

# **Audit Committee Annual Report 2016/17**



**The City of Cardiff Council**

# The Ten General Principles of Public Life

<p><b>Selflessness</b> Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.</p>	<p><b>Personal Judgement</b> Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.</p>
<p><b>Honesty and Integrity</b> Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly, and should on all occasions avoid the appearance of such behaviour.</p>	<p><b>Respect for Others</b> Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.</p>
<p><b>Objectivity</b> Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefit.</p>	<p><b>Duty to Uphold the Law</b> Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.</p>
<p><b>Accountability</b> Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.</p>	<p><b>Stewardship</b> Members should do whatever they are able to do to ensure that their authorities use their resources prudently, and in accordance with the law.</p>
<p><b>Openness</b> Members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.</p>	<p><b>Leadership</b> Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.</p>

# Contents

	Page
1. Foreword by Ian Arundale, Chairperson of the Committee	4
2. The Role of the Audit Committee	5
3. Our Work in 2016/17	6
4. Standard Items	7
5. One-off Items	9
6. Audit Committee Self-Assessment	11
7. Key Observations 2016/17	11
8. Opinion of the Audit Committee 2016/17	12
9. Looking Ahead to 2017/18	15
10. Audit Committee Membership 2016/17	15
11. Attendance in 2016/17	16
12. Audit Committee Contacts	17
Annex 1 - Audit Committee's Self-Assessment – September 2016.	18
Annex 2 - Audit Committee Member Profiles	23

## **1. Foreword by Ian Arundale, Chairperson of the Committee**

I am pleased to present this report which provides an overview of the Audit Committee's work in the municipal year 2016/17. Since taking the role of Chairperson in June 2015 I have been well supported by the strong teamwork of the Audit Committee, and I am very grateful to Deputy Chairperson Hugh Thomas for chairing two Audit Committee meetings in 2016/17.

This year has seen some changes in Audit Committee membership. I would like to thank the outgoing Deputy Chairperson Professor Maurice Pendlebury for his many years of dedication and highly valued services to the Audit Committee. We have been fortunate to gain Gavin McArthur and David Price as new independent members from January 2017. We have already felt the benefits of the knowledge, expertise and keen interest of our new members through their contributions to Audit Committee meetings.

I wish to record my thanks to all Elected Members and the Independent Lay Members who have served on the Committee this year. Members from across the political groups have come together in an extremely effective way in our five meetings this year. It is also very encouraging to report well attended meetings, given how busy members are in fulfilling other roles and responsibilities.

Throughout the year Audit Committee has continued to receive highly valued professional support from Accountancy, External Audit (Wales Audit Office), Internal Audit, Risk Management and Treasury Management. Additionally, we have invited officers to attend Committee to respond to concerns raised by Members or identified through various Committee reports, such as those from internal and external audit.

We have reviewed our work programme at each Committee meeting, taking account of changing risks and priorities through the reports and information we receive from Members, Officers, external stakeholders and other Committees of the Council. Our Work Programme has been extremely busy this year with a wide range of matters brought before the Committee.

We held a self-assessment workshop for the Audit Committee in September 2016, where we reviewed our performance against a best practice CIPFA framework. The assessment enabled an honest reflection of our achievements and areas for attention against a robust framework. Some areas for improvement have been identified, which are reported in an action plan appended to this report which includes a review of the Audit Committee Terms of Reference and a formal skills assessment which will commence as we enter 2017/18.

We acknowledge our broad and important role and have reflected on the effectiveness of governance, risk management and control in providing an overall assurance opinion and informing the Council's Annual Governance Statement 2016/17.

The Wales Audit Office has recognised positive improvement steps in the Council's Corporate Assessment Follow On, issued in February 2016. However, I will re-emphasise the sentiments raised in last years' Annual Report, where we expressed how there is still much to do to embed change and improvement within the Council. There is a need for the Council to continue to work hard to fulfil its responsibilities and to ensure robust arrangements are in place for effective governance, risk management and control which are essential to ensure sustained improvements.

The importance of an effective Audit Committee remains critical in looking forward to 2017/18 and beyond, in the context of continued financial pressures, reshaping of services, new models of service delivery and a growing demand for public services.

## 2. The Role of the Audit Committee

The Audit Committee's role is to increase public confidence in the objectivity and fairness of financial and other reporting and provide independent assurance over governance, risk management and control processes.

The Local Government (Wales) Measure 2011 requires a Local Authority to have a Committee to:

- review and scrutinise the authority's financial affairs
- make reports and recommendations in relation to the authority's financial affairs
- review and assess the risk management, internal control and corporate governance arrangements of the authority
- make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- oversee the authority's internal and external audit arrangements, and
- review the financial statements prepared by the authority.

