

GOVERNANCE AND AUDIT COMMITTEE

24 OCTOBER 2023

Present: Gavin McArthur (Chairperson)
David Price, Chris Burns

Councillors Carr, Moultrie and Williams

24 : APOLOGIES FOR ABSENCE

Apologies were received from, Cllrs Ahmed, Goodway, Lewis, Palmer and Dr Janet Wademan

25 : DECLARATIONS OF INTEREST

None received.

26 : MINUTES

The minutes of the meeting held on 11 July 2022 were approved as a correct record and signed by the Chairperson.

27 : 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.

In terms of the revenue position for Month 4 Members were advised of the projected overspend of £6.5m and the main pressures being in Economic Development, Education and Lifelong Learning and Children's Services. It was highlighted that robust management of budgets in 2023/24 would be critical. It was noted that Month 4 did not reflect any impact of pay awards which were yet to be agreed for 2023/24 and a significant proportion of contingency budgets were already projected to be fully utilised. Members were also made aware that any unmanaged in-year issues would add to the already significant budget gap for 2024/25.

Members noted that the further position (Month 6) would be reported to Cabinet in November 2023. Members noted the £119m budget gap estimated over four years to 2027/28 with significant savings requirements approaching £100m.

Members received an update on the projected budget gap in 2024/25 which was projected to be £36.8m (£53.6m pressures less assumed funding increase of £16.8m based on an indicative allocation from WG will not be confirmed until 20 December 2023). The individual elements of the budget gap were summarised. There was a c.£8.5m additional risk around Teachers' Pensions; a savings requirement of c.£32m and the gap and the associated savings requirement would increase unless the in-year issues outlined to Members were effectively addressed.

The ongoing areas of risk that were currently under review and work undertaken on the budget strategy for 2024/25 were noted.

It was emphasised that the Council would have to work with significantly less resources in the future and Members noted the challenging position for the current and following financial years.

Members asked questions and sought clarification on the following:

- A Member enquired when the Teachers' pay outcomes were expected. It was noted that the pressures on the current year's budget had been identified which included an overspend on Education and Lifelong Learning and officers were asked whether that included school budgets. Officers responded that the Teachers' pay settlement was effective from start of next financial year and was currently being discussed through WLGA and other local authorities. The overspend did not include the delegated schools budget.
- In terms of the school position, a Member asked at what point they were provided with information on the school budget situation. Officers responded that this information could be supplied to the committee if helpful. The Council did report through School Budget Forum. It was also mentioned that a significant number of schools were in deficit working through recovery programmes with the local authority. In terms of individual school budgets, they were not included in those figures. Members agreed that this information would be useful.
- A Member expressed the opinion that a number of schools faced a deficit from which it was believed they were unable to recover, and, on that basis, it was of concern and felt it was important that information on caps was made available to schools at the earliest opportunity. If that information was conveyed late, it could be too late to implement redundancy measures. Officers responded that information on schools was very detailed and that school budget were under pressure and had received significant increases in recent years.
- A Member referred to page 17 of the report (pressures for this year) and asked if the position Cardiff found itself in was usual or unusual. Officers responded that the financial position in 2022/23 had been slightly worse. It was stressed that managers needed to mitigate the pressures identified and ultimately deliver a balanced budget. There was still confidence that this would be the case. Members noted that for a number of years the Authority had seen pressures in Children Services and particularly post COVID. Officers were working with services, and directors to ensure that month 6 showed a progression and following on from that a balanced budget was able to be delivered.
- A Member referred to the Month 6 position and asked if officers were already seeing progress or if the situation was worsening. Officers responded that the main concern was the outcome of the pay award because it had not yet been agreed and presented a significant risk. Officers were hopeful for a bottom line

progression. The position would be reported to Cabinet in November and an update provided to the Committee as part of the next meeting.

