

## **GOVERNANCE & AUDIT COMMITTEE: 25 JANUARY 2022**

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### **RESOURCES, CONTROL ENVIRONMENT UPDATE**

### **REPORT OF THE CORPORATE DIRECTOR OF RESOURCES**

### **AGENDA ITEM: 5**

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#### **Reason for this Report**

1. This report has been produced in response to the Governance and Audit Committee's request for an update on the Resources Directorate control environment.
2. The Governance and Audit Committee has requested this update in respect of its role to:
  - Monitor progress in addressing risk-related issues reported to the committee.
  - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
  - Consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
  - Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
  - Review the governance and assurance arrangements for significant partnerships or collaborations

#### **Background**

3. The Resources Directorate provides a wide range of support services undertaking a vital role in supporting the Operational Directorates in the delivery of their services, along with itself providing some key front line services. Specific Service areas within the Directorate include customer support to citizens via Connect to Cardiff and 24/7 services as well professional business support and guidance on Finance, HR, Commissioning & Procurement, Digital and Technological issues and Transport needs to all Services.
4. The onset of the pandemic created additional challenges for the Directorate in terms of the way it operated, but it also resulted in the Directorate itself playing a key enabling role in how the Council was able to respond effectively from a service perspective. For example, as homeworking became the default operation for thousands of employees, Digital Services played a key role; and as costs and income shortfalls were experienced, Finance and Procurement officers ensured that the Council remained financially resilient whilst being able to act quickly to commission much needed supplies at an appropriate price. In addition, HR Services were critical where there were urgent needs for amendments to employee policies and solutions were needed for staff to be switched from existing roles to key front line posts.

Services within Resources include:

- **Commissioning & Procurement:** 32.40 FTE, across Operational, Strategic, and Transactional Procurement Teams.
  - **Central Transport Services:** 40.30 FTE, delivering Transport Co-ordination services, Fleet Support, and a vehicle repairs and maintenance workshop.
  - **Customer & Digital Services:** 302.67 FTE, providing 24/7 Services, the C2C Contact Centre, Corporate Customer Services (including technical support services), the Emergency Management Unit, ICT Services, and Rent Smart Wales.
  - **Finance:** 242.4 FTE, delivering Accountancy Services, Transactional Finance, Information Governance, Insurance and Risk, Internal Audit, and Revenue Services.
  - **HR People Services:** 74.5 FTE, across the Cardiff Academy, Corporate Apprenticeships and Traineeships, Employee Relations, Management Support Services, Occupational Health Services, Organisational Development, the People Services Contact Team, Recruitment, and Specialist Support Services.
5. Robust performance management arrangements are in place across Resources at both an individual service and overall management level. Balanced scorecard approaches are adopted across services and the Resources Management Team oversees performance and instigates corrective action where appropriate.
6. The Corporate Director and Directorate Management Team lead on governance, risk management and internal control to ensure there is a process for management surveillance, monitoring and control within the directorate, examples of these systems are outlined in the Report together with an explanation of how these are managed, pertinent areas being, but not limited to:
- Risk Management – Corporate and Directorate Risks (see para 7)
  - Internal Audit Assurance (see para 14)
  - Performance Management (see para 29)
  - Significant Partnership / Collaboration Governance (see para 32)
  - Senior Management Assurance Statements (see para 33)
  - External Assurance (see para 35)
  - Value for Money (see para 36)

## Issues

### (a) Risk Management

7. Risks relevant to the Directorate are managed on an ongoing basis alongside service area delivery plans and reported on a quarterly basis via the Resources Management Team (RMT) and appointed Risk Champions, through the Directorate and Corporate Risk Registers. Escalated Directorate Risks and Corporate Risks for which the Directorate holds responsibility are reviewed by the Council's Senior Management Team and subsequently reported to Cabinet and Governance & Audit Committee.

### High Level Corporate Risks (see Appendix A for full detail)

8. Corporate Risks that are owned by Resources Management include those related to Finance (Financial Resilience, Budget Monitoring, Information Governance, Capital Ambition and Fraud, Bribery and Corruption), ICT (Cyber Security, and ICT Platforms Unsuitable/Outdated) and Business Continuity.
9. As reported to Governance & Audit Committee via the quarterly Corporate Risk Management reporting process, all the above risks are mitigated through a variety of controls, actions and

policies in order to ensure the current (residual) rating is reduced from the inherent rating and is acceptable in respect of the Council's risk appetite. Whilst, the objective is to have targeted further reductions in all risks, the priority over the last two years has been to at least maintain the current residual risk level in the face of increasing challenges such as the impact of the pandemic, cybersecurity and a very uncertain economic outlook. However, a small number, including information governance, fraud awareness and budget monitoring have set targeted reductions within the next twelve months. All other areas are focussed on ensuring that action taken can at least ensure remaining at current risk levels but to continually monitor to ensure that where possible risk reductions are taken where they can be achieved and evidenced.