The Measure also requires Councils to have Lay Members in their Audit Committees. The Council has determined that the membership of its Audit Committee would be twelve Members (eight Elected Members and four Independent Lay Members), which meets the requirement of the Measure and the proposals in the draft Local Government (Wales) Bill.

The Terms of Reference of the Committee for 2016/17 was as follows:

### Governance, Risk & Control

- To consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the Annual Governance Statement.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council.
- To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register.
- To consider any Anti-Fraud strategies, policies or procedures.

### Internal Audit

- To approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).
- To approve significant changes to the risk-based internal audit plan and resource requirements.
- To consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
- To consider the Audit Manager's Annual Report, including the statement of conformance with the Public Sector Internal Audit Standards 2013 and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is

the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion.

- To receive summaries of specific internal audit reports in accordance with agreed protocols.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.

#### 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.

#### Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

#### Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks.
- 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 session in accordance with the Member Development Programme including specialist training tailored for Members of the Audit Committee e.g. treasury management.

### **3. Our Work in 2016/17**

The work of the Audit Committee can be split into two: the Committee receives regular reports in relation to the standard agenda themes, and also receives ad-hoc / one-off reports based on risk, governance or internal control issues. Each of these aspects is reported on below.

## **4. Standard Items**

### **4.1 Finance**

The Corporate Director Resources (Section 151 Officer) has provided financial updates at every meeting outlining the budget strategy, financial resilience and the Council's overall financial position. This is to provide Committee Members with an overview of the financial standing of the Council. It has provided a regular opportunity to raise questions on the budget and general finance matters during a period of ongoing unprecedented financial pressure.

Achieving the necessary savings in some directorates has proved difficult and this is reflected on later in this report, with budget prioritisation and control being a key observation of the Audit Committee.

The Committee has received and had the opportunity to comment on key finance reports in 2016/17, including:

- Draft Statement of Accounts 2015/16 and Audit Report
- Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2015/16 and Audit Report
- Welsh Pool Pension Fund Governance
- Treasury Management reports and updates
- Financial Resilience updates and snapshots
- Draft Statement of Accounts/Annual Governance Statement 2016/17.

The Audit Committee has expressed concern about significant overspends and unrealised income targets in the Social Services Directorate. The Director of Social Services attended Committee in November 2016 to outline the work and strategy to address this issue which is drawn upon in Section 5.3.

### **4.2 Governance and Risk Management**

The Audit Committee has formed a view on the Council's governance, risk management and internal control arrangements taking into account the information presented by the Corporate Director Resources (Section 151 Officer), the Wales Audit Office (WAO), the Audit Manager, Risk Management Team and other officers of the Council.

The Annual Governance Statement (AGS) is an important governance disclosure which the Audit Committee plays a key role in contributing to and challenging. Audit Committee considered the AGS as part of the Statement of Accounts 2015/16 in June 2016 and September 2016.

The Committee has had early involvement in the draft AGS 2016/17, in which the 'Opinion of the Audit Committee' (section 8) will be disclosed.

The Committee has received and had the opportunity to comment on the following governance and risk management disclosures:

- June 2016 – Corporate Risk Register Year-End Position 2015/16;
- November 2016 - Senior Management Assurance Statement Mid-Year Responses 2016/17;
- November 2016 – Corporate Risk Register Mid-Year Position 2016/17;
- January 2017 - Mid-year AGS Action Plan of significant governance issues;

- March 2017 - Draft AGS 2016/17.

Audit Committee has welcomed re-assignment of risk management responsibilities from March 2016 which enable the Internal Audit function to independently review and audit risk management arrangements going forward. This year has also seen the introduction of a corporate risk map which has helped demonstrate how effectively risks are being managed.

The Committee has been informed of the risk management approach being followed, which is aligned to enhancing the council's risk maturity. The suggested inclusion of Cyber Security on the corporate risk register from the Audit Committee is being progressed at the year-end.

Biannual updates on corporate risks and senior management assurance statement responses have been received by Audit Committee. We have welcomed the introduction of the Chief Executive disclosures in 2016/17 and a commitment given to introduce increased validation of disclosure responses.

### **4.3 Treasury Management**

The Treasury Management Strategy approved by the Council, sets out the role Committee Members have to fulfil in this area.

Over the past twelve months the Committee has received reports on the Treasury Management Annual Report, Mid-Year Report 2015/16, Treasury Management Strategy 2016-17 and the Treasury Performance and Practices Reports.

Through the treasury management reports and updates in each Committee meeting, Members have had the opportunity to scrutinise and challenge the approach adopted and decisions taken. This is a complex area, and the Committee believes that it has added value by probing and scrutinising strategies, reports and data provided.