- A Member enquired how much (percentage and financial figure) the Council had budgeted for in terms of the Pay award. Officers responded 5% and an absolute amount of £1925 (mirroring last year's pay award). It was noted that anything over and above this would create a risk.
- A Member noted the overspends in Children Services took place year upon year and asked what was being done to address this overspend. Officers responded that the pressures related to the cost of placements and bespoke placements. Specific intervention boards had been established to address the issue. Attempts had been made to bolster the Council's fostering service with a range of interventions with the aim of bringing the figure down. It was emphasised to Members that it was not necessarily the number of children but the commissioning mix.
- A Member asked a question in relation to the Capital Programme in terms of the costs of servicing and if this had increased dramatically and was putting a pressure on delivery of front-line services. Officers were asked if the capital programme in its current form was affordable. Officers responded that the Capital Programme and affordability linked to other items on the agenda in terms of treasury management. The Authority has a series of prudential indicators and operates within those limits.
- A Member asked how far along Cardiff was as an Authority in putting together a plan to identify £32m of savings for the next financial year and £119m over the four years. It was appreciated that this could not be achieved easily and would require buy-in from Members and public consultation. Officers responded that the savings were taking priority and services were closely looking at it to see how it would be delivered. In terms of efficiencies Members were informed that the strategy was based around the level of income, fees and charges, opportunities with another element was based around service change or service cut requirements. It was recognised that it would require a significant amount of consultation and that a considerable amount of work was currently being undertaken.

RESOLVED – That the report be noted.

28 : COUNTER-FRAUD ANNUAL REPORT 2022/23

The Audit Manager, Chris Pyke, introduced the report. The Committee's Terms of Reference requires it to :

- Monitor the Counter-fraud strategy; actions and resources:
- Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

The report provided an overview of the counter-fraud activities and outcomes during 2022/23.

Appendix A set out the counter-fraud developments, campaigns, resources, work undertaken and collaborations that had taken place during the year. These activities were aligned with the Counter-Fraud and Corruption Strategy.

Members asked questions and sought clarification on the following:

- A Member asked for clarification on when the outcome of the council wide fraud assessment (referred to in the report) would be made available to the Committee. Officers responded that in previous years the Authority had taken part in the CIPFA fraud tracker which worked across local government in relation to information on fraud with data being collected across the UK. Further information in terms of concerns and areas of risk were collated and shared. Members were informed that as a senior management team each directorate would complete their own assessment and co-ordinate and present their own plan against the tracker and consider any actions going forwards. Unfortunately the exercise had not been run by CIPFA over the last couple of years so the Council has developed an in-house assessment of a similar nature using internal data. It was hoped that this could be used to report on the position at the end of the financial year.
- Members were re-assured that actions and mitigations had been put in place and asked if the Authority considered that there was an acceptable level of fraud cases in Cardiff. Officers responded that it was difficult to know what a good level of fraud cases was but it was something the Authority should be asking itself and reflecting on. Members were informed that the Council had produced a range of meaningful counter fraud articles; there was awareness raising amongst staff to ensure they were aware and alert, and encouraged to raise concerns where necessary. In terms of reporting fraud, Members were informed that reporting could be affected by a number of factors, including national fraud data releases and data matches. Members were advised that the Audit Manager considered that they were deploying their efforts and resources in the right ways.
- A Member enquired as to the incidents of employee fraud over the last 12 months and asked how many officers had been investigated for alleged corruption and fraudulent behaviour and how many proceeded to a disciplinary hearing resulting in a sanction that was imposed against the officers. The Audit Manager responded that paragraph 5.4 in the report referred to the Authority's concluded investigations in respect of its employees. It was noted that 21 employee investigations were concluded with 3 dismissals, 4 resignations, 3 final written warnings, 1 written warning and 1 case where management action resulted. There had been a number of cases where corrective action taken would be seen as appropriate means and in all cases consideration was given to the systems of internal control that were in place at the time.
- A Member enquired what the process was in relation to the cases of the three dismissals and which body made the decision, in the case of misconduct if a sanction was imposed, in relation to alleged criminality, whether to refer to the police or other external agencies. Officers responded that the Fraud Bribery and Corruption Policy set out the process for considering any cases where

there was financial impropriety and worked hand in hand with the Council's disciplinary policy. Members were advised that where a potential crime is identified a Police Referral Panel would be convened and the Panel would decide on any subsequent referrals.