## High Level Directorate Risks

10. The Directorate Risk Register (DRR) is a strategic document and is directly aligned with the Directorate Delivery Plan and relevant Capital Ambition objectives, as well as capturing any other key risk perspectives, such as:
  - Financial
  - Legal & regulatory
  - Service delivery
  - Reputational
  
11. There are a number of identified directorate inherent risks, of varying severity which are reviewed regularly for assurance on actions undertaken and their impact on the residual risk and any target risks that are in place. In considering the contents of the risk register the focus is on ensuring that all risks are identified with a clear connection to the current and proposed actions designed to reduce or manage the impact / likelihood of the risk. Currently, there are no red residual risks within the Risk Register but there are red / amber residual risks that require careful managing at this time and are set out as follows;
  - Pension Fund Compliance - That Pension Membership data is not recorded accurately and Benefits are not paid on time in accordance with LGPS Regulations
  - Collection Rates - Risk that Council Tax / Business Rates Collection performance reduces compared to previous performance
  - Insufficient assurance across the Council for the Audit Manager to express an unqualified audit opinion on internal control
  - Due to the hardening insurance market there is a risk that insurers will look to increase charges both during the contract and in any new tendering arrangements.
  - Maintaining adequate response capability during times of challenge for the City, and the impact of significant incidents (Covid/Climate change)
  - Malware Prevention- Malicious software, or malware is an umbrella term to cover any code or content that could have a malicious, undesirable impact on systems. Any exchange of information carries with it a degree of risk that malware might be exchanged, which could seriously impact our systems and services.
  - Monitoring - System monitoring provides a capability that aims to detect actual or attempted attacks on systems and business services.
  - To deliver good quality customer service and a fast and efficient service in light of static call volumes but increased customer demands across other channels.
  - Analogue to Digital shift by 2025 for Telecare Customers
  - Shortage/Loss of key staff with critical skills – Business continuity and ability to recruit where vacancies arise.
  
12. The risk appetite for the Directorate is such that red / amber residual risks reflect the significant external challenges within which it operates and that the focus of mitigating actions is to reduce the likelihood of the high impact risk. The list above primarily highlights the uncertainty and intensity currently faced in areas such as resources and IT security

**(b) Internal Audit Engagement and Response**

13. The directorate works closely and meets on a regular basis with the Internal Audit Team to ensure robust management of internal audits and actions arising. This includes providing key supporting information to the Audit Team on audits to be undertaken and reports to Directorate Management Team on the schedule, outcomes and progress made.

**Internal Audit Assurance**

14. The Directorate currently has 21 audits with open recommendations, with 22 no. outstanding actions; 1 red, 5 red / amber, 14 amber / green and 2 green. The Directorate has completed 80% of the audit recommendations in the last two years. The Directorate response to some of the recommendations has been affected by the COVID-19 pandemic and this has led to some delays in closing recommendations. It should also be noted that a number of the outstanding actions are in relation to specific projects, therefore the actions will only close in line with the project delivery programme.

15. The Table below summarises the position with respect to Internal Audit recommendations and paragraphs 16 to 27 provide some narrative commentary:

