

GOVERNANCE AND AUDIT COMMITTEE

19 JULY 2022

Present: Hugh Thomas(Chairperson)
Gavin McArthur, Dr. Janet Wademan, Ahmed, Carr, Lewis,
Moultrie, Palmer and Waldron

1 : APPOINTMENT OF CHAIRPERSON AND DEPUTY CHAIRPERSON

RESOLVED – That D. Hugh Thomas be appointed as Chairperson and Gavin McArthur be appointment as Deputy Chairperson.

2 : APPOINTMENT OF COMMITTEE

Noted.

3 : TERMS OF REFERENCE

Noted.

4 : APOLOGIES FOR ABSENCE

Apologies had been received from David Price and Cllrs Goodway and Williams.

5 : DECLARATIONS OF INTEREST

None received.

6 : MINUTES

The minutes of the meeting held on 15 March 2022 were agreed subject to the correction of a typographical error on page 12 (holistic).

7 : ANNUAL AUDIT PLAN 2022

Members were provided with the 2022 external Audit Plan for Cardiff Council. Steve Stark and Sara-Jane Byrne (Audit Wales) comprehensively took Members through the report, outlining the key headings. Exhibit 1 provided Members with an outline of the key risks, Exhibit 2 set out details including the work programme, the thematic reviews, digital work and certification of grants and claims. Members were provided with information on fees, including the estimated fee for next year and the expected fee for last year. Analysis of the fee was outlined. Members were advised that there had been no changes within the Audit team and there remained one potential conflict as previously reported. Timetables for pieces of work were outlined to Members.

The Chairperson thanked Audit Wales for the comprehensive report and invited questions and comments from Members;

Members noted that last year there had been a request that improvements were made in relation to Interested Party Transactions and asked what changes had been

made to strengthen this. Officers explained that this had been an improvement action from last year and they were working closely with Democratic Services to make improvements. This work will need to be followed up to continue the improvements and officers agreed to provide a position statement on this progress.

A Member referred to the Sustainable Development Principle and noted that this was under development as the legislation was fairly new. They asked how the Auditors would approach this. Members were advised that Auditors were starting to challenge the Council and other bodies on this and it would be a core consideration of all of the Audit work.

8 : CARDIFF & VALE PENSION FUND AUDIT PLAN 2022

Steve Stark (Audit Wales) provided Members with an outline of the report. Members were asked to note that Exhibit 1 referred to identified risks and that the only significant risk identified was Management Override. Members attention was drawn to the section on the fee for Audit work, Audit Team and Timetable.

The Chairperson invited questions and comments from Members;

Members noted that the fees had increased by 17.1% and asked if there were any changes of substance in comparison to previous years to justify such as rise, such as any changes to the internal control environment. Members were advised that increased costs had been noticed a few years ago and it was thought the increases were due to the pandemic and home working. These increases were not passed on at that time. Another audit was undertaken last year and increased costs were still evident so this was reflected upon and fees were benchmarked against other pension funds. It was found that Cardiff's fees were quite low so it was felt that an increase was appropriate to ensure a robust level of audit.

Members considered that normally fees follow a pattern and history determines how they are set. Members struggled to see the step change in this instance and wondered whether it had just got out of kilter and had slipped. Officers assured Members that there were no issues around internal control, it was Audit Wales adjusting their fees around the process.

Members asked how the fees are determined and consulted on. Members were advised that there is a consultation process around the fee scales. Audit Wales have absorbed costs over the last few years and this was no longer sustainable. There is an increased focus on audit quality and Audit Wales have to respond to that. Members were also advised that fees are moderated internally.

RESOLVED: to agree the report.

9 : AW WORK PROGRAMME AND TIMETABLE UPDATE

Steve Stark and Sara-Jane Byrne (Audit Wales) presented an update on the Audit Wales work programme and timetable.

The Chairperson asked questions around Cyber Resilience and that this should be causing great concern for public authorities. He asked for Audit Wales' opinion on Cardiff Council's Cyber Resilience. He was advised that they do not have the answer as yet. It is part of their planning work, they have dedicated time to an IT audit and part of the scope of that work is to look at resilience to cyber-attacks. Audit Wales offered to provide a fuller response at a future committee if required, once IT audit specialists have completed their work. Officers added that this is an emerging risk that had already been captured corporately.