RESOLVED – That the report be noted.

29 : CARDIFF AND VALE PENSION FUND - DETAILED AUDIT PLAN 2023

Julie Rees, Audit Wales, presented the Cardiff and Vale Pension Fund - Detailed Audit Plan 2023 to the Committee. Members were informed that the document had been prepared as part of work performed in accordance with statutory functions.

Members were reminded an outline Audit Plan had been presented at the Committee's July meeting and this report provided an update on plan progress.

Members were informed that the planning work on the Audit had been largely completed. Members noted that the Detailed Audit Plan:

- specified the statutory responsibilities of the external auditor.
- set out the work the team intended undertaking to address the audit risks identified and other key areas of focus during 2023.
- Set out the estimated audit fee which was £42k, for 2022/23 (part inflationary and partly for additional work carried out by Audit Wales and details of key changes were contained in Appendix 1).
- Contained details of the Audit team and key dates for delivering activities and planned outputs.

Members were directed to areas of significant financial risk statements which were contained on page 74 of the report. Members were informed that the risk of management override of controls was present in all entities. Due to the unpredictable way in which such override could occur it was viewed as a significant risk.

Members were advised of the other identified risks of material misstatement, which whilst not determined to be significant risks, were brought to the attention of the Committee.

Members were directed to page 77 of the Plan which detailed the key dates for delivery of planned outputs.

RESOLVED – That the Cardiff & Vale Glamorgan Pension Fund – Detailed Audit Plan 2023 be noted

30 : AUDIT WALES WORK PROGRAMME AND TIMETABLE UPDATE

Julie Rees presented Members with the Audit Wales Work Programme Quarterly Update – 30 September 2023.

Members were informed that the report summarised completed audit work since the last Annual Audit Summary issued in July 2023.

Members were provided with an update on Financial Audit Work, Performance Audit Work, Local Government national studies planned/in progress, Audit Wales national reports and other outputs published since September 2022.

Members asked questions and sought clarification on the following:

- A Member referred to page 13 (page 113 of the combined pack) of the work programme which referenced a national report on senior public service. Clarification was sought on what was meant by senior – officers to provide a response.
- A Member also sought clarification in relation to the term re-balancing care and support in the report – officers to provide a response.

RESOLVED: That the Audit Wales Work Programme and Timetable – Cardiff Council be noted.

31 : AUDITED STATEMENT OF ACCOUNTS - CARDIFF & VALE OF GLAMORGAN PENSION FUND

The OM Account Manager – Capital Service Accountancy, Anil Hirani, presented the report on the Audited Statement of Accounts – Cardiff & Vale of Glamorgan Pension Fund for Financial Year 2022/23.

Members were informed that the covering report highlighted the Council's responsibilities in relation to the accounts. It was noted that the officers who had prepared the accounts were unable to attend, but were thanked for their hard work and diligence in preparing the statement for the Committee.

Members noted that the Draft Audited Statement of Accounts Reports (ISA 260) for Cardiff and Vale of Glamorgan Pension Fund for Financial Years 2022/23 would be presented to full Council on Thursday 26 October 2023 for approval in line with governance arrangements. The Audit had substantially been completed and an ISA 260 attached to the report highlighting the Audit Wales Findings.

Julie Rees, Audit Wales then provided Members with an overview of the annex and appendices in the report. Members were reminded that before the accounts were approved there was a requirement by auditing standards to report certain matters to the Committee. Members noted that the status of the audit work was substantially complete it was just subject to final checks once the final accounts had been received and presented to Council followed by a final review.

It was drawn to the attention of Members that it was intended that it be recommended to the Auditor General to recommend an unqualified opinion and a letter of representation be requested from management and those charged with governance.

Members were informed that there were no uncorrected misstatements included in the accounts and no significant issues to report to the Committee as those charged with governance.

Members were directed to the Summary of corrective statements (Appendix 3) with all amendments relating to disclosure notes and no significant impacts.

Members commended the Audit Team and Finance Team for making such good progress with the final accounts.