### **4.4 External Audit (Wales Audit Office)**

The Committee places reliance on the work of the Wales Audit Office (WAO) as the Council's external auditors. The Committee has received key documents throughout the year:

- Cardiff Regulatory Programme Letter 2016-17;
- Annual Improvement Report 2015-16;
- Audit of Financial Statement for City of Cardiff Council 2015/16;
- Audit of Financial Statement Report – Cardiff & Vale of Glamorgan Pension Fund 2015/16.

An arrangement is in place for WAO staff to present their work at each Committee meeting and engage with members on key findings, progress and timetable of forthcoming reports.

Additionally Audit Committee Members receive a number of other national and regional reports and studies from WAO in each meeting, with the key findings and messages communicated.

Audit Committee has received assurance from the progress recognised in the Corporate Assessment Follow On if the Council in February 2016 and the Annual Improvement Report 2015/16 presented to members in September 2016.



## **4.5 Internal Audit**

Similar to the External Audit arrangements, the Committee places reliance on the work of the Council's in-house Internal Audit Team. The Audit Committee approved the Internal Audit Charter (as part of the Audit Strategy) and Internal Audit Plan for 2016/17. Throughout the year the Committee gained assurances from considering the following key documents:

- Internal Audit Quarterly Progress Reports
- Internal Audit Executive Summaries
- Internal Audit Annual Report
- Value for money Studies
- Changes to key documents / policies.

Since March 2016 the Head of Finance has acted as Internal Audit Manager and has provided all necessary updates to Audit Committee, supported by two Group Auditors. Through the Audit Manager role there is functional reporting to the Audit Committee and administrative reporting to the Corporate Director Resources. Committee has also been informed that there are reporting safeguards in place to remove the involvement of the Head of Finance in internal audits relating to the finance function.

The Audit Committee has been provided with an overview of all audit reports issued but emphasis has been on those audits where "Limited assurance" audit opinions have been reported and in seeking assurance around improvement, through implementing audit recommendations.

Further detail on some outcomes from the work of the Internal Audit Team is shown later in the section 'One-off Items' and the Committee will receive a full year overview of audit work completed, and key messages, when the Internal Audit Annual Report is presented to the June 2017 meeting of the Audit Committee. This report will provide the Audit Manager's opinion on the Council's overall position in relation to risk, governance and internal control, based on the work undertaken by the Internal Audit team.

## **4.6 Scrutiny Correspondence**

Audit Committee has started to receive summary reports of Scrutiny Correspondence and copies of relevant published scrutiny letters at each Committee meeting commencing September 2016.

This standard agenda item has been introduced as a process to support greater awareness of the work of Scrutiny and facilitate complimentary working. Work is ongoing to ensure the correct balance between awareness, assurance and focus are achieved.

## **5. One-off Items**

The Committee received the following one-off reports / updates in 2016/17.

### **5.1 Education & Lifelong Learning**

The Director of Education attended Audit Committee in September 2016 to report on School Governance and Deficits.

It was reported that 20 schools (12 primary and 8 secondary) carried forward deficit balances into the financial year 2016/17, but each school and governing body had a Medium Term Financial Plan (MTFP) to balance the budget and finance officer support. In September 2016 the Director of Education provided assurance that every school in deficit had achieved a balanced in-year budget with no further increases in planned deficits. This matter continues to be monitored through the corporate risk register mechanism.

School governance has also continued to be highlighted as an area for improvement through the results of the internal audits undertaken and a Control Risk Self Assessment (CRSA) audit process. Audit Committee continues to monitor the results of internal audit reports, together with the effectiveness of interventions where they have been required to improve financial management and governance.

Upon the request of the Audit Committee, a review of Supply Teachers was undertaken and Audit Committee was provided with a WAO report 'Covering Teaching Absences' with recommendations for Welsh Government, Local Authorities and Schools. Audit Committee was informed by the Director of Education that from September 2016, training will be offered to Governors in monitoring absences.

## **5.2 City Operations**

In respect of a Highways Street Operations Payroll Audit, the Committee has continued to seek assurances that the recommendations raised in 2011, 2014 and a May 2015 have been sufficiently addressed. In September 2016 the Director of City Operations and Operational Manager Assets, Engineering and Operations attended Audit Committee to answer questions regarding the progress made. Audit Committee has requested a further report to provide evidence and assurance that the recommendations made have been fully addressed.

## **5.3 Social Services**

The financial position of the Social Services Directorate has continued to be a significant area of attention, with non-delivery of historic savings and costs continually exceeding budgets. In November 2016, the Director of Social Services attended Audit Committee to respond to the financial concerns. Audit Committee was provided with a WLGA briefing paper, which emphasised that Social Service demand increases, cost escalation and financial deficit is a national issue for local authorities.

Audit Committee welcomes the objectives of a new approach to develop an integrated service / financial strategy to better forecast demand and align strategies accordingly. Audit Committee has requested a presentation of the financial proposals once approved by Cabinet at the financial year end 2016/17.

