

## GOVERNANCE AND AUDIT COMMITTEE

23 MARCH 2021

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

### 85 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Goodway, Jones and Simmons

### 86 : DECLARATIONS OF INTEREST

No declaration of interest were received.

### 87 : MINUTES

The minutes of the meeting held on 26 January 2021 were approved by the Committee as a correct record.

### 88 : PAUL ORDERS, CHIEF EXECUTIVE

The Committee received a report from the Chief Executive on the Council's Control Environment as part of its approach to receiving assurance from members of the Senior Management Team. The Chairperson welcomed Paul Orders, Chief Executive and invited him to present his report.

The Chief Executive acknowledged that the Audit Committee would soon be taking on a wider remit as the Governance and Audit Committee, in accordance with the requirements of the Local Government and Elections (Wales) Act 2021, and therefore Members might like to consider the timing of his future attendance, potentially to align with the Committee's consideration of the Council's draft annual self-assessment report.

The Chief Executive provided a presentation summarising the issues set out in the report - pandemic management, planning for recovery, internal control environment and an overall assessment.

In terms of the pandemic management, Members were advised that emergency management arrangements were rapidly reviewed and adapted. Three core principles were established – preventing the spread of infection; ensuring the health and safety of staff, services users and citizens; prioritising key frontline services and support for vulnerable people.

An extended Senior Management Team met daily as the Strategic Coordination Group (SCG) during the first phase of the crisis and focused on the Council response. Cabinet oversight was ensured throughout with the Leader in attendance at SCG and Cabinet was briefed accordingly. A local and national policy framework emerged within which the SCG could function. Members were advised that almost

every aspect of service delivery was impacted and the authority was able to flexibly deploy resources to areas of greatest need.

The Chief Executive stated that he was keen to ensure that the speed of response and the rapid nature of decision-making was balanced by having full accountability arrangements in place. Internal control mechanisms evolved to respond to challenges and were integral to the Council's response.

Members received details of the role played by the Council in the public health challenges presented by the pandemic. The Committee was asked to note the critical issues arising during 2021/22, which centred on how the Council will re-evaluate and realign its service delivery. The Chief Executive indicated that the Cabinet would be asked to consider four reports focussing on the restart, recovery and renewal programme in the near future.

Members received information on the Council's Risk Management processes, including the key corporate risks, which had continued to be an important part of assurance arrangements.

In terms of the audit function, the Chief Executive stated that there was a good relationship between SMT and the Audit team. The Chief Executive was keen to ensure that there was no sense of drift in terms of the implementation and action of audit recommendations.

Members were advised that in recent months the Senior Management Assurance Statement (SMAS) process has been integrated within performance management discussions within the Council providing a holistic view of directorate performance, finances and implementation of audit recommendations.

The Chief Executive also provided a brief update on the position regarding ongoing external regulation and an overall assessment in terms of performance issues and the control environment.

The Chairperson thanked the Chief Executive for his report. Members were invited to comment, seek clarification or raise questions on the information received. Those discussions are summarised as follows:

- Responding to a question on risk, the Chief Executive advised that each directorate has a 'risk champion' officer. SMT discuss risks ratings on a quarterly basis and there was an expectation that directorates will signal where there is a need to escalate or de-escalate risks.
- A Member asked for the Chief Executive's perspective of the role played by the Public Sector Board (PSB) in addressing the issues arising during the pandemic and its potential for assisting in the recovery. The Chief Executive considered that in Wales we are fortunate to have legislation in place that places a statutory obligation on the key public service bodies to collaborate. The role the PSB has played is a strategically important one, particularly in securing alignment between health, police, council and other agencies. However, whilst the PSB is the primary partnership, there are a number of subsidiary partnerships also

supporting the work of the PSB.

- A Member asked what control mechanisms the Council is considering implementing to administer the UK Community Renewal Fund and the UK Shared Prosperity Fund. The Chief Executive anticipated that capacity will need to be built within the Economic Development Team to allow the Council to engage effectively with UK Government. The Chief Executive expected that there would be a close working relationship with Audit and Finance colleagues.
- Members questioned whether there were issue registers operating within the authority. Members were advised that, apart from those risks identified in the Corporate Risk Register, there were approximately 300 risks identified across directorates. Some of those risks relate to key operational issues for directorates that are being actively managed.
- The Chief Executive was asked to provide his view of how the Audit Committee will deliver its new responsibilities. The Chief Executive stated that the division of responsibilities between the Governance and Audit Committee and the Policy Review Scrutiny Committee needs to be considered. For example, with regard to the self-evaluation report, the Committee should not have an interest in the performance detail considered by Scrutiny, but should be concerned about the robustness of the processes and frameworks in place to support that self-evaluation exercise.

