a draft Committee Terms of Reference. The report also provides the Draft Summary Audit Plan for 2023/24.

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 Governance and 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 21 March 2023 in respect of the new financial year.
5. Under the PSIAS (standard 1110 – organisational independence), the Governance and Audit Committee is required to approve the Internal Audit Charter and the risk based Internal Audit Plan. These documents are attached for 2023/24 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 2022/23. Accompanying the Charter is a draft version of the proposed Committee Terms of Reference for 2023/24.
6. The Local Government and Elections (Wales) Act 2021 placed new responsibilities on the Governance and Audit Committee that were incorporated into its Terms of Reference as approved by Council on 27 May 2021. A particular responsibility of the Committee is to review and make recommendations on the Annual Wellbeing Report (the Council's statutory self-assessment report) each year, and the Panel Performance

Assessment Report including the Council's draft response, required at least once during an electoral cycle.

7. In updating the Committees Terms of Reference for the municipal year 2021/22, consideration was given to the new responsibilities arising from the Act, and the responsibilities and remit of the Council's Scrutiny Committees. The Governance and Audit Committee's focus of the above reviews relates to a high-level consideration of issues around securing performance requirements using the governance infrastructure of the Council, rather than on service area performance issues dealt with by Scrutiny Committees.
8. In considering its Terms of Reference for 2022/23, the Governance and Audit Committee was informed in its meetings in January and March 2022 of forthcoming updated guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA), and Welsh Government statutory guidance relating to matters including Constitutions, Executives, Scrutiny, Overview and Scrutiny and Governance and Audit Committees. A proposal was agreed by Committee for a further review and update of its Terms of Reference to await the publication of the above guidance, to take place in sufficient time for the municipal year 2023/24.
9. The Updated CIPFA guidance and Welsh Government statutory guidance has subsequently been published and is reflected upon in the draft updated Terms of Reference proposed for the Governance and Audit Committee, as contained within Appendix D of the Audit Charter.

Issues

Audit Charter

10. 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 Governance and Audit Committee, authorises access to records, personnel, physical properties relevant to the performance of engagements, and defines the scope of internal audit activities. Governance and Audit Committee formally approved the Internal Audit Charter 2022/23 on 15 March 2022.
11. The Draft Audit Charter 2023/24 has been reviewed and updated. The areas in the Draft Audit Charter that have been adjusted are shown in red font. Contained within the Draft Internal Audit Charter are six appendices, which detail the parameters within which Internal Audit and the Governance and Audit Committee operate.
12. 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.
13. 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.
14. 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 Governance and Audit Committee. This section also outlines the skill base of the team and the commitment to developing staff further through Audit or Investigation qualifications.

15. Appendix D suggests the Terms of Reference for the Governance and Audit Committee 2023/24, which has been updated to reflect both the best practice CIPFA guidance, and the Welsh Government statutory guidance following their publication in recent months. The proposed Terms of Reference shows the suggested changes from the current version. Suggested new wording is shown in red, and wording suggested for removal is shown in grey and crossed through. The pertinent proposed updates to the Committee's Terms of Reference are:
 - A short introductory paragraph, setting out the nature of the Committee and to whom it reports, in accordance with CIPFA guidance.
 - An updated Statement of purpose, incorporating the updated best practice CIPFA wording, as well as a point of clarification on the separate demarcation between Governance and Audit and Scrutiny Committees, in accordance with Welsh Government statutory guidance.
 - Expanded details on the Committee's Treasury Management responsibilities and remit based on the CIPFA guidance. Details are also provided on Council Treasury Management delegations and responsibilities.
 - Further minor changes in wording in accordance with CIPFA guidance.
16. 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.
17. Appendix F contains the Audit Protocol, which represents an outline of the audit process from planning to reporting.

Audit Plan, 2023/24

18. 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 2023/24, which will be developed into further detail over the financial quarter to be submitted for approval by Governance and Audit Committee on 21 March 2023.
19. The draft Audit Plan for 2023/24 is based on a team of 7.82 operational auditors overseen by the Audit Manager and supported by an Audit Assistant. The available auditor time is 0.46 FTE auditors less than in the previous financial year, which is in accordance with the restructure reported to Governance and Audit Committee on 29 November 2022, whereby the decision was taken to invest in an additional principal auditor post, to enhance a solid core of senior officers within the team, subject to a successful recruitment campaign and to not fill vacant posts at lower grades. Further to this, a flexible retirement request has been approved for the Group Auditor through which their hours will reduce by 10 hours per week (from 37 to 27) from 1 April 2023. The available time also accounts for an Auditor's request to continue to work 11.5 additional hours (from 18.5 to 30 hours), and a Senior Auditor's request to make a permanent reduction to their hours from 37 to 32 hours per week, which has been

agreed following agreements in 4 consecutive years for these reduced working hours on a temporary basis.

20. The Audit Team benefits from CIPFA Trainee support during placements, and subject to a successful recruitment exercise for the academic year 2023/24, a CIPFA Trainee may be placed in Internal Audit. For prudence, no expectation of this additional resource is built into the Plan.
21. The number of available operational audit days has decreased (from 1555 to 1495) since last year, largely due to the headcount in the team being slightly lower, as referred to above. The main changes to time allocations since last year are as follows:
 - A greater proportion of time is being allocated to audits of fundamental systems than service specific audits, this follows a base-line approach to auditing such systems every other year, with the exception of creditor payments and processing, payroll and HR systems which are subject to annual audit.
 - A time allocation has been established for recommendation follow-up, consultation and guidance given the importance of audit support and engagement in these areas.
 - A time allocation has been established for participation in corporate wellbeing initiatives for the benefit of officers.
 - The time allocated to non-audit duties has increased, as the Audit Assistant has been allocated clerical support roles across the wider finance function as a greater proportion of their time, and three Members of the team have a combination of Employee Network and Trade Union roles.
 - A time allocation for COVID related absences has been removed, with such absences to now be recorded as general sickness.
22. The Investigation Team Plan is based on 2.42 FTEs. The available resource continues to reflect the ongoing wishes from an investigator to work 34 hour per week (3 hours less than their substantive post). Planning adjustments have been made in respect of non-chargeable time on a consistent basis to the Audit Team.
23. 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.
24. 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 2023/24. 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”.
25. 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.
26. 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 2023/24. The Governance and 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 Governance and Audit Committee as they arise.
27. 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.
28. 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.
29. It is proposed to undertake fundamental audits in 2023/24 in relation to creditor payments and processing, payroll and HR, National Non-Domestic Rates (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 (and this change reported to a meeting of this Committee).

30. Thematic audits have been undertaken across all directorates in recent years, and at the present time the substantive work on thematic audits of performance management is intended to be carried forward to 2023/24. At the current stage of audit planning no further thematic audits are proposed for 2023/24, and if this continues to be the position once assurance mapping activities have been completed, most of the proposed time allocated to service specific audits would be preserved for individual directorate systems and establishments.

Legal Implications

31. The work of the Governance and Audit Committee must reflect its statutory functions under Part 6, Chapter 2 of the Local Government (Wales) Measure 2011, as amended by Part 6 of the Local Government and Elections (Wales) Act 2021. In discharging its functions, the Committee must have regard to statutory guidance issued by the Welsh Ministers and other relevant guidance, in particular, that issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
32. The recommended changes to the Committee's terms of reference will require the approval of full Council.
33. There are no other direct legal implications arising from the recommendations of this report.

Financial Implications

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

Recommendations

35. 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 2023/24, at the current stage of development.
36. To consider and provide comments on the direction of the draft 2023/24 Internal Audit Plan.

CHRIS PYKE AUDIT MANAGER

The following are attached:

Annex 1: Draft Internal Audit Charter 2023/24

Annex 2: Draft Summary Audit Plan 2023/24

Background Papers

- (a) G&A Committee Update – 15 March 2022 - [Agenda item - Update on the roles of Governance and Audit Committee and Scrutiny Committees : Cardiff Council \(moderngov.co.uk\)](https://moderngov.co.uk/agenda-item/update-on-the-roles-of-governance-and-audit-committee-and-scrutiny-committees-cardiff-council)
- (b) Welsh Government, 'Local Government: Guidance for Principal Councils' [Local Government Guidance for Principle Council Consultation document - \(Final version\)](#)



CORPORATE RESOURCES
INTERNAL AUDIT SECTION

Cardiff Council

INTERNAL AUDIT CHARTER 20232/243

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

CONTENTS

Internal Audit Charter	1
• Definition, Objective and Scope of Internal Audit	1
• Role and Professionalism	1
• Authority	1
• Organisation	2
• Independence and Objectivity	2
• Responsibility	3
• Internal Audit Plan	4
• Reporting and Monitoring	4
• Quality Assurance and Improvement Programme - QAIP	5
<u>Appendix A:</u> Code of Ethics	6
<u>Appendix B:</u> Core Principles	10
<u>Appendix C:</u> Audit Activity & Resources	11
<u>Appendix D:</u> Governance and Audit Committee Terms of Reference	12
<u>Appendix E:</u> Quality Assurance and Improvement Programme	17
<u>Appendix F:</u> Audit Protocol	20

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.

Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk

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** - 9.28 FTE [7.82 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, [supported by an Audit Assistant](#).
3. **Investigation Team** - 2.42 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~~^{three} qualified Accountants, one Chartered Internal Auditor, two Certified Internal Auditors and most other auditors are qualified Accounting Technicians. 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

Governance

The Governance and Audit Committee is one of the Council's Governance Committees. It discharges the following duties in accordance with its statement of purpose, and reports to full Council.

Statement of Purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements, and the performance assessment of the Council. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

The committee is to seek assurance that the budgetary control systems (as an internal control) of the council are operating effectively. The scrutiny of spend falls within the remit of the Council's Scrutiny Committees

~~• 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, 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 **the Code of Corporate Governance-**
~~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 consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- **To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.**
- 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.

Financial and governance reporting

Governance reporting

- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, **including the Audit Manager's internal audit's annual opinion** ~~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 whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.**

Financial Reporting

- **To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.**
- 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.