The Chairperson has written to the Chief Executive and Section 151 Officer outlining the Audit Committee concerns and expressing the importance of accurate cost and demand forecasts, sufficient budget provision and clear accountability for achieving the budget set.

## **5.4 Internal Audit**

Internal Audit conformance with the mandatory Public Sector Internal Audit Standards (PSIAS) is subject to an external review. The scope and form of the review has been approved by the Audit

Committee and we welcome the validation and opportunities for improvement that an external assessment will bring over the coming months.

In September 2016, Audit Committee received an Internal Audit self-assessment action plan which the team is working towards to deliver improvement opportunities. This has involved a refinement of the Internal Audit Charter and the Audit Plan which were subsequently approved by Audit Committee in March 2017.

## **5.5 Welsh Pool Pension Fund Governance**

The Committee has received a report from the Pensions Manager providing an update on the development of a Wales Investment Pool to manage the investment assets of eight Local Government Pension Scheme (LGPS) funds in Wales and the proposed governance arrangements for the Pool.

The proposed Wales Investment Pool includes the establishment of a Joint Governance Committee comprising an elected member from each administering authority, supported by an Officer Working Group. The Council approved the establishment of the Pension Committee in June 2016 in order to exercise strategic oversight of its responsibilities for the administration of the Pension Fund.

Audit Committee has requested that in the event of any future proposals regarding the governance of the Welsh Pool Pension Fund that it is presented to Audit Committee prior to implementation.

## **6. Audit Committee Self-Assessment**

In September 2016 Audit Committee held a self-assessment workshop, where performance was reviewed against a best practice CIPFA framework.

The assessment involved a review of good practice and effectiveness, as well as a progress review against the Audit Committee 2015/16 assessment. The assessment has provided Audit Committee with a good level of assurance in the delivery of its core role and function. The assessment results and the action plan of eight improvement actions are appended to this report.

The key areas of attention are refining the Audit Committee terms of reference for the new municipal year and undertaking a formal member skills assessment.

## **7. Key Observations 2016/17**

With the support of the Wales Audit Office, Internal Audit and other Council officers, a Work Programme was developed setting out the priorities for the year. This centred on delivering the Audit Committee terms of reference with a focus on the significant risks and challenges facing the Council.

The Committee has concentrated on areas considered to be high profile and / or high risk within the Council, and have met officers responsible for various aspects of service delivery. This has enhanced the Committee's understanding of the services provided and the challenges faced. In addition, the Committee has had the opportunity to challenge and discuss actions taken in

response to both External and Internal Audit Reports. It is recognised that the Council has continued to face severe financial challenges with an ongoing need to realise efficiencies and implement new service delivery approaches. It is vital that good governance is maintained. The Committee will continue to support the Council as it responds to these challenges.

## **8. Opinion of the Audit Committee for 2016/17**

Based on the evidence presented to the Audit Committee during 2016/17, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2017/18, include:

### **8.1 Budget Prioritisation / Control**

The Audit Committee recognises the significant sustained financial pressure that the Council is under. Budget monitoring (control) has been reported as a 'red' corporate risk in each Audit Committee meeting in 2016/17 and the Corporate Director Resources has reported the outturn position in each finance update.

Audit Committee has raised concern that in some areas there have been significant overspends, with those in the Social Services Directorate being most notable. Audit Committee has explored the sufficiency of the budget for Social Services to meet demand and cost requirements. It is positive that both the Corporate Director Resources and the Director of Social Services have attended Audit Committee and expressed the same sentiments that there has been a need to forecast demand better, but also that there is scope to improve the accountability of delivering the required savings within the Directorate.

It is crucial that budgets are prioritised to deliver robust and achievable savings, and assurance has been received from the Corporate Director Resources that greater continued work is ongoing to further enhance the budget setting process and its delivery.

### **8.2 Organisational Development**

The Chief Executive has attended Audit Committee to discuss the Corporate Assessment Follow On report which was published by the Wales Audit Office (WAO) in February. Audit Committee recognises the importance of the Organisational Development Programme (ODP) in contributing to the improvements required through its programmes of work.

Audit Committee recognises that delivery against the ODP and the Corporate Assessment are being monitored and challenged by other Committees (namely the Policy Review and Performance Scrutiny Committee). However, at a time of continued financial pressure, Audit Committee has a particular interest in the demonstration of the ODP as enabling the delivery of key savings. This need has been supported by the Corporate Assessment Follow On report, which highlighted a need for a clear link between Medium Term Financial Plan savings plans and work streams or projects in the ODP.