The Chairperson thanked the Chief Executive for his attendance.

RESOLVED – That the report be noted.

89 : MELANIE GODFREY, DIRECTOR OF EDUCATION AND LIFELONG LEARNING

The Chairperson welcomed Melanie Godfrey, Director of Education and Lifelong Learning, to the meeting. The Director was invited to present a report on the control environment within the Directorate.

Members were advised that the Education Directorate has responsibility for the statutory duties, functions and services in relation to education in the city excluding post-16 provision. The local authority's school improvement service is provided by the Central South Consortium, which acts on behalf of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taff and the Vale of Glamorgan. The Directorate manages risk at strategic and operational levels.

The report provided an overview of the directorate's financial position. There are approximately 6,600 school-based staff working in Cardiff's schools, serving 53,440 pupils. The Education Service employs around 1,100 (590 fte) staff directly.

The Director was invited to deliver a presentation. Members received details of the structure of the directorate and the main areas of risk faced by the directorate – school delegated budgets, attainment, the school organisational programme. The Directorate Risk Register applied the highest risk rating to the sufficiency of school places and increasing exclusion rates in primary schools. The following risks have

also been escalated in the last twelve months – increasing number of pupils not in receipt of full time education and educational outcomes for children who are looked after.

In terms of internal audit recommendations, Members were advised that in response to the letter received from the Audit Committee Chairperson, there has been a concerted effort to address audit recommendations, and summarised the position. The Director also summarised the Senior Management Assurance Statement (SMAS) position and arrangements for the governance for the Schools Organisational Programme.

The Chairperson invited comments and questions from the Committee. The discussion is summarised as follows:

- A Member referred to the corporate risk in relation to the Central South Education Consortium. It was noted that the risk states that the Consortium ‘does not deliver effective services’. The Member considered that the Corporate Risk Register offered commentary but did not detail the controls or mitigations. The Director of Education and Lifelong Learning agreed to review the ‘Education Consortium and Attainment’ corporate risk and ensure controls and actions are clearly represented.
- A Member asked what leverage the Director has over schools in respect of the implementation of audit recommendations. The Director stated that most responsibility sits with the governing body in schools. The authority has certain legal powers and a range of other levers, including working in partnership with schools and removing financial delegations where considered necessary. The Directorate has also recently appointed a Performance Governance Manager and introduced more robust arrangements for governor support across all schools. It was anticipated that audit recommendations will now be followed up on a more regular, timely basis.

RESOLVED – That the report be noted.

- The Director of Education and Lifelong Learning to review the ‘Education Consortium and Attainment’ corporate risk and ensure controls and actions are clearly represented

90 : NEIL HANRATTY, DIRECTOR OF ECONOMIC DEVELOPMENT

The Chairperson welcomed Neil Hanratty, Director of Economic Development, to the meeting. The Director was invited to present a report on the control environment within the Directorate.

Members were advised that the Economic Development Directorate is responsible for a wide range of statutory duties and services, including management of major projects, county estates, tourism, parks and culture and the Harbour Authority. It has recently been given responsibility for Street Scene, including Recycling Neighbourhood Services and Shared Regulatory Services. The Directorate currently

employees 1,263 FTEs. The report included an illustration of the activities provided within the Directorate.

The Director was invited to deliver a presentation on the Internal Control Environment within the Economic Development Directorate. The Director provided an overview of the directorate management structure. Gross expenditure stood at £90.389m of which £52.934m was external income and £37.455m was net expenditure.

Members were advised that the main risks on the directorate risk register related to income, funding and efficiency savings. Members were also asked to note the escalated risk in relation to the sustainability of the GLL Leisure Services contract as a result of the Covid-19 pandemic. Members received an update providing context on the latest position in terms of the GLL contract, including the service provision specification and findings of a recent Audit Wales report.