Treasury Management

- 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.
- To review the treasury management policy and procedures to be satisfied that controls are satisfactory.
- To review the treasury risk profile and adequacy of treasury risk management processes.
- To review assurances on treasury management (for example, an internal audit report, external audit or other review).
- To develop awareness and understanding of treasury matters, and to receive regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. *(The committee is not responsible for the regular monitoring of treasury management policies and practices, which are the responsibility of the Cabinet, under the Council's Scheme of Delegations (Section 2, paragraph 10), the approved Treasury Management Policy Statement and the Third Clause of Treasury Management, as set out therein).'*

Arrangements for audit and assurance

- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.

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~~ consider commissioning additional work from internal and external audit.
- To advise and ~~recommend~~ make recommendations on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.
- To provide auditors with free and unfettered access to the Governance and Audit Committee Chair and the opportunity for a private meeting with the Committee.

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, including ~~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 of the Audit Manager arising from additional roles or responsibilities outside of internal auditing of the Audit Manager and 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.

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~~ its Terms of Reference, and its effectiveness in meeting its purpose **including a conclusion on compliance with the CIPFA Position Statement**.
- 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

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:

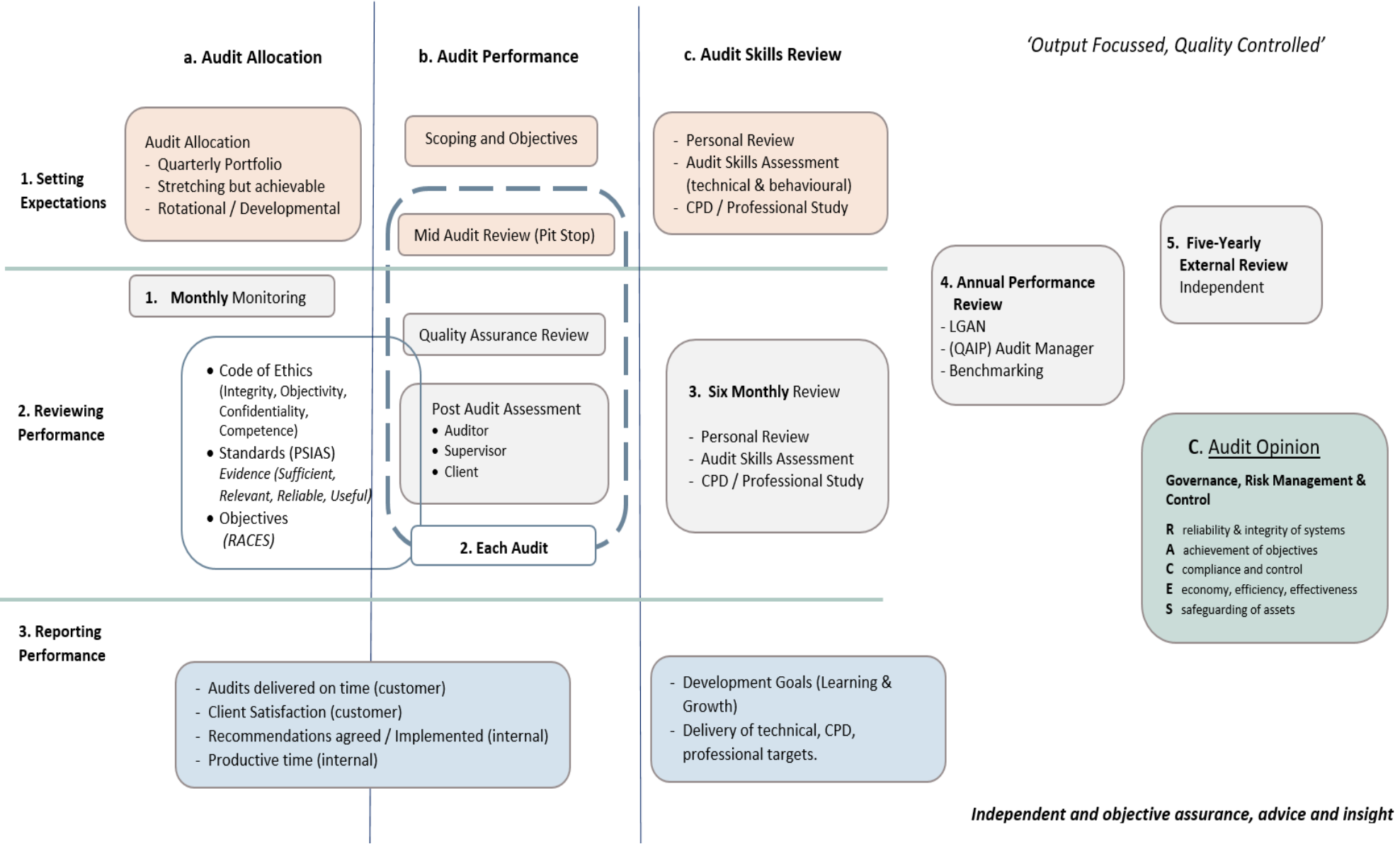
- Each Directorate has a relationship manager with whom they hold regular meetings to discuss risks and emerging issues, progress against and development of the audit plan, and audit outcomes and feedback.
- The Audit Manager has regular contact with the Governance and Audit Committee Chair, Audit Wales, 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.
<ul style="list-style-type: none">✓ Audit Allocation - Each auditor has a quarterly allocation of work, which is stretching but achievable. Auditors are responsible for delivering their allocation effectively and on time.✓ Scoping and Objectives – Each auditor has clear and documented objectives for each audit engagement, that they are responsible for delivering.✓ Audit 'Pit Stop' - When half of the audit time is used, a senior team member completes a short and sharp review of progress against the audit objectives. This can either result in assurance that the audit is being delivered effectively, or it leads to expectations being re-set, with actions developed for the auditor to conclude a high quality audit engagement on time.✓ Personal Reviews – Each year delivery, training and development goals and objectives are established for each auditor, in recognition of the individual and collective skills needed to deliver the risk-based plan effectively in the current and medium term.
2. Reviewing Performance - Expectations are revisited in quality assurance and control reviews.
<ul style="list-style-type: none">✓ Monitoring - Each auditor attends a monthly monitoring meeting, through which the delivery of their 'Audit Allocation' is reviewed, issues are identified and addressed.✓ Quality Assurance Review - Each audit is subject to a quality assurance review by a member of the audit management team, to ensure high quality delivery in accordance with the Code of Ethics and the Standards. The review considers the quality of evidence to support the audit 'Objectives', and the delivery of actions resulting from the audit 'Pit Stop'.✓ Post Audit Assessment – Upon conclusion of each audit, the auditor, and a senior team member review the auditor's performance against best practice technical and behavioural qualities. A client satisfaction survey is also used to identify the audit delivery and value from the client's perspective. Any development needs are identified and progressed.✓ Six Monthly Personal Review – Progress is measured against the objectives and targets in each Auditor's 'Personal Review', taking account of the findings and outcomes from the activities in the 'Reviewing Performance' control stage. It can lead to new objectives, targets and support.
3. Reporting Performance - A range of performance measures are used for reporting and review.
<ul style="list-style-type: none">○ Core performance measures relate to the audits delivered on time, client satisfaction, recommendations agreed / implemented, productivity and the delivery of personal objectives.○ Performance information is regularly monitored by the Audit Manager and is considered by the Finance Management Team and the 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)



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.

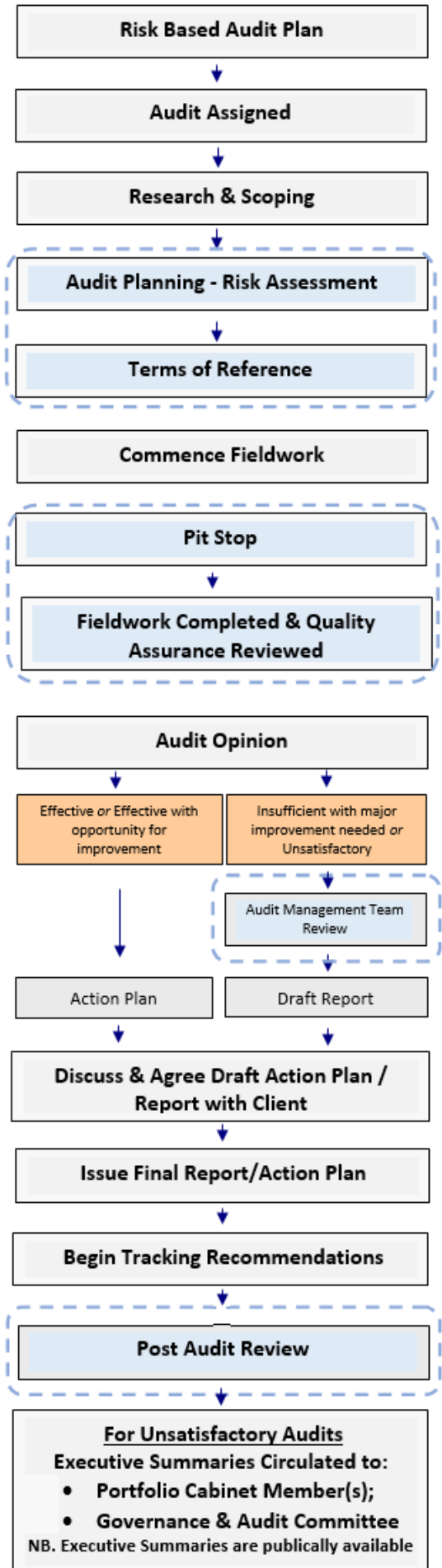
Control Stage 4 (Post Audit Review) – Upon conclusion of each audit, the auditor, and a senior team member review the auditor’s performance. A client satisfaction survey is used to identify the audit delivery and value from the client’s perspective. Development needs are progressed.

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.