The Chief Executive has provided explanation of a number of mechanisms which have been put in place to improve organisational planning and delivery. In terms of budget setting, the process

for 2017/18 was brought forward to improve forward planning and engagement, a refresh of the ODP was made in June 2016, and a new Head of Performance and Partnerships post was created in 2015/16 to strengthen performance management. Audit Committee anticipates the next report from WAO to recognise the effectiveness of these improvements.

Internal Audit has undertaken a Control Risk Self Assessment (CRSA) approach to auditing a pilot of ODP projects and an audit of OD Governance. It is positive to note overall satisfactory assurance.

### **8.3 Financial / Internal Control**

The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls are integrated within new or reformed processes and systems. At a time when many decisions have to be finance driven it is essential that internal controls are not neglected or impaired.

Audit Committee has continued to invite those senior managers and officers to account for services or functions where financial or internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions.

Audit Committee has welcomed an external assessment of the Internal Audit Team as required in the Public Sector Internal Audit Standards (PSIAS) which is commencing at the municipal year end 2016/17. Internal audit is a key source of assurance for the Audit Committee on financial and internal control, and external validation of conformance with the PSIAS offers us assurance and enables greater promotion of the value of the Internal Audit services.

### **8.4 Contract and Procurement Matters**

'Commissioning capability and capacity' has been carried forward as a significant governance issue from 2015/16. Audit Committee has taken an interest in the progress made to address this issue, through which management propose separating the Commissioning Strategy from the Procurement Strategy to provide clear and distinct guidance for the separate disciplines. Audit Committee is keen that this work is progressed and promptly, given the high value for money implications in a context of significant procurement and contract spend.

The Building Maintenance Framework is a high value contract which has been of interest to Audit Committee for a number of years in respect of its cost and the quality and effectiveness of service delivery. Members have raised contract management concerns over the operation of this contract following multiple issues being raised by constituents relating to the standard of work completed on domestic Council properties as part of the framework. Last financial year, Audit Committee was presented with a briefing which summarised the findings of an independent report on the Building Maintenance Framework from Constructing Excellence Wales (CEW).

With the knowledge that a new commissioning and procurement process is underway for the next iteration of this framework contract, Audit Committee has taken a keen interest in emphasising that the following issues in the existing contract are sufficiently addressed. Audit Committee has emphasised the need:

- for better communication of the policies and processes with Elected Members;
- for a focussed single Council delivery approach to provide best use of resources and improved monitoring, customer service and satisfaction;
- to ensure effective use of Council resources, value for money in parallel to effectiveness and efficiencies of current framework;
- to learn from current framework contract arrangements;
- for a robust process for complaints; their review; and consideration be given to a quality assurance report for tenants / clients to complete and return (aimed at providing the more vulnerable people with a greater opportunity to comment on work done and quality issues);
- for the Building Maintenance Project Board to continue to monitor the implementation of the recommendations arising from the CEW report.

At a time when the Council is moving towards new models of service delivery Audit Committee will continue to seek assurances that improvements are being made to contract management on a Council-wide basis. Audit Committee will continue to monitor the findings of Internal Audit reports and the progress of the Building Maintenance Project Board.

## **8.5 Financial Resilience (including Treasury Management)**

In a position of austerity the Audit Committee is focussed on ensuring that financial decisions are made which will benefit the organisation over the medium and long term in addition to meeting current service needs.

The Audit Committee has received updates on financial resilience as part of the finance updates from the Corporate Director Resources in each meeting in 2016/17. Committee has also received a report from the Wales Audit Office (WAO) of their financial resilience assessment of the Council, which took place between May – October 2015. Whilst the report provided assurance on effective financial resilience, the Audit Committee has maintained its focus on monitoring the use of reserves and links between all directorate delivery plans to the Medium Term Financial Plan to improve planning, integration and control.

Sound treasury management is recognised as vital to safeguard and provide best value from the Council's borrowing and investments. Audit Committee has continued to probe the levels and profiles of investments and borrowing throughout the year and has played a key role in reviewing the Treasury Management Strategy and Reports. This will continue to be a key area of focus going into 2017/18.

## **8.6 Schools Governance & Compliance**

Audit Committee has continued to raise concerns about governance and compliance matters in schools. Historically, Audit Committee has received a greater proportion of 'Limited Assurance' and 'No Assurance' audit reports in relation to schools, compared to the rest of the Authority. This trend has not improved in 2016/17, with Internal Audit opinions of both 'Limited Assurance' and 'No Assurance' issued to Cardiff schools this year. Particular concerns and details have been discussed in Audit Committee meetings, together with relevant management responses.



The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. Although practices can only be commended, given the size of school budgets and the reputational risks associated with weaknesses in school governance, this area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.

## 9. Looking ahead to 2017/18

During the forthcoming municipal year the Committee will continue to be guided by the Corporate Director Resources, the Audit Manager and the Internal and External Audit teams.