The Director also referenced key corporate risks and their mitigations, the directorate's internal control environment, Senior Management Assurance Statement, and the position against internal audit recommendations; full details of which were set out in the report / slides.

The Chairperson opened the debate on this item. The discussion is summarised as follows:

- A Member asked whether GLL had been appointed following a tendering process. Officers indicated that a full procurement exercise and due diligence were undertaken prior to GLL being appointed.
- A Member raised concerns regarding the specification under which the contract with GLL was entered into and whether it was fit for purpose. The Director stated that Audit Wales have advised that some improvements could be made to the specification particularly with regard to linking the specification to the Council's wellbeing goals. Members were asked to note that the Wellbeing of Future Generations Act was not enacted until after the contract with GLL had been entered into. However, there is the opportunity through the management of the contract to adjust the specification in light of a legitimate recommendation received from Audit Wales.
- The Chief Executive stated that the GLL contract was entered into following a comprehensive procurement exercise. The key issue today for the Council, following the Covid-19 pandemic, is whether the service model and the contractual arrangements currently in place are capable of providing an effective service going forward. This highlights the need for a review of those contractual arrangements.
- A Member asked to what extent GLL's non-compliance with its delivery plan is a consequence of issues that pre-date Covid, as opposed to issues caused by the pandemic. The Director stated that the key issue prior to Covid related to the reduction in the operational subsidy. GLL planned to eliminate the subsidy after 3 years. GLL were falling short of that prior to the pandemic and their ability to cross-subsidise the deficit from other contracts has been impacted by the pandemic. The Director advised

that the review process has started and the authority was focussing on keeping leisure centres open, and therefore a number of different models and approaches were being considered.

- A Member asked whether there was a contingency plan in place in the event that GLL collapses. Members were advised that the obvious contingency would be that the leisure centres would revert to the Council control, but this would require the reintroduction of a subsidy. There is no contingency plan in place at the moment. However, any new contract entered into following the ongoing review will include such a plan.
- A Member asked what assurance is there that social measurement tool employed by GLL can be relied upon as a method. The Director stated that the point was fair and was also raised by Audit Wales. Officers advised that the tool was a national measuring tool that measured the social benefits of participating in sport and exercise. Officers confirmed that the results from GLL are untested.

RESOLVED – That the report be noted.

91 : INTERNAL AUDIT

92 : AUDIT CHARTER AND AUDIT PLAN 2021/22

The Committee received a report on the Audit Charter and Audit Plan 2021/22. The Audit Manager was invited to present the report.

Members were reminded that at its meeting of 26 January 2021 the draft Audit Charter and Summary Audit Plan 2021 were presented to the Committee for Members to consider and provide comments. The Audit Plan was now presented for approval. The Audit Charter, incorporating changes to the Governance and Audit Committee's Terms of Reference 2021 arising from the Local Government and Elections (Wales) Act, was also presented for approval.

Members were asked to note the changes to the Audit Strategy, Audit Charter and Audit Plan set out in the appendices to the report.

A Member asked whether Internal Audit should have a role in the review of the GLL contract in terms of follow-up actions, or the extent to which any audit in that service area be more widely based to encompass the other partnership arrangements in place. The Audit Manager stated that an audit on Leisure Contract Governance was included in the Plan and that the will audit would take account of the work completed and planned by Audit Wales. The Audit Manager would welcome the Committee's engagement in terms of the detailed scope of that audit.

Members asked how often the service area validated the reporting information received from GLL and whether this would form part of any internal audit review. The Audit Manager confirmed that this would form part of any audit of governance arrangements.

The Audit Manager was asked to comment on how the Internal Audit Plan might respond to the Governance and Audit Committee's new responsibilities with regard to complaints. The Audit Manager stated that an audit of complaints and compliments was undertaken earlier this year. That audit provided an audit opinion of 'effective with opportunity for improvement'. A recommendation was made regarding the systems to record complaints and compliments. The Committee will receive an annual report in July and this will review how complaints are handled and managed. Senior management will also provide a response regarding how audit recommendations is being delivered.