DRAFT SUMMARY AUDIT PLAN, 2023/24

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
Creditor Payments & Processing	Assurance	Chargeable	50	50
Payroll & HR	Assurance	Chargeable	50	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			140	210
Corporate Audit	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
Risk Management Arrangements	Assurance	Chargeable	15	15
Governance Arrangements	Assurance	Chargeable	20	20
Scrutiny	Assurance	Chargeable	0	0
Ethics and Values	Assurance	Chargeable	20	0
Wellbeing of Future Generations Act	Assurance	Chargeable	20	20
Performance Management	Assurance	Chargeable	0	0
Health and Safety	Assurance	Chargeable	0	0
Safeguarding	Assurance	Chargeable	0	0
Information Governance	Assurance	Chargeable	0	20
Delegation and decision making	Assurance	Chargeable	20	0
Programmes and projects	Assurance	Chargeable	20	20
Investigation Processes	Assurance	Chargeable	0	0
Contract Audit	Assurance	Chargeable	40	40
Partnership / Arm's-length Assurance	Assurance	Chargeable	20	0
Education – SOP	Assurance	Chargeable	20	20
Directory Recovery Planning	Assurance	Chargeable	0	0
ICT Audit	Assurance	Chargeable	30	30
Value for Money studies	Assurance	Chargeable	30	30
Taxation (incl. VAT)	Assurance	Chargeable	20	20
System Development	Assurance	Chargeable	30	30
National Fraud Initiative	Assurance	Chargeable	10	10
Pensions and Investments	Assurance	Chargeable	20	0
Insurance	Assurance	Chargeable	0	20
Mileage & subsistence	Assurance	Chargeable	15	15
Fleet Management (pool cars, grey fleet, etc.)	Assurance	Chargeable	0	20
Procurement	Assurance	Chargeable	20	0

Stores	Assurance	Chargeable	10	10
Business Continuity	Assurance	Chargeable	0	20
Members Allowances	Assurance	Chargeable	0	0
Welsh Government Covid Grants - Assurance	Assurance	Chargeable	20	0
TBA	TBC	Chargeable	0	0
Total			400	360
Service specific audits	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
Service / Process Consultancy	Consultation	Chargeable	40	40
Resources	TBC	Chargeable	60	40
Governance and Legal Services	TBC	Chargeable	50	30
People and Communities	TBC	Chargeable	40	30
Adults, Housing & Communities	TBC	Chargeable	130	100
Childrens' Services	TBC	Chargeable	60	40
Economic Development	TBC	Chargeable	80	60
Economic Development (Waste Management)	TBC	Chargeable	60	40
Education and Lifelong Learning	TBC	Chargeable	180	120
Planning, Transportation and Environment	TBC	Chargeable	40	40
Total			740	540
External	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
External clients	Assurance	Chargeable	20	20
Grants	Assurance	Chargeable	15	15
Total			35	35
Contingencies	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
Recommendation Follow-up, Consultation & Guidance		Chargeable	0	65
General Audit		Chargeable	40	50
Total			40	115
Management	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
Corporate work – Committee, Audit Wales etc.	Consultation	Chargeable	50	50
Assurance mapping	Consultation	Chargeable	15	20
CRSA development	Consultation	Chargeable	10	10
Process development	Consultation	Chargeable	15	15
Work for Audit Manager	Consultation	Chargeable	30	30
Planning, monitoring & reporting	Consultation	Chargeable	30	30
Review of financial rules etc.	Consultation	Chargeable	40	60
General advice and guidance	Consultation	Chargeable	10	20
Total			200	235

Audit Team Non Chargeable Leave/Sickness/Training	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
Annual and Additional / Unpaid Leave (incl. use of carry forward leave)		Non-chargeable	365	297
Public Holidays		Non-chargeable	75	80
Maternity / Paternity / Parental Leave		Excluded	0	0
COVID related absences		Non-chargeable	139	0
Sickness		Non-chargeable	65	70
Professional Studies		Non-chargeable	35	39
Courses and seminars		Non-chargeable		
Corporate Wellbeing		Non-chargeable	0	20
TOTAL AUDIT TEAM NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS			679	506
Audit Team Non Chargeable Other	Type of engagement	CIPFA classification	Audit plan 2022/23	Audit plan 2023/24
General Admin. (no identifiable client)		Non-chargeable	79	75
General management		Non-chargeable	17	25
Staff Development		Non-chargeable	23	42
Internal Audit meetings (such as team meetings)		Non-chargeable	44	71
Non-audit duties		Non-audit	13	80
TOTAL AUDIT TEAM NON CHARGEABLE OTHER DAYS			176	293
TOTAL AUDIT TEAM CHARGEABLE DAYS			1,555	1495
TOTAL AUDIT TEAM NON CHARGEABLE DAYS			855	799
TOTAL DAYS			2,410	2294
Investigations			Audit plan, 2022/23	Audit plan, 2023/24
General			629	629
Total			629	629
Investigations Non Chargeable Leave/Sickness/Training	Type of engagement	CIPFA classification	Audit plan, 2022/23	Audit plan, 2023/24
Annual Leave (incl. use of carry forward leave)		Non-chargeable	78	76
Public Holidays		Non-chargeable	19	22
COVID-related absences		Non-chargeable	36	0
Sickness		Non-chargeable	17	17
Professional Studies		Non-chargeable	5	5
Courses and seminars		Non-chargeable		
Corporate Wellbeing		Non-chargeable	0	6

TOTAL INVESTIGATIONS NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS			155	126
Investigations Non Chargeable Other			Audit plan, 2022/23	Audit plan, 2023/24
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			423	452
TOTAL INVESTIGATIONS NON CHARGEABLE DAYS			206	177
TOTAL DAYS			629	629

GOVERNANCE & AUDIT COMMITTEE: 24 January 2023

DRAFT MID-YEAR SELF-ASSESSMENT REPORT 2022/23**REPORT OF THE HEAD OF PERFORMANCE AND PARTNERSHIPS****AGENDA ITEM: 8.1**

Reason for this Report

1. For Governance and Audit Committee to receive for noting the Council's Mid-Year Assessment Report, to consider the self-assessment process for developing the report and make any appropriate recommendations for improvement.

Background

2. As part of its planning and performance arrangements the Council is required to publish an end-of-year self-assessment of performance (the Annual Wellbeing Report). The Governance and Audit Committee is required under the Local Government and Elections Act (Wales) 2022 to review the Council's statutory annual Self-Assessment Report and make any appropriate recommendations. The Committee reviewed the Council's Annual Wellbeing Report on 27th September 2022 and three made recommendations for improvement (see Appendix 3 and paragraph 10 below).
3. As part of the Council's strengthened performance management arrangements, a mid-year self-assessment of performance is also published annually. This ensures that performance is kept under regular review, there is collective understanding of progress, as well as areas of challenge, and corrective action can be identified and agreed if necessary.
4. The Governance and Audit Committee has agreed to receive the non-statutory draft Mid-Year Self-Assessment Report, to note the findings and consider the self-assessment process for developing the report.

Mid-Year Self-Assessment Report

5. The Mid-Year Assessment Report will be considered by the Council's Cabinet on 19th January 2023. A copy of the Cabinet Report, Half-Year Self Evaluation Report, Scrutiny Letter and Cabinet Response can be accessed below:
 - [Cabinet Report](#)
 - [Mid-Year Assessment Report](#)
6. The Cabinet Report sets out the self-assessment process followed in the production of the Mid-Year Performance Assessment and the evidence upon which the report's conclusions are based. The report summarises areas of progress and improvement, and also identifies a small number of strategic improvement priorities which will be the subject of focus during Quarter 3 and Quarter 4. These are:

- Financial Pressures
 - Demand Pressures in Children’s Services
 - Delivering a Partnership Response to Demand Pressures in the city’s Health and Social Care System
 - Responding to the Cost-of-Living Crisis
 - Workforce Pressures
 - Housing
7. The Mid-Year Assessment report therefore provides an in-depth assessment of performance for each of the Council’s seven Well-Being Objectives, as set out in the Corporate Plan 2022-25.
 8. The Council’s Policy Review and Performance Scrutiny Committee is due to consider the Mid-Year assessment of performance 2022/23 at its meeting on 17 January 2023.
 9. As noted above, following consideration of the Annual Wellbeing Report in September 2022, Governance and Audit Committee made three recommendations for improvement, each of which were accepted by the Council. The letter can be found [here](#). In response to the recommendations, changes were made to strengthen the Annual Wellbeing Report before consideration by Cabinet and Council in October. The Council also committed to working in consultation with the Committee on strengthening the Council’s approach to self-assessment and on the production of self-assessment reports. It has been agreed that a workshop will be convened with the Committee in Q4 to consider the Council’s approach to self-assessment as well as the content and structure of the Annual Wellbeing Report, with opportunities to receive suggestions for improvement at an early stage.

Legal Implications

10. The statutory requirements under Local Government and Elections Act (Wales) 2022 that give rise to this report are set out within it. There are no other legal implications.

Financial Implications

11. There are no financial implications directly arising from this report.”

RECOMMENDATIONS

The Committee is recommended to:

- Note the contents of the Mid-Year Self-Assessment Report
- Consider the self-assessment process for developing the report and makes any appropriate recommendations for improvement.

Gareth Newell
Head of Performance and Partnerships

Background Papers

- Year End Wellbeing (Self-Assessment) Report 2021/22 (considered by Governance and Audit Committee on [27 September 2022](#), agreed by Cabinet on [20 October 2022](#) and agreed by Council on [27 October 2022](#))

GOVERNANCE AND AUDIT COMMITTEE:

24 January 2023

DRAFT TREASURY MANAGEMENT STRATEGY 2023/24

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.1

Reason for this Report

1. The Governance and 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 2023/24 is required to be approved as part of the Budget Report to Council in March 2023. This report has been prepared to provide Governance and Audit Committee Members with the Draft Treasury Management Strategy for 2023/24.

The Draft Treasury Management Strategy

3. 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 2023/24 to 2027/28
 - Treasury investment policy and strategy, including security and investments approved for use
 - Non-Treasury investments – Service investment and investment primarily for yield
 - The Treasury Function
 - A glossary of terms.