The Audit Committee’s programme of work will continue to be aligned to delivering its terms of reference effectively. This will include monitoring the management of the existing matters highlighted in the ‘Opinion of the Audit Committee 2016/17’ as well any new issues which require our attention.

The Committee’s Work Programme will continue to be reviewed to ensure the contribution to governance, risk management and control are maximised, with work progressed to further realise the synergies between the Council’s Audit and Scrutiny Committees.

## 10. Audit Committee Membership 2016/17

The Committee consists of four Independent Lay Members and eight Non Executive Councillors (one vacant), elected by Council (detailed in Annex 2). Independent members are appointed for no more than two administrative terms with Council Members reappointed annually.

The Committee is serviced by Council Officers, principally the Corporate Director Resources (Section 151 Officer) and the Audit Manager. Representatives from the WAO also attend Audit Committee meetings.

The Audit Committee met on 5 occasions throughout the municipal period 2016/17 on the following dates: 27 June 2016, 19 September 2016, 29 November 2016, 24 January 2017 and 14 March 2017.

## 11. Attendance in 2016/17

Attendance 2016/17	Possible	Actual
<b>Independent Lay Members</b>		
Ian Arundale (Chairperson)	5	tbc
Professor Maurice Pendlebury (Deputy Chairperson)	3	tbc
Hugh Thomas (Deputy Chairperson, 29.11.16)	5	tbc

David Price (filled vacant post 25.11.16)	Ab: 29.11.16 3	tbc
Gavin McArthur (replaced Professor Maurice Pendlebury 01.12.16) – attended 29.11.16 meeting as an observer	2	tbc
<b>Non Executive Councillors</b>		
Councillor Nigel Howells	5 Ab: 19.09.16	tbc
Councillor Bill Kelloway	5 Ab: 27.06.16	tbc
Councillor Mary McGarry	5 Ab: 19.09.16	tbc
Councillor Paul Mitchell	5	tbc
Councillor Jim Murphy	5	tbc
Councillor David Walker	5	tbc
Councillor Christopher Weaver	5 Ab: 24.01.17	tbc

During 2016/17 the Committee experienced a number of changes in membership. Professor Pendlebury stepped down as Deputy Chair of the Audit Committee and Cllr Dianne Rees stepped down as a member of the Audit Committee.

Two Independent Lay members commenced in November and December 2016 respectively (David Price and Gavin McArthur). They have received induction information and training from Finance managers in governance, risk management and treasury management.

## 11. Audit Committee Contacts

<b>Ian Arundale</b> Chairperson of Audit Committee	<a href="mailto:arundale@btinternet.com">arundale@btinternet.com</a>
---	--



<p><b>Christine Salter</b> Corporate Director Resources</p>	<p>029 2087 2301 <a href="mailto:C.Salter@cardiff.gov.uk">C.Salter@cardiff.gov.uk</a></p>
<p><b>Ian Allwood</b> Head of Finance / Audit Manager</p>	<p>029 2087 2809 <a href="mailto:I.Allwood@cardiff.gov.uk">I.Allwood@cardiff.gov.uk</a></p>
<p><b>Matthew Coe</b> Audit Manager, Wales Audit Office</p>	<p><a href="mailto:Matthew.Coe@audit.wales">Matthew.Coe@audit.wales</a></p>
<p><b>Ann-Marie Harkin</b> Engagement Director, Wales Audit Office</p>	<p>029 2032 0562 <a href="mailto:info@wao.gov.uk">info@wao.gov.uk</a></p>
<p><b>Steve Barry</b> Audit Manager, Wales Audit Office</p>	<p><a href="mailto:Steve.Barry@audit.wales">Steve.Barry@audit.wales</a></p>
<p><b>Timothy Buckle</b> Performance Audit Lead, Wales Audit Office</p>	<p><a href="mailto:Timothy.Buckle@audit.wales">Timothy.Buckle@audit.wales</a></p>