Audit	Report Status	Assurance Rating	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
<b>2021/22</b>						
Special Leave	Final	Effective with opportunity for improvement	2	0	2	2 recommendations due 31.01.22
Disciplinary Policy	Final	Effective with opportunity for improvement	4	0	4	4 recommendations due 30.09.22
Treasury Management	Final	Effective with opportunity for improvement	2	0	2	2 recommendations due 31.03.22
Establishment Reviews	Final	Insufficient with major improvement needed	3	0	3	3 recommendations due x 31.03.22
<b>2020/21</b>						
Contract Monitoring and Management	Final	Insufficient with major improvement needed	1	0	1	1 recommendation due 31.03.22
Creditor Payments - in-year testing 2020/21	Final	Effective with opportunity for improvement	1	3	4	1 recommendation due 28.02.22
Insurance	Final	Effective with opportunity for improvement	2	1	3	1 recommendation due 31.01.22, 1 due 31.03.22
Cardiff Bus – The governance relationship with Cardiff Council	Final	Insufficient with major improvement needed	3	2	5	3 due 30.06.22
Additional Payroll Payments	Final	Effective with opportunity for improvement	1	0	1	1 recommendation due 31.03.22
Complaints and Compliments	Final	Effective with opportunity for improvement	1	2	3	1 recommendation due 31.03.22
<b>2019/20</b>						
Insurance - In year testing 2018-19	Final	Effective with opportunity for improvement	1	11	12	1 recommendation due 31.03.22
Payroll 2018/19 - In year testing	Final	Effective with opportunity for improvement	1	5	6	1 recommendation due 31.01.22

### **Special Leave**

16. There are two outstanding recommendations regarding documentation and guidance relating to special leave and to ensure that the risk of self authorising special leave is reduced. Both actions are on track to be put in place by the end of January through a combination of effective communication, review of website guidance and review of activity.

### **Disciplinary Policy**

17. There are four recommendations that remain outstanding. These will be picked up as part of a full review of the disciplinary policy and process. This was due to be completed, but due to the prioritisation of pandemic work plus the lack of resource available to carry out this wide ranging review, it is likely that this will be deferred into the 2022/23 financial year. The recommendations consider the reporting requirements for disciplinary cases, the need for guidance to support the production of reliable and prompt data, the need to ensure case management system changes are in place where needed and ensure appropriate engagement across all stakeholders is undertaken and taken into consideration

### **Treasury Management**

18. There are two outstanding recommendations in respect to reviewing the sensitivity of its treasury assets and liabilities to inflation and that treasury management reconciliations are undertaken on a robust monthly and quarterly basis as stated. The Treasury Management Plan will be updated in the next iteration to reflect the risks relevant to the treasury function, whilst acknowledging that inflation is not within the council's control. Both recommendations will be on target for action by the 31 March 2022

### **Establishment Reviews**

19. There are currently three recommendations which cover piloting establishment reviews with schools, a data integrity review and to consider the phasing out the use of HR forms to make / change additions to pay, to support greater direct use of the DigiGOV system by management.
20. The project in respect to schools has been delayed but is on track to be in place by 31 March 2022. The data integrity review is an on going piece of work and phasing out of HR forms is now a project piece of work as it has been established that a number of processes need to be developed and implemented in DigiGOV in order for the forms to be phased out but the integrity of the processes that these relate to remain.

### **Contract Monitoring and Management**

21. The one recommendation relates to an agreed root and branch review of contract management in order to ensure that the level of governance and performance management is consistently applied across the Council. This review is currently on track for 31 March 2022.

### **Creditor Payments**

22. The results of the review on Payments will be finalised in time for the deadline of end of February with actions for improvement already put in place where identified.

### **Insurance**

23. There are three outstanding recommendations which relate to a development of an insurance webpage, increase communication to senior management of the need to provide early information on planned projects and the management of the cyber security risk and having

sub optimal insurance cover in that regard. There are plans in place for all actions to be undertaken by 31 March 2022 particularly in respect to further development of a risk mitigation plan on cybersecurity insurance.

### **Cardiff Bus – The Governance relationship with Cardiff Council**

24. There are three recommendations outstanding which cover the agreed performance reporting requirements with Cardiff Bus, a closer alignment of financial reporting between Cardiff Bus SOA and Cardiff Council accounts and agreed areas of internal control improvements with Cardiff Bus. Work is already in progress to ensure that information can be ready to use for both the publication of the draft 2021/22 accounts and the accompanying Annual Governance Statement. All recommendations will be completed, and the Council continues to work closely with Cardiff Bus as the impact of the COVID-19 Pandemic hopefully subsides and pressure on the Bus Company reduces.

### **Additional Payroll Payments**

25. Management should consider updates in respect to Stand by duty and recall to work in their next review of the Standby Policy. The Standby Policy will be reviewed during 21/22 and the recommendations will form part of that review.