4. 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 budget report including capital investment programme, which will be determined at Council in March 2023 and the updated Month 9 monitoring position for 2022/23, to be considered by Cabinet in February 2023.
5. The main points to note in the draft Treasury Management Strategy are:
 - It is currently 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 required to be drafted in accordance with Welsh Government guidance on investments and the updated requirements of the CIPFA Treasury Management Code which include development of an additional indicator for 2023/24, the Liability Benchmark.
 - The main areas of investment resulting in an increase in the Capital Financing Requirement are highlighted in the draft strategy, but are to be finalised as part of the approved Capital Strategy in March 2023.
 - Maintaining the previously agreed approach to making prudent provision for debt repayment of debt.
 - 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.
 - There is little change to the Investment Section with the priority for Treasury investments being 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 Ccommittee temporary cash will be managed within criteria and parameters set out in the strategy.
 - Strong credit critetria are set for investments undertaken by the Council based on Fitch Credit Criteria.
 - The Treasury Management Strategy is intended to apply from the date of approval by Council in March 2023.
 - 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

6. To note the proposed Draft Treasury Management Strategy for 2023/24 and provide any comments as necessary to be considered as part of the final document.

Legal Implications

7. No direct legal implications arise from this report.

Financial Implications

8. The Treasury Management Strategy is the outcome of decisions taken as part of Council's budget proposals and its financial position. It does have financial implications which will need to be consistent with and form part of the budget proposals for 2023/24, Medium Term Financial Plan and Capital Strategy to be considered by Council in March 2023.
9. 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

10. That Governance and Audit Committee note the Draft Treasury Management Strategy for 2023/24 and provide comments as necessary with any amendments being considered for inclusion in the final strategy to be recommended by Cabinet for Council approval as part of the 2023/24 Budget Proposals Report.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
24 January 2023

The following appendices are attached
Appendix 1 – Draft Treasury Management Strategy 2023/24

This page is intentionally left blank

Draft Treasury Management Strategy 2023/24

Cardiff Council



	Page
Introduction	
Treasury Management	3
Governance and Reporting	3
Capital Strategy and CFR	4
Treasury Management Strategy	7
The Treasury Position	8
Economic Background and Prospects for Interest Rates	10
Borrowing	
Borrowing Policy	12
Minimum Revenue Provision Policy	13
Council's Borrowing Requirement	14
Borrowing Strategy	16
Treasury Management Indicators and Limits for 2023/24 – 2027/28	
Authorised Limit	18
Operational Boundary	18
Maturity Structure of Borrowing	19
Treasury Management Investments	
Treasury Investment Policy	20
Treasury Investment Strategy	20
Specified Investments	21
Non-Specified Investments	21
Security / Creditworthiness Policy	22
Non-Treasury Investments – Commercial / Service Investment	26
The Treasury Function	28
Glossary of Terms	30

Treasury Management

1. The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice for public services. This was last updated by CIPFA in December 2021 with any changes to be fully embedded into processes for the 2023/24 financial year. The Code 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.

Treasury management investments represent the placement of cash in relation to the section 12 Local Government Act 2003 Act investment powers, i.e., they are the residual cash left in the authority's bank account resulting from the authority's day to day activities. Non-treasury investments tend to relate to section 1 expenditure powers under the Act.

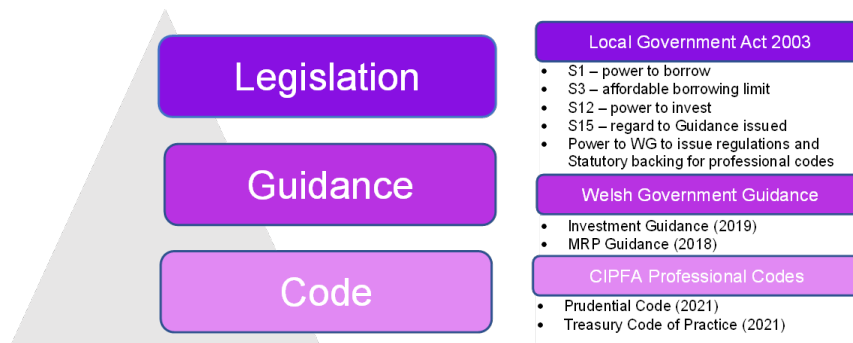
This Treasury Management Strategy covers treasury management investments only.

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, with any significant updates included as part of quarterly monitoring reports to Cabinet.
5. The Treasury Management Strategy is an integral part of the Council's Strategic and Financial planning framework.



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.



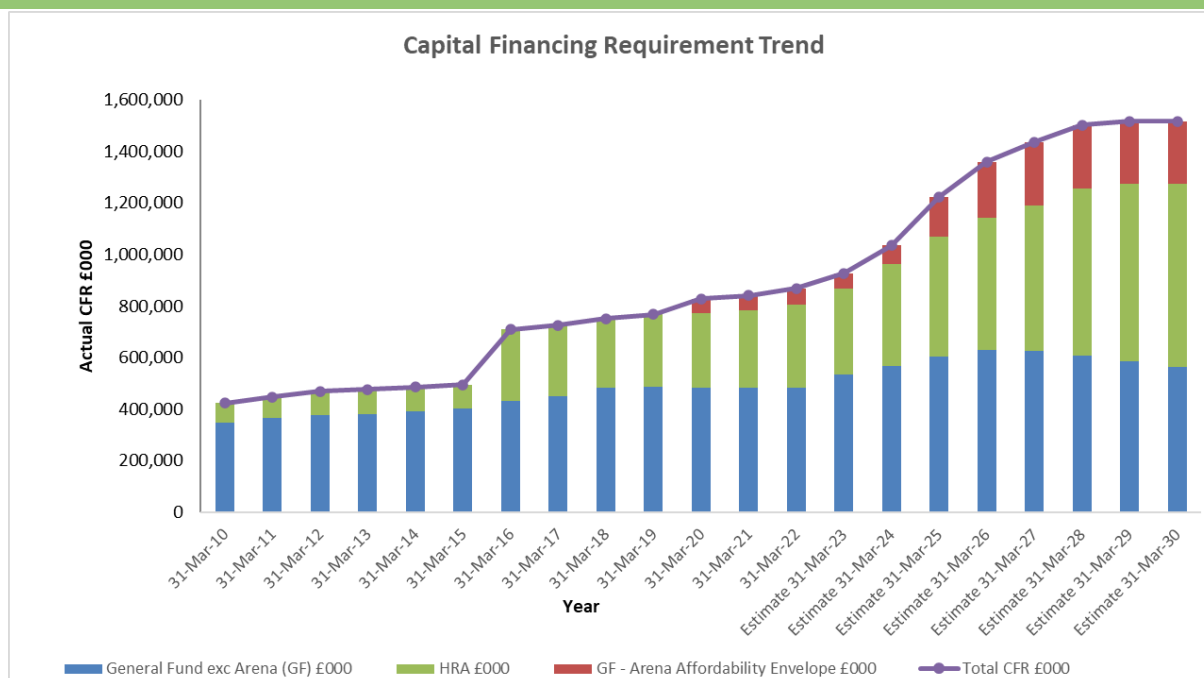
7. The Council has delegated responsibility for treasury management to the Corporate Director of Resources and S151 Officer. The Council's Treasury Management Practices which are updated annually, identify specific responsibilities of officers as well as setting out schedules highlighting the way in 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 Treasury Services Limited includes advice on timing of decision making, training, credit updates, economic forecasts, research, articles and advice on capital finance.
9. Governance and 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 sets 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 proportionality of 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.
 - 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 2023/24 to 2027/28.
 - Funding the strategy and investment programme - the Capital Resources assumed to be used to fund the 2023/24 to 2027/28 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 is the subject of the annual review process for review of existing allocations, consideration of new commitments and timing of projects. Accordingly, whilst there will be changes in the final draft of this strategy, they are unlikely to significantly alter the approach.
13. The indicative programme shows a significant borrowing requirement for a number of reasons. The Capital Financing Requirement for the General Fund, Atlantic Wharf / Arena affordability envelope and Housing Revenue Account are illustrated in the chart below.



14. 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 proceeds from the disposal of assets (Capital Receipts) are achievable and receivable in a reasonable period.
- 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 that includes:
 - Agreed expenditure pre commitments in the capital programme approved in 2022/23 and prior years
 - Additional investment proposed as part of the budget proposals for 2023/24 to 2027/28
 - Investment in the target to deliver 2800 new affordable homes in the Housing Revenue Account
 - Schools' investment as part of the financial models for 21st Century Schools Band B
 - Specific schemes intended to pay for themselves from future revenue income or savings e.g. District Heat Network, Core Office Strategy. International Sports Village, Pentwyn Leisure Centre and Independent Living Wellbeing Centre
 - Repayable loans offered by Welsh Government for specific schemes such as to tackle Coastal Erosion
 - Agreed council contributions to the Capital Cardiff Region City Deal Wider Investment Fund including expenditure in advance of receiving HM Treasury Grant
 - Expenditure incurred as part of an affordability envelope, for the acquisition of the Red Dragon Centre and related land required for the development of an Arena as part of the Atlantic Wharf Regeneration Masterplan.
 - Council contribution to the enabling costs of an arena and to 'Direct Fund' the Arena construction following the approval by Cabinet in September 2021 of

the Full Business Case (FBC). The optimal funding solution is for the Council to provide the funding to construct the arena. Whilst this will increase the Council's Capital Financing Requirement and need to borrow, the costs of solution are intended to be offset over a 45-year period from operator income receivable.

Treasury Management Strategy

15. 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.
16. 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.
17. 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 2022.
18. 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 2023/24 to 2027/28
 - investment policy and strategy, including security and investments approved for use
 - non-treasury Investments – Commercial / Service Investment, and
 - the Treasury Function.