RESOLVED: to agree the report.

(a) Draft Statement of Accounts 2021/22

Sally Ormiston (Group Accountant – Resources) outlined the Draft Statement of Accounts 2021/22 to Members after which the Chairperson invited questions and comments.

Members noted that this will be on the agenda formally in September, so Members were asked for questions on information up until 16 August.

Members sought clarification that the report would be confirmed at the September meeting and officers advised that in September/October, Members will receive a report on the findings of the audit and have a further opportunity to ask questions/challenge on the content and findings.

RESOLVED. To agree the report.

10 : FINANCIAL UPDATE

The Corporate Director Resources and Section 151 Officer, Chris Lee, provided Members with a presentation on the Financial Update after which the Chairperson invited questions and comments.

Members asked how the challenges and long-term pressures such as Financial pressures, Climate Change, Tackling Poverty etc. can be mitigated against using sustainable development/approaches, not just cutting things, but looking on a more holistic way. The Corporate Director explained that this is looked at in the medium-term work, where there is a section dedicated to this. There are areas that could improve, there is recognition that spend to save and early interventions could be the best approach but it acknowledged that we are not there yet.

Member referred to grants and asked how good Cardiff Council is at being compliant and maximising the opportunities of any grant they receive. The Corporate Director said that service areas would say we are very good and that we maximise the grants we get. He added that grants would be audited on the terms and conditions by external audit. Locally all forms are signed by the Corporate Director and his officers and from a S.151 perspective he is satisfied.

Members referred to junior school places decreasing and secondary school places increasing and the huge housing developments going on in Cardiff currently. Members asked if we can be confident around monitoring the figures on this issue. The Corporate Director referred to formula funding, census information, population information and financial implications. He explained that they may need to look at how school services are delivered but these trends in population goes in cycles. He considered that Committee maybe interested in seeing a future report on the Census.

11 : INTERNAL AUDIT ANNUAL REPORT 2021/22

Members were provided with a comprehensive outline of the report including the recommendations. The Chairperson invited questions and comments from Members;

Members referred to paragraph 14 of the report 'Audit client feedback continues to be positive overall with 100% satisfaction, and 90% of responses identifying that audit offered added value to managers.' And asked if there any insight into what the other 10% thought. Officers explained that these questions are asked when the exercise is concluded, this is valuable insight and is taken onboard. 4 core questions and 1 wider question were asked. The wider question was whether audit added value. There had been no critical comments, some comments on minimal recommendations or that nothing new had been given to them. However these are actually positive as it indicates that all is in hand, this could be considered as adding value as it gives confidence.

RESOLVED: That the Committee note and consider the Internal Audit Annual Report, including the:

- Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control
- Summary of the work supporting the opinion
- Statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and
- Results of the Quality Assurance and Improvement Programme (QAIP) that support the statement.

12 : AUDIT AND INVESTIGATION TEAM PROGRESS UPDATE

The Audit Manager provided Members with a thorough outline of the report and its key headings after which Members were invited to make comments or ask questions.

A Member asked how complete business cases are across the Authority when considering the findings from a particular IT audit. They were advised that the audit considered that the business cases reviewed contained sufficient detail, and were reasonably supported, but a recommendation was raised for improvement as equality impact assessments were not present to support those sampled. Members asked if there is a quality assurance process on business cases and were advised that there is.

Members asked what support Internal Audit give to areas that fall into the category of 'Major Improvement Needed'. The Audit Manager advised that an assurance level of 'insufficient with major improvements needed' would be recorded as such in the

assurance map, it would have an increased level of risk, and would be subject to re-audit more promptly than higher assurance areas (whilst accounting for wider assurances and indicators of risk). On an ongoing basis, Internal Audit would be available for advice and guidance as appropriate.