### **Complaints and Compliments**

26. An improved procedure for handling complaints and compliments will be implemented by 1st February 2021. Once implemented, the creation of this central repository will assist the Council to comply with its duties under the Complaints Standards Authority
27. HRPS will work with schools to understand their issues with using DigiGOV in order to ensure that there is more use of the system. Further training will be provided where necessary. This is an area which will be raised as part of the SLA review with schools. A project plan for the development of DigiGOV in schools is to be in place by 31 January 2022
28. In summary, all outstanding recommendations are progressing, 4 actions are due to be complete by the end of January 2022, with 11 remaining actions being complete by 31 March 2022 and 7 recommendations by 30 September 2022

## **(c) The Wider Control Environment**

### **Performance Management**

29. Performance Reviews are undertaken on a quarterly basis in line with the Council's Performance Management Framework. This comprises a review of Corporate Plan Priorities, Corporate Steps as outlined in item 4 above, Directorate Plan Headline Actions and Corporate Plan Measures (Key Performance Indicators. Each Corporate Step has been allocated an owner Operational Managers) and timescales, and each quarter these are responded to by respective owners to provide details on progress, relevant issues and mitigating actions, as well as providing a RAG rating; **Red** – where serious issues have occurred and it is unlikely that any further progression can be made without some form of assistance from outside of the directorate, **Amber** - where issues have occurred but they are not serious enough to require assistance and **Green** - where there are no issues with progress / performance.
30. The performance of each service of the Resources Directorate is underpinned by a scorecard approach which covers the key objectives and sets out the performance position on a quarterly basis.

31. The reviews are reported to Directorate Management Team meetings where the Director contributes to the overall position and intervenes as required, for example where ratings emerge as Red or Amber the Director challenges and seeks further explanation on the matter to establish the root cause and readjusts as required.

### Significant Partnership / Collaboration Governance

32. In order to maximise our contribution to delivering the Council's priorities, corporate steps and wellbeing objectives, the Directorate has a well-developed approach for working in collaboration with partners which helps to put the Directorate in a strong position to deliver key pieces of work, indeed this allows it to become more resilient, mitigate risks, fill skill and resource gaps, enrich delivery and reap the benefits of working arrangements as outlined below. Governance and assurance of this approach is controlled via a number of mechanisms including programme board management, project reviews, key performance indicators, performance reviews, procurement frameworks and financial monitoring. Below are some examples of effective collaboration activity:
- Cardiff Bus – this is a 100% owned company and the Council is proactive in ensuring that there is an appropriate level of governance and assurance both in the company itself but also from within the Council. This has developed over the last two years through the development of progress reports on governance and financial matters supplemented by regular meetings with both the Managing Director and the Financial Director of the company. This is a work in progress and currently work is being undertaken to ensure that matters within the risk register are accompanied with appropriate measures and evidence.
  - Cardiff Capital Regional City Deal (CCRCD) – The Council is the Accountable Body for this entity and in order to be effective this has required close working relationships with both officers of the CCRCD and the ten contributing authorities. The statutory responsibilities for the CCRCD of both the S151 Officer and the Monitoring Officer are carried out by Cardiff Council statutory officers. The CCRCD undertakes its own governance assessment and produces an Annual Governance Statement and the work provided by Cardiff officers is managed through a Service Level Agreement. There is a significant amount of close working between officers to ensure that both the contributing authorities and the Welsh (and UK) Government are satisfied that spend and drawdown of funding are undertaken appropriately and in an evidenced manner. In addition, following the creation of Corporate Joint Committees in Wales with new statutory powers, work to transition governance, processes and contracts of existing CCRCD City Deal activities will need to be undertaken during 2022/23 (subject to this transfer being approved by Regional Cabinet at the end of January). Cardiff Council Cabinet received an update report on CJC's on 20 January 2022.
  - The Pension Board provides an oversight function of the administration of Pensions for the Cardiff and Vale Pension fund. Cardiff Council is the largest employer in the fund and is the Administering Authority. The Board has an independent chair, trade union representation and employer representation. The Board does not have any decision making powers but their views and minutes of meetings are routinely reported back to the Pension Committee.