The Treasury Position

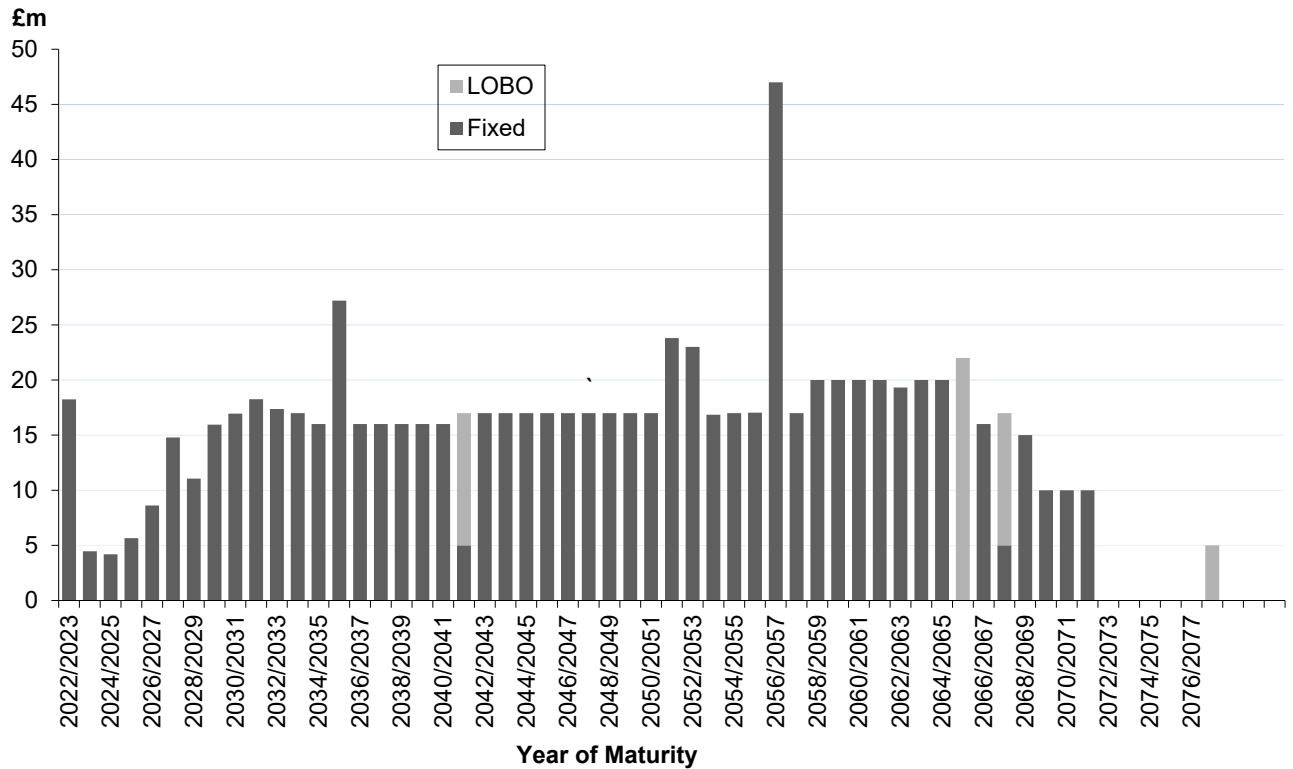
19. Borrowing and investments as at 31 December 2022 and at the same date in the prior year, are shown in the following table. Borrowing is predominantly made up of fixed interest rate loans payable on maturity. Investments fluctuate daily and are represented by fixed term deposits, notice deposit accounts 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 2021		31 December 2022	
	Principal	Average	Principal	Average
	£m	Rate %	£m	Rate %
External Borrowing				
Public Works Loan Board (PWLB)	(763.1)	4.2	(759.7)	4.2
Market (Lender Option Borrower Option)	(51.0)	4.0	(51.0)	4.0
Welsh Government	(23.7)	0.0	(22.8)	0.0
Local Authority	(38.3)	1.3	(18.3)	1.8
Total Debt	(876.1)	4.0	(851.8)	4.0
Treasury Investments (Internally Managed)*				
Banks	111.1	0.18	99.0	2.44
Building Societies	13.0	0.04	0.0	0.00
Money Market Funds	29.0	0.04	19.2	3.19
Government	34.2	0.03	40.7	2.71
Local Authority	0	0	10.0	3.00
Total Treasury Investments (Net)	187.3	0.12	168.9	2.62
Net Treasury Investments / (Borrowing)	(688.8)		(682.9)	

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

20. The Council's debt maturity profile at 31 December 2022 is shown in the following graph on the assumption that all loans run to their final maturity.

The Treasury Position



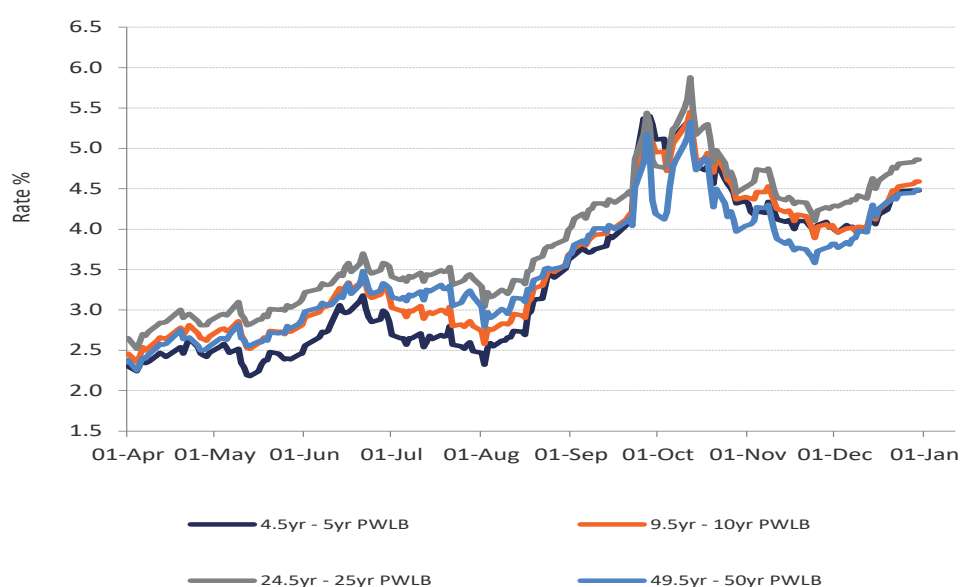
21. LOBO products are loans to the Council where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan without penalty. The Council has six such loans totalling £51 million.
22. Apart from the 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
17/01/2023	5	5 years	17/01/2078
02/03/2023	6	6 months	23/05/2067
22/05/2023	6	6 months	21/11/2041
22/05/2023	6	6 months	21/11/2041
22/05/2023	6	6 months	23/05/2067
21/11/2025	22	5 years	23/11/2065

23. It should be noted that £29 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 £22 million has a call option in November 2025.

24. Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, UK interest rates have been volatile across all time periods. The conundrum facing central banks is, inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten. Gross Domestic Product growth is weak and the UK unemployment rate fell to a 48-year low of 3.6%. Without an increase in the labour force participation rate, this may impact on the ability to grow, and with average wage increases running at 5.5% - 6% the Monetary Policy Committee will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine in February 2022. Ultimately, however, it will not only be inflation data but also employment data that will impact the decision-making process of the Monetary Policy Committee as well having regard to the interest rate outlook in the US and other major economies and geo-political events.
25. Recent Monetary Policy Committee meetings have been more concerned with combating inflation by implementing a succession of Bank Rate increases with the last increase on 15 December to 3.50%. With inflation expected to peak in the final quarter, there remains significant uncertainty as to whether such price rises will subside back to more normal levels, including gas prices and electricity once winter is passed.
26. The above economic background and political changes in the UK, have resulted in significant volatility in gilt yields and in turn borrowing rates as markets digest daily developments in the financial markets, release of economic data both domestically and internationally.
27. The Public Works Loan Board is one source of local authority borrowing and subject to annual review of eligibility. PWLB rates are based on gilt (UK Government bonds) yields, however HM Treasury determine a specified margin to add to gilt yields for any local authority borrowing. Most local authorities can undertake loans at the PWLB Certainty Rate, which is gilt rate plus 80 basis points (G+80 bps).

PWLB Rates 01/04/22 - 31/12/2022



28. The chart above highlights the volatility in PWLB borrowing rates, with long term rates at the end of December 2022 being circa 4.5%. Having regard to various uncertain factors, the table below shows the Council's treasury management advisors last forecasts for Bank Rate and Public Works Loan Board (PWLB) certainty borrowing rates, based on their current lending policy. The forecasts are updated periodically and it is a central forecast, acknowledging for example that there are upside and downside risks. This shows a gradual decrease in Bank Rate and PWLB lending rates over the forecast horizon ending on 31 March 2025, albeit with rates higher than previous years lows.

	Actual 31/12/2022	March 2023	March 2024	March 2025	March 2026
Bank Rate (%)	3.50	4.25	4.00	3.00	2.50
5yr PWLB rate (%)	4.48	4.20	3.90	3.40	3.10
10yr PWLB rate (%)	4.59	4.40	4.00	3.50	3.30
25yr PWLB rate (%)	4.86	4.60	4.20	3.70	3.50
50yr PWLB rate (%)	4.49	4.30	3.90	3.50	3.20

Forecast 19 December 2022

29. The view is that the overall balance of risks to economic growth in the UK is to the downside. Markets have built in the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook. However, there will be a lot of unpredictable volatility during this forecast period. This includes, financial market uncertainty, inflation pressures, approach to reversal of quantitative easing, economic growth, public sector borrowing levels, and geo-political risks.
30. It should be noted that following a review of PWLB lending policy, a prohibition is in place to deny access to borrowing from the PWLB for any local authority which includes in its capital programme the acquisition of investment assets bought primarily for yield.
31. Where there is a borrowing requirement for certainty, there is deemed to be better value in borrowing from the PWLB for all maturity periods. The Council will also for strategic investments, consider opportunities and eligibility of borrowing from other sources such as the UK infrastructure bank where projects are in line with its lending objectives.

Borrowing Policy

32. 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.
33. The Council can consider various sources and debt instruments to finance 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.
34. The Council's currently maintains a single pool of all Council debt for all activities. Best treasury management practice is that loans are not taken on a project-by-project basis, however this will be a consideration for specific capital investment such as for the arena, where there is a need to meet specific cash flows and track performance over the life of the project.
35. Whilst interest rates for borrowing are greater than interest rates the Council receives for investments (the cost of carry) or if long term interest rates are expected to fall, it makes financial sense to use any internal cash balances held in the short-term to finance 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 need to borrow in future and so this position is kept under continuous review and delegated to the Corporate Director Resources. Borrowing undertaken is reported as part of reports to Council
36. 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.
37. The Council does not intend to borrow in advance of need and will not do so just to gain financially from short term investment of that borrowing. However, this option may be considered if it is felt that borrowing in advance allows opportunities to lock into favourable long-term rates as part of risk mitigation. This will be limited to no more than

the expected increase in the Council's Capital Financing Requirement over a three-year period.

Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement for 2023/24

38. Where capital expenditure is financed 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.
39. 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 to interpret that term.
40. 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 and this will be included in the Council's Capital Strategy for 2023/24 but is replicated below in this draft strategy.

It is proposed that the Council's MRP Policy to apply for 2023/24 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 Welsh Government 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.*
- *Any additional expenditure linked to specific schemes e.g. Invest to Save/Earn, 21st Century Schools, Arena affordability envelope 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 more than the above requirements can be made subject to affordability and following advice of the Section 151 Officer. Voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent where disclosed in accordance with requirements and the proposed use and outcomes are approved and reported to Council.*
- *Subject to agreement of the S151 Officer, MRP may be waived on expenditure recoverable within a prudent period through capital receipts (e.g. land purchases, loan repayments, income) or deferred to when the benefits from investment are scheduled to begin, to manage*

Borrowing

any initial revenue deficits or when confirmed external grant payments towards that expenditure are expected. Where this flexibility is used, risks and mitigations should clearly be set out as part of an approved business case and regularly reviewed.

- 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

41. The following table shows the actual level of external borrowing currently held by the Council, external borrowing planned to date in 2022/23 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 indicative funding plans as set out in the budget report for 2023/24. The difference between the projected CFR in 2027/28 (£1,501 million) and the actual level of external borrowing after any planned repayments (£805 million) is £696 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 in future years.

Indicator							
Gross External Borrowing and the Capital Financing Requirement							
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m	£m
External borrowing at 1 April	811	856	839	839	835	829	820
Known / New borrowing	72	6	4	tbc	tbc	Tbc	tbc
Scheduled repayments	(27)	(23)	(4)	(4)	(6)	(9)	(15)
External Borrowing at 31 March	856	839	839	835	829	820	805
Capital Financing Requirement	868	927	1,035	1,224	1,359	1,436	1,501
Shortfall / (Surplus) borrowing requirement	12	88	196	389	530	616	696
Requirement as % of CFR	1	9	19	32	39	43	46

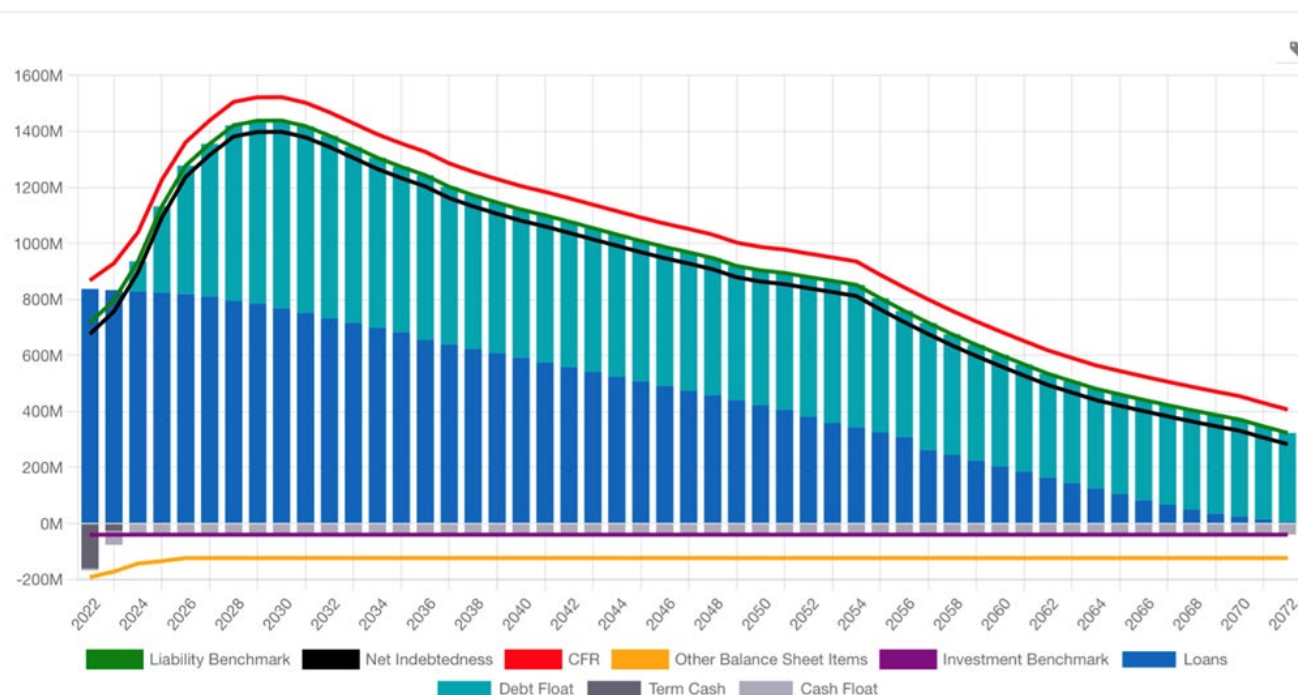
42. The Council is required to set treasury management indicators as part of the CIPFA Treasury Management Code of Practice as well as Capital expenditure indicators in the Capital Strategy and overall budget report to consider affordability indicators. Indicators for future years may be impacted in future years because of updates to the accounting treatment of leases, which is to be considered and implemented during 2023/24.
43. A new prudential indicator required by the Treasury Management Code in 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the

Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. CIPFA strongly recommends that the benchmark is produced for at least 10 years and should ideally cover the full debt maturity profile of a local authority. This is a new indicator and tool and as such it has been prepared as intended. As such the Council will need to continue to assess usefulness and the theoretical principles upon which it is based. It will also require that practical and sustainable data processes are in place corporately and within financial services, to ensure continued improvement in the preparation, update and understanding of this indicator for effective use.

44. CIPFA encourages the production of separate Liability Benchmark indicator for General Fund, HRA and other significant elements where this may be useful. They also recognise that authorities may take different positions in respect of the benchmark and it is not intended to be a boundary of limit that cannot be breached.
45. There are four main components to the Liability Benchmark, with each illustrated in the chart below:
 - Existing gross loan debt assumed to be outstanding in future years.
 - Capital Financing Requirement (CFR) for loans, based on approved capital commitments and planned Minimum Revenue Provision. Given that most Capital investment Programmes are confirmed only for the very near term, similar to most other authorities, this will mean that the CFR will peak in the very near term, whereas other inputs into this indicator are projected forward for a much longer period. In other words, it focuses only on current commitments.
 - Net loans requirement. This shows the Council's gross loan debt, less its treasury management investments at the last financial year-end, projected into the future where they can reasonably be assumed. This relies on forecasting of future cash balances and balance sheet position well into the future.
 - Liability benchmark (or gross loans requirement): this equals net loans requirement plus an agreed short-term liquidity benchmark. Short-term liquidity allowance means an adequate (but not excessive) allowance for a level of excess cash to be invested short-term to provide access to liquidity if needed (due to short-term cash flow variations). For the preparation of this indicator, this liquidity benchmark has been assumed at £40 million.

Borrowing

Liability Benchmark



46. The Liability Benchmark focuses on the management of the Net Treasury position (borrowing less investments). It assumes minimisation of investments and interest rate and credit risk, profiling the borrowing portfolio to benchmark. It applies to all local authorities, some of whom may have a borrowing requirement such as Cardiff, or others who have net investments because of being debt free or having large reserve balances. The Liability Benchmark is intended to be analysed as part of Treasury Management reporting, with material mismatches explained and be considered when taking new borrowing decisions such as timing and period of borrowing.
47. Comparing the Council's Liability Benchmark with the current borrowing portfolio shows how the existing portfolio matches current commitments of the Authority.
 - A gap between the existing portfolio of loans and the Liability Benchmark, the debt float in the chart above in this case, indicates a borrowing need to match future liabilities and to avoid a determined liquidity benchmark from being insufficient. It does not necessarily indicate the borrowing that will be undertaken in that year.
 - A Liability Benchmark below the existing portfolio of loans would indicate no additional borrowing need and signifies surplus cash more than what may be deemed a short-term liquidity benchmark.
48. Cardiff Council has a borrowing need and this will give rise to net interest cost uncertainty as the borrowing rate has yet to be determined. This risk is likely to be symmetrical in nature, as interest rates may be higher or lower than those implied from the current market. The section below sets out the approach to meeting the known future borrowing requirement including use of temporary cash balances, external borrowing, sources of borrowing and timing.

Borrowing Strategy

49. 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).
50. Given the risks within the economic forecasts and certainty of capital expenditure outflows, setting a fixed target for the quantum and timing of borrowing is not deemed appropriate. As seen from the interest forecasts currently available, interest rates on borrowing are expected to fall over the next two years. It should be noted that this is a risk and will need continual review.
51. In managing the Capital Financing Requirement, a pragmatic approach will be adopted by Council's Section 151 Officer due to changing circumstances with the following combination of approaches proposed.
 - Internal borrowing (using temporary cash balances available) will be maximised in the very near term, whilst ensuring sufficient liquidity, to minimise short term costs. Subject to balance sheet capacity, retention of a minimum liquidity benchmark and previous comments from Governance and Audit Committee, it is suggested that a targeted level of internal borrowing would be circa £100 million or 10% of the 2022/23 Capital Financing Requirement.
 - Short term external borrowing between 1 and 5 years will be undertaken given the current view that interest rates on long term borrowing will fall in the medium term.
 - Medium to long term borrowing will be undertaken to mitigate against the risk of future interest rates not falling as expected and being exposed to risks of interest rates increasing when funds are required. This is likely to be at fixed rates to meet the long-term borrowing policy aims of certainty.
52. The Council's Treasury Management activities including timing of borrowing decisions are delegated to the Council's Section 151 Officer. 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. Whilst economic and financial forecasts are outside of the Council's control, it is recognised the Council and Treasury Team will need additional advisory support and capacity to help manage the borrowing requirement and associated risks arising from the Council's capital investment requirement.
53. It should be noted that current interest rates on the Council's existing debt portfolio compared to new borrowing rates and penalty rates charged for early debt repayment, have previously resulted in limited options for restructuring of debt. Options have previously been considered for early repayment of loans; however, the penalties outweighed the benefits. With the recent increase in rates, options will continue to be reviewed.