RESOLVED – That the Committee:

- (1) Notes the Audit Strategy;
- (2) Approves the Internal Audit Charter 2021/22 (including the Governance and Audit Committee Terms of Reference 2021/22, ahead of a request for approval by Council);
- (3) Approves the Internal Audit Plan, 2021/22

### 93 : AUDIT AND INVESTIGATION TEAM PROGRESS UPDATE

The Audit Manager was invited to present the Audit and Investigation Team Progress Update report as at 28 February 2021.

Members were advised that audit activities have continued to adapt and respond to ongoing pandemic. Annex 1 of the report outlined how the team continues to focus on critical and priority matters. The team has continued to tailor its consultancy and assurance activities to provide support and attention where it is most required. Annex 2 of the report outlined the investigation activities as at 28 February 2021. The Audit Manager summarised the key issues set out in the report.

Members noted that the team was forecast to complete approximately 56% of the audits planned through a targeted approach. Members asked whether there was any indication that this approach met with the approval of colleagues from Audit Wales. Phil Pugh of Audit Wales stated that the suitability of the plan for the Council to determine. Regular discussions are held with the Audit Manager and he recognised the approach that had been followed to prioritise the audit of fundamental systems and high risk areas.

Members sought assurance that the recommendations from the Cardiff Bus Governance audit will be adequately monitored and managed and there was clarity in terms of responsibility. The Audit Manager stated that the report is written for the attention of Cardiff Council management as shareholder. All recommendations are focussed on the Council but there are observations that require the Corporate Director Resources to engage with the management of Cardiff Bus. One recommendation covers that expectation. The Committee will have an opportunity to consider the recommendations and the management response when the report has been finalised. The Corporate Director asked Members to note that the Council instigated the report.

RESOLVED – That the report be noted.

94 : FINANCE

95 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources provided a verbal update on the general financial issues facing the Council including financial resilience issues. The Corporate Director provided an update on the monitoring position, the continued impact of the Covid-19 pandemic and the budget strategy.

The Month 9 Monitoring report was presented to the Cabinet on 25 February 2021. The overall revenue position projected an overspend of £384,000 which represented an improvement on the position at Month 6. The figure included any unrecoverable Covid-19 expenditure to date. It was anticipated that a balance position would be returned by the end of the year financial year.

Members were asked to note that at Month 9 expenditure claims to Welsh Government were in excess of £45m, including claims for January and February 2021. A year-end claim will be finalised in the next few weeks. In terms of income, it was anticipated that at end of Q4 total claims would be in approximately £40m. Welsh Government has provided a total of near £600m in Covid support to local authorities to date. A further £206m has been announced for the first 6 months of 2021/22.

The Corporate Director provided an update on the budget strategy, which was received by the Council on 3 March 2021. The revenue settlement received from Welsh Government included a 3.8% increase, which equated to around £18m in cash terms. Council agreed a net revenue budget of £682m for 2021/22, including a Council Tax increase of 3.5% and a savings requirement of £10.2m.

96 : STATEMENT OF ACCOUNTS 2020/21: ACCOUNTING POLICIES AND TIMESCALES

The Committee received a report providing details of the Proposed timescales for the 2020/21 statements; the draft accounting policies on which the Statement of Accounts for 2020/21 will be based; the key changes expected to be implemented for the 2020/21 accounts arising from the 2020/21 CIPFA Code of Practice (the Code); and significant changes in 2021/22 and beyond that are likely to have the most impact on the accounts.

Members were advised that officers were aiming to complete the draft accounts by 15 June 2021. The Committee will be provided with an opportunity to consider the draft accounts to allow for a period of review.

The main changes to the CIPFA code were set out in the report. Officers advised that it was not anticipated that these changes would have a material impact on the statement of accounts. However, this will be kept under review.

Members asked whether progress has been made regarding the implementation of FRS16. Officers stated that the process has started and checks are being



undertaken to ensure that the information provided by the service area is robust. Officers agreed to provide the Committee with further information on the preparations being made in relation to 'IFRS 16 – Leases' for the Statement of Accounts 2022/23.