Members asked questions and sought clarification on the following:

- A Member referred to page 121 – the average employers contribution being 19.2% and asked if Cardiff was in line with that percentage and if the rates varied across different local authorities. Officers responded that the rates varied according to the organisation with an actuarial review being undertaken for each local authority. A triannual evaluation was undertaken to determine the contribution rate over the next three years.
- A Member asked about management override and if there were any instances that were triggered by anything as a result of the accounts. Officers responded that management override was present in all entities as a risk for Audit Wales so it would always be a significant risk routinely. Nothing had triggered it based on this year's or the previous year's accounts. It was also clarified that there was nothing arising from the audit work that identified concerns regarding internal controls or the administration of the pension fund.

RESOLVED –That Governance and Audit Committee:

1. Notes the 2022/23 Draft Audited Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund;
2. Notes the 2022/23 Audit of Accounts Reports (ISA 260) for the Cardiff and Vale of Glamorgan Pension Fund.

32 : COUNCIL COMPLAINTS AND COMPLIMENTS - ARRANGEMENTS AND ANNUAL REPORT 2022/23

The Corporate Director Resources and Section 151 Officer, Chris Lee, presented a report on Council Complaints and Compliments – Arrangements and Annual Report 2022/23.

Members were informed that the report had been produced to enable the Committee to review and assess the authority's ability to handle complaints effectively and make any associated reports and recommendations.

Members were provided with a background on Halo (the single, corporately owned system for Complaints, Cabinet Member Enquiries & Member Enquiries). In terms of implementation and future work it was hoped to report to future committees on the full implementation of the Halo system.

The first two phases of the implementation of Halo were in relation to members enquiries and other opportunities. Members were advised that from January 2024 the system would go live with Phase 3 which would be based around the complaints and compliments element of the system.

The report notes an internal audit of the Council's Complaints and Compliments arrangements was completed in June 2023. The objectives of the audit mirrored the areas that the Committee requires assurance on and included: to review and assess

the authority's ability to oversee compliments and complaints effectively and efficiently, ensure policies and procedures were in place and accurate records were maintained and that the procedures were supported by guidance and training for all staff involved in the compliments and complaints process.

The audit's overall conclusion was the system was "Effective with opportunity for improvement", there were 5 recommendations, 4 relating to the Council's Corporate system and 1 for Education-Governor Services.

Members were asked to note, Appendix A - Annual Complaints and Compliments report – presented to Cabinet which reported that just over 3,000 complaints were recorded in 22/23 which was a 15.5% decrease compared to the previous year.

Members asked questions and sought clarification on the following:

- A Member queried a comment on page 204 of the report in relation of an increase in complaints in Housing and Community Services as it was felt that this should be analysed and acted on by the Authority. Officers responded that this would be fed back to the relevant officer.
- A Member recalled that at a previous meeting a question had been asked in relation to what action the Authority was taking encourage an alignment of the authority's and Ombudsman's categories.
- A Member asked what value was obtained from the data provided by the Ombudsman and it was suggested that some analysis or insight to assist the Authority on understanding what it was doing would have been more helpful.
- A Member also raised an issue with the Fact Sheet in Appendix A which contained information provided for the most recent year only. Members felt it would be helpful to be provided with this information longitudinally.
- A Member noted that the Annual report had been considered by PRAP Scrutiny Committee in the previous week. It was suggested that some of the assurances being sought should include identifying the processes in place for guiding the Authority to respond to the complaints – how to ensure the relevant department was aware of the complaints and what actions were being taken to mitigate those complaints going forwards. Officers responded that the HALO system would allow the Authority to put these measures in place. It was noted that some of the Ombudsman's reports had resulted in changes in the system. Members' comments would be taken on board and a written response provided if necessary and specific officer's attendance at future meetings if required.
- A Member asked what could be learnt from the complaints to identify the root causes where there were thematic issues. It was recognised that officers were working hard in difficult circumstances. The question was asked whether the right processes were in place. In terms of the Committee's role, Members were advised that assurance could be taken from the Internal Audit earlier in the year which covered the systems and arrangements in place for complaints handling. Members also took comfort from the Ombudsman compliance reported and thorough the annual report details. Officers had highlighted an

area that may be enhanced in the future. Members were satisfied with the corporate framework that handled complaints, and the forthcoming implementation of a new corporate system for complaints handling was commended. The Committee will look forward to further updates on progress.