Authorised Limit

54. 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 at least 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 Taxpayers and Council tenants is acceptable.
55. 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.
56. 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 2021/22 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						
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Limit for external borrowing and other long-term liabilities	1,475	1,541	1,541	1,541	1,541	1,541

57. 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 £1,541 million for 2023/24 to 2027/28 and cannot be breached without further Council approval.

Operational Boundary

58. 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						
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Boundary for external borrowing and other long-term liabilities	839	1,035	1,224	1,359	1,436	1,501

59. 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 authorised borrowing limit.

Maturity Structure of Borrowing

60. 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 2023/24				
	Upper limit	Lower limit	Actual to Maturity	Actual if LOBOs Repaid Early
	%	%	%	%
Under 12 months	20	0	0.53	1.99
12 months and within 24 months	25	0	0.50	0.51
24 months and within 5 years	25	0	3.47	6.78
5 years and within 10 years	20	0	9.49	9.63
10 years and within 20 years	30	0	20.77	19.62
20 years and within 30 years	35	0	21.80	22.12
30 years and within 40 years	35	0	25.55	25.92
40 years and within 50 years	35	0	17.29	13.43
50 years and within 60 years	15	0	0.60	0.00
60 years and within 70 years	5	0	0.00	0.00

Treasury Investment Policy

61. The Council has regard to the CIPFA Treasury Management Code and complies with Welsh Government guidance on Treasury 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.
62. 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.
63. 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.
64. Understanding and managing Economic, Social and Governance (ESG) risk is 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 short-term temporary cash balances is Security, Liquidity and then Yield. Credit ratings agencies also incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings, which the Council uses to determine with whom to invest.

Treasury Investment Strategy

65. 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

Treasury Management Investments

will be managed in accordance with this strategy and segregated where possible to avoid adverse impacts on Cardiff Council's own performance. This is particularly the case for the Cardiff Capital Region City Deal funds held at part of investments at 31 December 2022, which total c £53 million. A full move to a Corporate Joint Committee is to be considered during 2023/24. Any move to such an approach, where such an entity would manage its own funds, would be useful in supporting an understanding of the Council's own treasury performance and position.

66. 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, in some cases these now being reversed.
67. 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 year.
68. The Council aims to have sufficient liquid funds to ensure it does not become a forced borrower for a significant period at rates more than what may be earned on such investments.

Specified Investments

69. 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 and
 - is less than one year with an entity with high credit quality
70. 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

71. These are all other investments not meeting the definition of a specified investment which could be used to achieve diversification and manage liquidity needs. A maximum upper level of £90 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 more than 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

72. 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

73. 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.
74. 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:

Treasury Management Investments

- 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.

75. 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. Inter local authority lending is an option that continues to be available as part of the strategy proposed.

76. 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
Money Market Funds	AAA	n/a	12
UK Part Nationalised Banks overnight to two years	n/a	n/a	20

77. 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 AA+		
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

Development Bank Singapore	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- (Including RFB / NRFB)*

Barclays Bank	12	1 year
Goldman Sachs International Bank	12	1 year
Handelsbanken	15	2 years
HSBC Bank	15	2 years
Santander UK plc	12	1 year
SMBC Bank International Plc	6	3 months
Standard Chartered Bank	12	1 year
Bank of Scotland	12	1 year
Lloyds Bank	12	1 year
National Westminster Bank **	20	2 years
Royal Bank of Scotland	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
	n/a	6 months

Money Market Funds

Aberdeen Liquidity Fund	12	Liquid
BlackRock ICS Sterling Fund	12	Liquid
Deutsche Managed Sterling Fund	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

* Ring-Fenced Banks and Non-Ringfenced Banks where applicable

** 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.

78. 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.
79. The credit ratings of financial institutions are monitored regularly through use of the treasury management advisor's credit service. If a downgrade results 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.

80. In addition to treasury management investment activity, local authorities can utilise their powers in order to undertake capital expenditure and invest in other Non-Treasury financial assets. Such activity can include:
- Service Investments - loans supporting service outcomes, investment in or loans to subsidiaries, and investment in existing commercial property holdings either to maintain them or increase value or
 - Investment assets bought primarily for yield (Financial Return) - An 'investment asset' could be a property asset, or interest or right that generates a balance sheet asset (such as, but not limited to a loan, sale and leaseback agreement). As it has been 'bought primarily for yield,' the asset serves no direct policy purpose linked to the authority's core functions but has been acquired primarily because it would generate an income stream for the authority, which would most often (but not exclusively) be used to support wider service spending. Examples of such assets is included in the glossary.
81. Whilst these investments 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 the 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. Recent updates to regulations, CIPFA Codes and PWLB borrowing rules have all adopted a similar outlook to discourage further capital expenditure on investment assets bought primarily for a commercial return or financial yield.
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 and the Council's investment properties, which include various historic freeholds within the City held for income generation or capital appreciation. An independent review of the Council's approach to holding investment properties as well as specific investment management practices, similar to Treasury Management Practices, are being developed and will be included as part of the next Property Strategy.
83. Proposals for Non-Treasury investments would need to form part of the Council's Capital Strategy and Capital Programme. Such investment requires careful investment management and should be managed as part of agreed processes considering monitoring, decision making and reporting. 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 and any rewards over a long-term horizon such as 20-30 years.
 - Proportionality of any income to the overall resources available to the Council

Non-Treasury Investments – Service Investment and Commercial Investment Primarily for Yield

- 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.
84. Where investment is undertaken in assets primarily for yield, these investments should be proportional to the level of resources of the authority, but it should be noted, that if undertaking such investments, the Council would not be able to borrow from the PWLB for this and any other capital expenditure within its programme.
85. This emphasises the importance of the Council's S151 (Responsible Finance) Officer role in ensuring the governance of, risk assessment, informing, reviewing and reporting decisions being made in relation to both Treasury and Non-treasury Investments.

The Treasury Function

86. Treasury management activities are delegated to the S151 Officer and detailed Treasury Management Practices are in place and updated regularly setting out the approach to risk management, reporting, responsibilities and controls. Controls and processes in the Treasury function are subject to a more frequent periodic internal audit.
87. The Treasury function performs a key role including ensuring that sufficient funds are available to meet the Council's financial commitments and is often the payment mechanism of last resort. The requirements to meet high standards, accuracy and governance requirements are significant for a small specialist team of c 1.2 FTE undertaking all transactional, reporting and compliance activities for Treasury Management Code requirements. Contingency plans in terms of access to bank and systems are in place and proven. allowing continuity of service provision remotely.
88. Changes to CIPFA's Prudential Indicators have reinforced the need to project positions for the long-term to establish benchmark positions for borrowing and treasury investments. To fully embrace these challenges, the Council overall strategic and budgetary planning will need to continue to develop a longer-term planning approach working with key funders.
89. Treasury Management activities continue to be the subject of regulatory change. The function also needs to evolve as the complexity of the Council's activities. These challenges and approach to implementing and sustaining changes, continue to test skills, resilience and capacity.
90. Whilst traditional approaches to treasury management have worked well for the Authority in the past, achieving a balanced portfolio across loans and investments, it is essential that the treasury function keeps pace with changing circumstances and new ways of working to continue to be able to provide best value services.
91. Changes in the profile of the Council's projected balance sheet, including an ambitious capital investment programme which almost doubles the size of the existing borrowing, will place the emphasis on ensuring borrowing at the most appropriate structure and timing to reduce risk to the council. The treasury team will need to consider focusing allocating resources towards short and long-term tactical borrowing decisions to manage the borrowing requirement and support minimisation of longer-term costs, whilst identifying and managing risk in a proportionate way. This will require the use of external services, where appropriate to provide the tools and / or expertise to support the implementation of the borrowing strategy and the risk management framework.
92. The CIPFA Treasury Management Code requires all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making. 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

The Treasury Function

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.

93. The CIPFA Treasury Management Code also requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Governance and Audit Committee Members responsible for reviewing and seeking assurance on treasury management activities will be provided with the opportunity for additional specific external training as informed by individual and collective Governance and Audit Committee self-assessments.
94. It is the responsibility of the Section 151 officer to ensure the adequacy of the treasury management function, skills and expertise having regard to the size and complexity of the treasury management conducted by the council. Options for additional support will be considered as part of the Council's existing Treasury Management advisory services.

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.

Movement	Opening Capital Financing Requirement (CFR)
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision and Voluntary Provision
=	Closing Capital Financing Requirement (CFR)

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 and repays the principal at maturity. CDs can be purchased directly from the banking institution or through a securities

Glossary of Terms

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 way 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 because 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.

Investment assets bought primarily for yield

Assets that serve no direct policy purpose but are held primarily to generate an income. An 'investment asset' could be a capital or property asset, or interest or right that generates a balance sheet asset (such as, but not limited to a loan, sale and leaseback agreement). As it has been 'bought primarily for yield,' the investment asset would serve no direct policy purpose linked to the authority's core functions but has been acquired primarily because it would generate an income stream for the authority, which would most often (but not exclusively) be used to support wider service spending.

Investment assets bought primarily for yield would usually have one or more of the following characteristics: a. buying land or existing buildings to let out at market rate b. buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification c. buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly d. buying a speculative investment asset (including both financial and non-financial assets) that generates yield without a direct policy purpose.

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.

Glossary of Terms

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).

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, if 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

Glossary of Terms

from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

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, 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, considering 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.

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.