## Annex 1 Self-Assessment: Improvement Actions – Updated Position (February 2016)

Ref.	Improvement Actions	Target Date	Action Owner
<b>Actions Carried Forward from 2015/16</b>			
1.	<p><u>Internal Audit Resource</u></p> <p>The impact of reducing resources within the Audit team to continue to be monitored and highlighted. Regular reports are required from the Audit Manager.</p>	Ongoing	Audit Manager
2.	<p><u>Audit / Scrutiny Protocol</u></p> <p>In order to address the issue of items being considered by Scrutiny overlapping with Audit Committee, a protocol is to be developed by officers.</p> <p>This will be progressed though engagement with the new Director for Governance and Legal Services (Davina Fiore).</p>	Ongoing	Audit Manager & Director, Governance and Legal Services.
<b>(New) Proposed Improvement Actions</b>			
3.	<p><u>Audit Committee Terms of Reference</u></p> <p>Audit Committee to review its Terms of Reference in consideration of the CIPFA best practice guidance in readiness for the 2017/18 municipal year. This will also require consideration of the Local Government (Wales) Bill implications for the anticipated widening role of the Committee.</p> <p>Focus is particularly required in respect of the extent of risk management, performance and partnership oversight responsibilities.</p>	March 2017	Audit Committee, Audit Manager & Director, Governance and Legal Services.
4.	<p><u>Role and Purpose of Audit Committee</u></p> <p>The Audit Committee to consider the publication of a newsletter to assist officers and members in understanding its role, purpose and work.</p>	January 2017	Audit Manager
5.	<p><u>Audit Committee information / Reports</u></p> <p>There is an opportunity to discuss the ongoing work programme at the end of each Audit</p>	January 2017	Audit Manager

	Committee meeting and to decide if additional reports are to be requested from Management.		
6.	<p><u>Agenda Setting</u></p> <p>The pre Audit Committee Meeting could have more briefings and officer presentations. This would assist in the wider discussion of issues which may be of interest at the agenda setting stage.</p>	January 2017	Audit Manager
7.	<p><u>Knowledge and Skills</u></p> <p>The CIPFA 'Audit Committee Members – Knowledge and Skills Framework' to be trailed for skills and development assessments on a low impact basis.</p>	January 2017	Audit Manager & Audit Committee
8.	<p><u>Audit Committee Minutes</u></p> <p>Audit Committee minutes are required more promptly, with a target of a two week turnaround for the Chair to review.</p>	November 2016	Democratic Services

## Audit Committee Self-Assessment

### A) Self-Assessment of 'Effectiveness'

#### Assessment Key

Score	Description
<b>5</b>	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
<b>4</b>	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
<b>3</b>	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
<b>2</b>	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
<b>1</b>	No evidence can be found that the audit committee has supported improvements in this area.

#### Self-Assessed Score

Areas where the audit committee can add value by supporting improvement	Score
Promoting the principles of good governance and their application to decision making.	<b>4</b>
Contributing to the development of an effective control environment.	<b>5</b>
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<b>3.5</b>
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<b>4</b>
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<b>5</b>
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<b>4.5</b>
Supporting the development of robust arrangements for ensuring value for money.	<b>3.5</b>
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<b>4.5</b>
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<b>4.5</b>




## B) Self-Assessment of 'Good Practice'




Good practice questions		Yes	Partly	No
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?	√		
2	Does the audit committee report directly to full council? (Applicable to local government only.)	√		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		√	
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√		
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance		√	
	• assurance framework	√		
	• internal audit	√		
	• external audit	√		
	• financial reporting	√		
	• risk management	√		
	• value for money or best value		√	
	• counter-fraud and corruption.	√		
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether	√		

	it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	√		
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√		
<b>Membership and support</b>				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• where independent members are used, that they have been appointed using an appropriate process.</li> </ul>	√		
13	Does the chair of the committee have appropriate knowledge and skills?	√		
14	Are arrangements in place to support the committee with briefings and training?	√		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			√
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√		
17	Is adequate secretariat and administrative support to the committee provided?	√		
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	√		
19	Has the committee evaluated whether and how it is adding value to the organisation?	√		
20	Does the committee have an action plan to improve any areas of weakness?	√		





## Annex 2 - Audit Committee Member Profiles


### Current Membership

 <p><b>Ian Arundale</b> <b>(Chair)</b> (Independent Lay Member)</p>	<p>Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.</p> <p>Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for 'Armed Policing' policy and practice and chaired the UK 'Conflict Management' portfolio.</p> <p>He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.</p> <p>Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers 'Top Management' programme.</p> <p>In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF)." He was awarded the Queens Police Medal (QPM) in 2011.</p>
 <p><b>Hugh Thomas</b> <b>(Deputy Chair)</b> (Independent Lay Member)</p>	<p>Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.</p> <p>He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health. He was also a non-Executive Director of Welsh Water. He served as Chairman of The Regulatory Board for Wales 2010 – 2016.</p> <p>Currently, he is serving a second term as one of the fifteen Trustees of The National Library of Wales.</p>
 <p><b>Gavin McArthur</b> (Independent Lay Member)</p>	<p>Gavin McArthur recently left the Civil Service where he was Head of Governance and Assurance for the Ministry of Justice Estates Directorate. Prior to that he held senior management roles in internal audit functions in local and central government. His professional experience and expertise lie in the fields of internal control, risk management, governance, internal audit and performance management.</p> <p>Following a degree in Geological Sciences from Birmingham University, Gavin qualified as a CIPFA accountant with Coventry City Council where he undertook a range of financial management and accounting roles, including audit.</p>