RESOLVED: That the report be noted.

33 : RECOMMENDATION TRACKER - REPORTS OF EXTERNAL REVIEW BODIES

The Head of Performance and Partnerships, Gareth Newell, presented the report on the Recommendation Tracker – Reports of External Review Bodies.

The report provided an overview of the management and delivery of recommendations received from Audit Wales, Estyn, Care Inspectorate Wales and Her Majesty's Inspectorate for Prisons.

The report was received by the Committee twice a year. Since the introduction of the tracker there had previously been 75% open cases and 25% closed. The position now was that there were 25% open and 75% closed with all actions prior to 2020 closed. A small number of actions were open from 2021.

Members were informed that the covering report contained the RAG status. Of 19 recommendations no RAGS had been assigned. This had since been rectified. The External Tracker position was more up to date.

Report would ordinarily be presented to committee in September so the position was at Quarter 1. Members noted that where there were gaps in October 2023 information which would soon be updated.

RESOLVED: That the report be noted.

34 : TREASURY MANAGEMENT ANNUAL REPORT

The OM Account Manager – Capital Service Accountancy, Anil Hirani, presented the report on the Treasury Management Annual Report 2022/23.

The report noted Governance and Audit Committee's Terms of Reference sets out their responsibility in relation to the Council's Treasury Management Strategy and practices. The report had been prepared to provide Members with the Draft Treasury Management Annual Report along with submission to Council in accordance with the Council's Treasury Management Policy; scheduled for 26 October 2023.

In accordance with regulatory requirements, reports were submitted to Council in March 2022 indicating the Treasury Management Strategy for 2022/23 and a Mid Year update report in November 2022. The Committee was updated with the main highlights of the Annual Report for 2022/23 which was a backward looking summary of Treasury Management activities during that period.

The report included a summary of the economic background, investments and outturn, borrowing and outturn debt rescheduling, compliance with treasury limits and

prudential indicators, resilience of the treasury management function and treasury management issues for 2023/24 and future years.

Members were informed that the Council remained within all its limits previous treasury management strategy and internal borrowing rather than using external investments.

Members asked questions and sought clarification on the following:

- The report contained a note of the potential need for external assistance/services where appropriate – A Member asked if everything was on track to be delivered where needed. Officers responded that the Authority did supplement with external support (Treasury Advisors) and was mindful of the need to consider external resources.
- A Member asked what assurances were taken by the Council regarding borrowing or capital projects in terms of the useful life of assets and the repayment term of the borrowing. Members were advised that the Authority took a prudent view and followed of Welsh Government guidance. A briefing would be provided to the Committee in respect of borrowing and associated accounting principles, to include the Minimum Revenue Provision.

RESOLVED

1. That the report be noted.
2. A briefing would be provided to the Committee in respect of borrowing and associated accounting principles, to include the Minimum Revenue Provision.

35 : OUTSTANDING ACTIONS

RESOLVED: That the report be noted.

36 : CORRESPONDENCE

RESOLVED: That the report be noted.

37 : WORK PROGRAMME UPDATE

Members discussed the work programme.

In relation to the ISA 260 Audited Statement of Accounts. Officers advised the earliest potential date for Committee was January 2024.

Members noted that when the Committee last met the RACC concrete issue. It was felt the Committee should seek assurance that RAAC issues were identified, evaluated and action plans were in place.

It was agreed that the next Risk Management Report item would provide details on the Council's assessment and mitigation of RAAC risks.

RESOLVED:

1. That the report be noted.

2 The next risk management item would provide details on the Council's assessment and mitigation of RAAC risks.

38 : URGENT ITEMS (IF ANY)

There were no urgent items.

39 : DATE OF NEXT MEETING

28 November 2023 at 2.00 pm in Committee Room 4.

The meeting terminated at 3.46 pm