## Senior Management Assurance

33. The Resources Management Team continues to engage in the review of Senior Management Assurance Statements (SMAS), with the most recent review taking place at the half-year stage during November 2021 (see Attached Appendix B). The Directorate uses a cascade approach and encourages each Operational manager to consider for their services the evidence they have in which they can allocate a rating to each statement and whether or not any actions are identified from the exercise. This cascade approach is repeated at Service Head level where an aggregated view of the ratings is considered and actions are agreed. The final stage of this approach is undertaken at RMT where the Corporate Director takes a view of the overall position of the Directorate identifying any actions, any areas of exception and all evidence available.
34. The Directorate for the half yearly review assessed itself as primarily 'Strong' across all areas of the statement whilst identifying areas where there are opportunities for improvement in order to further firm up assurance. The action Plan for Resources is set out below and will be taken forward and monitored via RMT:

<b>SMAS Section</b>	<b>Opportunity for Improvement</b>	<b>Responsibility</b>	<b>Target Date</b>
Future Generations Act (FGA)	1. General Awareness communication across 2. Each Operational Manager considers the further awareness / discussion required with their respective individual teams	RMT	March 2022
Control	To assist a deeper understanding, a database of Controls in place specifically to guard against Fraud is to be drawn up.	RMT	Jan 2022
Budget	Monthly review of the financial model for certain areas of Resources (Digital Services).	Chief Digital Officer	Ongoing
Planning Decisions	Focus on Business plans in the second half of the year to ensure we have a methodology that we are comfortable that we are consistently applying actions against principles set out.	RMT	May 2022
Control	Exercise to be undertaken in order to ensure appropriate level and breadth of assurance. - Specifically, Authorisation process sign offs, agreed audit actions and physical assets.	RMT	March 2022
Performance	An exercise will be undertaken to review current position on Benchmarking and consider any improvements that could be made	RMT	Aprill 2022
Planning Initiation	Review across the directorate to ensure that all key projects when initiated are underpinned by a clear set of outcomes sought and an appropriate and proportionate governance reporting structure	RMT	April 2022



## External Assurance

35. External assurance is an important consideration for the Directorate and to illustrate, two examples are given below:
- The production of the Statement of Accounts is audited by Audit Wales who also produce timely reports on key financial matters not least financial sustainability. The Accountancy team meet with the Auditors on a regular basis both to update on matters arising but also to review timetables and actions in order to ensure that the Accounts process is on track. This timetable covers the period prior to production of the draft Statement of Accounts and goes through to the drafting of the ISA 260 by Audit Wales. The Accountancy lead ensures that information flows between relevant accountants / officers and the auditors in a timely and complete fashion as anticipated by the timetable. This will also include ensuring that relevant officers are aware of improvement actions required such as a particular set of working papers.
  - Over the last 18 months the Council's officers have been working in partnership with an independent Qualified Security Assessor (QSA) our Merchant Acquirers (WorldPay & Global Payments) and the payment brands (Visa, Mastercard etc.) to review the Council compliance with the Payment Card Industry Data Security Standard (PCI DSS). This project has required a significant amount of collaborative working between officers in IT, Finance and those services that receive and take income. An oversight group meets monthly to consider progress to date, reviewing risks and addressing any issues that have been escalated to it. The external assurance has come from two parties, one being the Independent assessor and secondly the payment brand which will provide full assurance by the end of the financial year as per current progress. The performance to compliance currently stands at 91.2% as per December 2021 with a view to being 100% compliant by the end of March 2022.

## **Value for Money**

36. The directorate has responsibility for a wide and complex range of statutory duties, functions and services. Some services are statutory and there are some that rely on income generation. There has also been an increase in the complexity of delivery models across the Council which have required the Finance, Procurement, HR and IT services to ensure that it has the right skills mix in order to support the work.
37. A key priority for the directorate is 'to continue to provide high quality services and excellent value for money'. This means working smarter, driving efficiencies and embracing digitalisation in order to ensure services needed are delivered within the financial constraints in which the directorate operates. Examples of opportunities realised include:
- The implementation of Microsoft 365 and Teams across the Council in order to provide an effective platform for remote working.
  - Introduction of hybrid mail solution across the Council that has enables services to reduce maintenance costs of physical printers, reduced postal costs and staff efficiencies.
  - Implementation of an e billing solution for Council Tax which was implemented in April 2018 and through regular communications has resulted in 37,572 registered to save on printing, stationery and postage costs

## **Legal Implications**

38. There are no direct legal implications from this report.

## **Financial Implications**

39. The financial implications (if any) arising from this report have been contained within the body of the report.

## **RECOMMENDATIONS**

40. That the Governance and Audit Committee considers and notes the content of the report.

**Chris Lee**  
**Corporate Director Resources**

The following are attached:

- Appendix A - Corporate Risk Register (Resources)
- Appendix B - Resources Self-Assessment SMAS
- Appendix C - Presentation