	<p>A keen sportsman, who played semi-professional football for VS Rugby, Gavin now has coaching qualifications in rugby, goalkeeping and strength and conditioning. He currently coaches at a local rugby club and for a university football team, and is an experienced Tai chi practitioner.</p>
 <p><b>David Price</b> (Independent Lay Member)</p>	<p>David Price is a strategic planner and policy specialist in the UK education and knowledge exchange sector with executive-level experience.</p> <p>Educated at the universities of Sheffield and Newcastle-Upon-Tyne and at schools in the UK and abroad, David is a graduate of the Leadership Foundation for Higher Education's Top Management Programme.</p> <p>He has worked for two non-governmental public bodies and three universities, acted as a critical friend to educational agency sponsored initiatives, provided consultancy services and taught in secondary schools.</p> <p>David's professional interests focus on the development and creative use of performance systems, business intelligence, risk management, regulation and governance.</p>
 <p><b>Cllr Nigel Howells</b> (Liberal Democrats)</p>	<p>Serving the <b>Adamsdown</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Bilingual Cardiff Member Group</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Economy &amp; Culture Scrutiny Committee</a></li> <li>• <a href="#">Policy Review and Performance Scrutiny Committee (Chair)</a></li> </ul> <p><b>Outside Bodies:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Cardiff Business Technology Centre (CBTC)</a></li> <li>• <a href="#">Local Government Association General Assembly</a></li> </ul>
 <p><b>Cllr Bill Kelloway</b> (Liberal Democrats)</p>	<p>Serving the <b>Penylan</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Licensing Committee</a></li> <li>• <a href="#">Licensing Sub Committee</a></li> <li>• <a href="#">Public Protection Committee</a></li> <li>• <a href="#">Public Protection Sub Committee</a></li> </ul>



 <p><b>Cllr Mary McGarry</b> (Labour)</p>	<p>Serving the <b>Plasnewydd</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Community &amp; Adult Services Scrutiny Committee (Chairperson)</a></li> <li>• <a href="#">Council</a></li> </ul> <p><b>Outside Bodies:</b></p> <p><a href="#">Cardiff Action for the Single Homeless (Huggard Centre)</a>  <a href="#">Cardiff County Club</a>  <a href="#">Standing Advisory Council for Religious Education (SACRE)</a></p>
 <p><b>Cllr Paul Mitchell</b> (Labour)</p>	<p>Serving the <b>Fairwater</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Environmental Scrutiny Committee (Chairperson)</a></li> </ul> <p><b>Outside Bodies:</b></p> <p><a href="#">Cardiff County Club</a>  <a href="#">South Wales Intercultural Community Arts (SWICA)</a></p>
 <p><b>Cllr Jim Murphy</b> (Labour)</p>	<p>Serving the <b>Ely</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Children and Young People Scrutiny Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Council Appeals Committee</a></li> <li>• <a href="#">Democratic Services Committee</a></li> <li>• <a href="#">Licensing Committee</a> (Deputy Chair)</li> <li>• <a href="#">Licensing Sub Committee</a> (Deputy Chair)</li> <li>• <a href="#">Planning Committee</a></li> <li>• <a href="#">Policy Review and Performance Scrutiny Committee</a></li> <li>• <a href="#">Public Protection Committee</a> (Deputy Chair)</li> <li>• <a href="#">Public Protection Sub Committee</a> (Deputy Chair)</li> </ul>
 <p><b>Cllr David Walker</b> (Conservative)</p>	<p>Serving the <b>Lisvane</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Constitution Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Employment Conditions Committee</a></li> <li>• <a href="#">Policy Review and Performance Scrutiny Committee</a></li> </ul>

 <p><b>Cllr Christopher Weaver</b> (Labour)</p>	<p>Serving the <b>Cathays</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> </ul>
--	--

## Past Membership 2016-17

 <p><b>Professor Maurice Pendlebury</b> (Independent Lay Member)</p>	<p>Maurice Pendlebury is a qualified accountant and until his retirement he was a professor of accounting at Cardiff Business School.</p> <p>He has wide experience of many areas of management in both the public and private sectors and is the author of numerous books and articles on accounting and financial management topics.</p> <p>He was a non-executive director of the Cardiff and Vale NHS Trust from April 2007 to September 2009 and he is currently a governor of a high school in Cardiff.</p> <p>He was appointed as an independent member of the Audit Panel in 2010 and remained a member when the panel changed and became the current Audit Committee.</p>
 <p><b>Cllr Dianne Rees</b> (Conservative)</p>	<p>Serving the <b>Pontpennau &amp; Old St Mellons</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 -</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Children and Young People Scrutiny Committee</a></li> <li>• <a href="#">Constitution Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Council Appeals Committee</a></li> </ul>