RESOLVED – That the Committee notes:

- (1) the timescales proposed for the 2020/21 accounts;
- (2) the draft accounting policies and assumptions to be used in preparing the statement of accounts for 2020/21;
- (3) the key changes in the Code of Practice for 2020/21 and changes in the medium term.
- (4) Audit Committee to be provided in due course with information on the preparation for 'IFRS 16 – Leases' for the Statement of Accounts 2022/23

97 : GOVERNANCE AND RISK MANAGEMENT

98 : CORPORATE RISK MANAGEMENT (QUARTER 3)

The Head of Finance presented a report providing an update on the risk management position at quarter three 2020/21. Members were asked to note the quarter three risk assessments presented on the Corporate Risk Register Summary Snapshot (Appendix A) and the Detailed Corporate Risk Register (Appendix B).

At the end of Q3 there were 291 risks reported in Directorate Risk Registers, of which 81 risks were Covid-19 specific. SMT reviewed the escalated directorate risks on 11 March 2021. Members were advised that work to broaden the current corporate risk titled Schools Organisation Programme (Band B), to consider new asset infrastructure across the Council, is ongoing. This will ensure that there is a corporate view on the risks associated with all infrastructure projects and it will also ensure that those risks will be reported to the Governance and Audit Committee in the future.

A Member considered that a number of corporate risks needed to be reviewed to document the controls in the commentary provided, and asked if lead officers feel empowered to challenge risk owners. The Head of Finance accepted the comment raised, advised that particular attention will be given to these comments in the next quarterly review, and provided assurance that colleagues are enabled and supported to challenge directorates in terms of the commentary provided and the controls in place.

RESOLVED – That the report be noted.

99 : AUDIT WALES

100 : ANNUAL AUDIT PLAN 2021

Phil Pugh from Audit Wales presented the Audit Plan 2021. The plan outlined the duties to be undertaken during the year and under which the work conducted, include providing an opinion on the Council's accounts and ensuring that public money is properly accounted for.

Members were asked to note the key issues set out in the plan, including the Council's response to the pandemic and its ongoing effects. Members were advised that Audit Wales personnel continue to work from home and are likely to be doing so throughout this year's audits. Therefore, the indicative timescales outlined in the plan may be subject to change as the wider implications of the pandemic become known.

The key risks facing the authority as outlined in Exhibit 1 of the report were also highlighted. Sara-Jane Byrne of Audit Wales also provided an overview of the planned performance audit work programme set out in Exhibit 3 of the report.

Members were advised that paragraph 33 included the proposed fee. The fee was in line with fees for 2020. Exhibit 4 provided further detail, including an analysis how time is charged to the overall cost. A Member requested that Audit Wales provide an account of how audit time was actually applied during the year as part future Annual Audit Plan reports.

RESOLVED – That the report be noted.

- Audit Wales to provide an account of how time was applied as part future Annual Audit Plan reports

#### 101 : CARDIFF AND VALE PENSION FUND AUDIT PLAN 2021

Members received a summary of the Cardiff and Vale Pension Fund Audit Plan 2021.

RESOLVED – That the report be noted.

#### 102 : AUDIT WALES ACTIVITY/REPORT PROGRESS UPDATE

The Committee received the latest Audit Wales Activity Progress update report. Members were advised that Audit Wales have completed the forward look and backward look audits in accordance with the requirements of the Local Government Measure and certificates have been issued to the Council.

Audit Wales confirmed that recovery planning work is ongoing and findings are being fed back to the Council at regular liaison meetings.

In terms of financial sustainability, Audit Wales published a report in October 2020 and the second phase of that work is currently being undertaken. A local report is likely to be published in April 2021, followed by a national report in the Summer.

Members were asked to note that a review of workforce modernisation has been postponed. A thematic review around organisational resilience will be conducted and there was a need to understand whether the scope of that piece of work will cover areas covered by the workforce modernisation review. Regular conversations with senior officers are ongoing in this regard.

RESOLVED – That the report be noted.

103 : OUTSTANDING ACTIONS

RESOLVED – That the outstanding actions be noted.

104 : CORRESPONDENCE

RESOLVED – That the Chairperson to write a letter of appreciation on behalf of Audit Committee to Ian Arundale for his valued services.

105 : WORK PROGRAMME UPDATE

RESOLVED – That the work programme update be noted.

106 : URGENT ITEMS (IF ANY)

No urgent items were received.

107 : DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to take place on 20 July 2021, subject to approval by Council).

108 : CORRESPONDENCE FOLLOWING THE MEETING

The meeting terminated at 5.30 pm

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