Governance and Audit Committee Action Plan and Recommendations

(Updated following meeting held on 29 November 2022)

1. Action Plan

Minute No. /Agenda No.	Actions	Timeline	Action Owner
	Finance (Budget)		
	Governance & Risk Management		
	Audit Wales (AW)		
19.07.22	Finance and Democratic services to provide an initial position statement in respect to progress in making improvements in process and the risk identified in the Audit Wales Audit Plan for the Council in relation to related parties' disclosure requirements.		
	Internal Audit		
	Treasury Management		
	Operational Items		
23.03.21	Committee to be provided, in due course, with information on the preparation for 'IFRS 16 – Leases' for the Statement of Accounts 2022/23.		AH
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.	Interim confidential assurance briefing paper circulated 3.06.2021	CL / CP
	AW Tracker/Other Studies		
	Performance		
19.07.22	Committee to be provided with the suite of complaints handling KPIs once approved by the Halo Board.	Draft KPIs provided to G&A Committee on 29.11.22	IB
	Work Programme		
	Outstanding Actions		
	Correspondence		
	Scrutiny Engagement / Letters		

2. Recommendations

Committee Meeting Date	Agenda Item	Recommendation	Date Raised	Management Response	Target Action Date	Status
27.09.22	Paul Orders, Chief Executive Draft Well-being (Self-Assessment) Report 2021/22	1. We recommend that the draft Strategic Assessments under each Wellbeing Objective are reviewed to: - a. ensure the overall evaluative conclusions are explicitly recorded, b. consider if they provide sufficient emphasis on outcomes.	10.10.22	Accepted - For each Well-being Objective section of the draft report, the Strategic Evaluation section has been reviewed following Committee and amended to provide a stronger evaluative assessment of performance. The Council commits to work in consultation with the Committee on further implementing this recommendation in the forthcoming mid-year assessment and in future Annual Well-being Reports.	17.10.22	Open
		2. The Committee recognises the well-structured and comprehensive self-assessment process. However, we recommend the Council considers if the Annual Well-Being Report adequately records conclusions on the extent to which it meets its "performance requirements" namely: - a. It is exercising its functions effectively, b. It is using its resources economically, efficiently and effectively, c. Its governance is effective for securing the above		Accepted - The Council has clarified in the revised draft report that it considers that the self-assessment process and the Annual Well-being Report ensures that Council is meeting the statutory performance requirements. The Council commits to work in consultation with the Committee on continuing to strengthen the Council's approach to future Annual Well-being Reports.	17.10.22	Open
		3. It is considered that the narrative self-assessment within the "Key Successes" sections have an emphasis on input activities, we recommend that for future annual Self-Assessment Reports, that the Council consider whether a stronger focus on outcomes can be applied.		Accepted - The Council will review the Key Successes sections of future reports to ensure an appropriate balance between input, output and outcomes is presented.	15.12.22	Open

Correspondence

The Governance and Audit Committee and each of the Council's Scrutiny Committees have established an arrangement to share and inform each other of their work programmes, enquiries and outcomes, in accordance with the steps agreed at the Scrutiny Chairs' Liaison Forum on 6 December 2021.

As part of this process, the Chair of the Governance and Audit Committee and the Audit Manager have been copied into the following Scrutiny Committee letters over the reporting period. Where responses have been received at the time of reporting, these are also included for information.

Each of the letters have been reviewed by the Audit Manager who has provided comments to the Committee Chairperson.

The information contained within the letters published is useful for Governance and Audit Committee Member awareness of the activities and lines of enquiry of the Council's Scrutiny Committees.

In considering the terms of reference of the Governance and Audit Committee, and the correspondence received, it is not considered that any updates to the Committee work programme are required.

For the information of the wider Committee, the published letters circulated to the Chair of the Governance and Audit Committee and the Audit Manager since the last Committee meeting were as follows.

For wider information the published Scrutiny Committee work programmes are also linked within this document.

Chris Pyke

**Audit Manager
13 January 2023**

Children and Young People Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 13 th December 2022	Agenda Item 3	Covid-19 Recovery in Schools	Link to Correspondence (pages 7-15)
Tuesday 13 th December 2022	Agenda Item 4	Pre-Decision Scrutiny - Moorland Early Years Unit and Replacement Flying Start: Procurement of Contractor for Construction	Link to Correspondence (pages 3-5)

Community and Adult Services Scrutiny Committee

Committee Date	Agenda/Minute No.	Item Background Papers	Correspondence Following Committee Meeting
Monday 14 th November 2022	Minute No. 24	Direct Payment Review	Link to Correspondence (pages 9-11)
Monday 14 th November 2022	Minute No. 23	Quarter 2 Performance	Link to Correspondence (pages 13-15)
Monday 14 th November 2022	Minute No. 24	Direct Payment Review (Response)	Link to Correspondence (pages 17-18)
Monday 14 th November 2022	Minute No. 23	Quarter 2 Performance (Response)	Link to Correspondence (pages 19-21)
Monday 12 th December 2022	Agenda Item 5	Corporate Safeguarding Policy 2022-2025	Link to Correspondence (pages 3-6)
Monday 12 th December 2022	Agenda Item 6	Council House Rent & Service Charge Setting	Link to Correspondence (pages 7-9)

Economy and Culture Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Monday 12 th December 2022	Agenda Item 4	Cardiff Bay Regeneration Update	Link to Correspondence (pages 3-4)
Monday 12 th December 2022	Agenda Item 5	St David's Hall: Pre-decision scrutiny	Link to Correspondence (pages 5-10)
Monday 12 th December 2022	Agenda Item 5	St David's Hall: Public Letter	Link to Correspondence (pages 11-13)
Monday 12 th December 2022	Agenda Item 6	Local Broadband Fund	Link to Correspondence (pages 15-16)

Environmental Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Thursday 8 th December 2022	Agenda Item 5	Local Air Quality Monitoring Report	Link to Correspondence (pages 3-5)
Thursday 8 th December 2022	Agenda Item 4	One Planet Cardiff Annual Review	Link to Correspondence (pages 7-12)

Governance & Audit Committee

No correspondence issued over the reporting period

Policy Review and Performance Scrutiny Committee

Committee Date	Agenda/Minute No	Item Background Papers	Correspondence Following Committee Meeting
Tuesday 15 th November 2022	Minute No. 30	Communications & External Relations Service	Link to Correspondence (pages 11-14)
Wednesday 14 th December 2022	Minute No. 38	Race Equality Taskforce Response	Link to Correspondence (pages 3-7)

Scrutiny Work Programmes

Committee Date	Agenda/Minute No	Item Background Papers	Latest Published Work Programme
Tuesday 13 th December 2022	Agenda item 5	Children and Young People Scrutiny Committee	Draft Forward Work Programme 01.01.23-01.04.23
Monday 14 November 2022	Agenda Item 25	Community & Adult Services Scrutiny Committee	Work Programme 2022/23
Monday 12 December 2022	Agenda Item 7	Economy & Culture Scrutiny Committee	Work Programme Update
Thursday 10 November 2022	Minute No. 40	Environmental Scrutiny Committee	Draft Forward Work Plan 2022/23
Wednesday 14 December 2022	Minute No. 39	Policy Review and Performance Scrutiny Committee	Forward Work Programme January-March 2023

1. Current Work Programme 2022/23:

Area	Tuesday 19.07.22 (2pm)	Tuesday 27.09.22 (4.30pm)	Tuesday 15.11.22 (1pm)	Tuesday 29.11.22 (2pm)	Tuesday 24.01.23 (4:30pm)	Tuesday 21.03.23 (2pm)	Tuesday 18.07.23 (2pm) TBC
Audit Wales (AW)	Annual Audit Plan 2022			Summary Report of Assurance and Risk Assessment Work		Annual Audit Summary Report	Annual Audit Plan 2023
	Cardiff & Vale Pension Fund Audit Plan 2022		ISA 260 and Audited Statement of Accounts 2021/22 for Cardiff & Vale of Glamorgan Pension Fund	Follow-up Waste Management Review		* ISA 260 and Audited Statement of Accounts 2021/22 for Cardiff Council including; Cardiff Harbour Authority & Trust Funds	Cardiff & Vale Pension Fund Audit Plan 2023
				Follow-up Leisure Review			
				Combined Springing Forward Report			
	AW Work Programme and Timetable Update			AW Work Programme and Timetable Update	AW Work Programme and Timetable Update	AW Work Programme and Timetable Update	AW Work Programme and Timetable Update
Performance		Draft Year-End Self-Assessment Report 2021/22			Mid-Year Self-Assessment Report Update		Draft Year-End Self-Assessment Report 2022/23
	Council Complaints and Compliments – Arrangements and Annual Report 2021/22			Council Complaints – Mid Year Report			
Treasury Management		Treasury Management Annual Report	Half Year Report		Draft Treasury Management Strategy 2023/24	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 2021/22					Statement of Accounts 2022/23: Accounting Policies and Timescales	Draft Statement of Accounts 2022/23
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 2021/22	Counter-Fraud Annual Report 2021/22			Draft Internal Audit Charter & Summary Audit Plan 2023/24	Audit Charter and Audit Plan 2023/24	Internal Audit Annual Report 2022/23
						** Public Sector Internal Audit Standards (PSIAS) Peer Assessment / External Quality Assessment	
Governance and Risk Management	Governance and Audit Committee Annual Report 2021/22						Governance and Audit Committee Annual Report 2022/23
	Draft Annual Governance Statement 2021/22					Senior Management Assurance Statement and AGS Action Plan 2022/23 (Mid-Year)	Draft Annual Governance Statement 2022/23
	Corporate Risk Management (Year-End)	Corporate Risk Management Update		Corporate Risk Management 2022/23 (Mid-Year)		Corporate Risk Management (Q3)	Corporate Risk Management (Year-End)
	Recommendation Tracker – Reports of External Review Bodies					Recommendation Tracker – Reports of External Review Bodies	
Senior Officer Updates (Operational Matters / Key Risks / Other)		Chief Executive – Update on the Council's Control Environment	Deborah Driffield - Update on Children's Services Directorate Control Environment		Melanie Godfrey - Update on Education & Lifelong Learning Directorate Control Environment	TBC – Jane Thomas - Update on Adults, Housing & Communities Directorate Control Environment	TBC - Chief Executive – Update on the Council's Control Environment

Page 193

Agenda Item 12

2. Matters to be addressed outside of formal Committee meetings during 2022/23:

Governance and Audit Committee <ul style="list-style-type: none"> Annual self-assessment workshop (31.01.23) 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.
---	---	--

* Timing of item subject to completion of external audit **Timing subject to completion of review

This page is intentionally left blank