Members referred to the revised table of recommendations and the 468 revised dates. Members wished to encourage realistic dates and take account of the increased level of risks when prioritising. Members asked if this was a high level of turnover and if we are encouraging managers to set realistic dates. The Audit Manager stated that recommendations are the key outcomes of Internal Audit's work and the response needs to be comprehensive and timely. Management are always encouraged to set realistic target dates, and whilst a number of recommendations have been implemented there needs to be continued attention for improvement in directorates.

A Member referred to the Internal Audit Mission Statement and considered that this would not be achievable unless managers do all the things they say they will, as only then do they derive the value of audit.

RESOLVED: To note and consider the contents of the Internal Audit and Investigation Team Progress Reports.

13 : ARRANGEMENTS FOR HANDLING COMPLAINTS AND COMPLIMENTS (INCLUDING THE DRAFT COMPLAINTS AND COMPLIMENTS ANNUAL REPORT 2021/22)

Members were provided with a presentation on Complaints and Compliments by Isabelle Bignall, Chief Digital Officer, and were advised that a draft report would be taken to Cabinet in September. Members were also advised that this item refers to Corporate Complaints only, not complaints in relation to Social Services, schools or for Members.

The Chairperson invited questions and comments from Members;

Members praised officers for work that had been done in choosing the system and asked if that had put them in good stead to win the hearts and minds of the wider Authority. Officers said it had been absolutely key in doing so. It was imperative that service areas are enthusiastic and positive and the best way to achieve that is to involve them in choosing the system. A Cabinet Office pilot had proved very important in testing and tweaking it before the roll out.

Members asked if Officers were confident they could achieve the next steps. Officers advised they were, everyone was committed to the project, they were confident about the August timings, although after that they were not sure when the roll will end as they go to the more complicated service areas such as waste management.

Members noted that complaints and compliments provide a wealth of information for organisational learning and asked how that will work with this system. Officers stated that currently this is a manual exercise to see what people complain about the most.

The system will be able to access data at a few clicks and can find out what we are going to do about the complaints.

Members asked about return on investment and when evidence of this could be expected. Officers explained that they have an enterprise licence so they can add as many people to system as they wish. There are costs and there will be an additional person in post to run the system. There will be a year-on-year inflationary increase with Halo but no Capital outlay.

Members asked how we can measure better public services and quantify that across the system. Officers considered that they can demonstrate better public services. Previously the Ombudsman would alert us about the number of complaints and that there is an issue. With the system, we will have an earlier alert and can delve deeper into that, working with service areas on the issues identified. The transparency of the system is a real benefit.

Members asked if the data would specifically drive the improvements and Officers explained that the key element was Corporate Oversight and that in 6 months' time, officers will come back to Committee and demonstrate the service improvements from the data.

Members asked the size of the team and were advised it was 3 people and a repurposed vacant grade 4 post from the beginning of August.

Members asked if the KPI's had been devised that would evidence improving public services. Officers explained that they have been but they haven't yet been approved by the Halo Board, this needs to happen before they can be shared.

Members noted that is Committee's responsibility to manage complaints effectively and asked how assured Officers are around the Social Services, Schools and Members complaints processes. Officers explained that they liaise with the specific directors and they are monitored. Members asked how the Committee can see the effectiveness of the other complaints processes as it is Committee's remit. Officers explained that Committee receives Annual Reports but they could provide a split out audit report and include on the work programme. The Chairperson asked the Audit Manager to pick out some areas for the Committee to focus on for the next meeting.

RESOLVED: to agree the report.

- Audit Manager to liaise with the Chair and Vice Chair and to arrange a report on Social Services and Education Complaints handling arrangements.
- Committee to be provided with the suite of complaints handling KPIs once approved by the Halo Board

14 : GOVERNANCE AND AUDIT COMMITTEE ANNUAL REPORT 2021/22

The Audit Manager outlined the Governance and Audit Committee Annual Report for 2021.22

RESOLVED: to agree the report.

15 : CORPORATE RISK MANAGEMENT (YEAR-END)

The Corporate Director Resources outlined the Corporate Risk Management (Year End) report to Members after which Members were asked for any questions or comments.

Members were pleased to see dates in planned introduction of controls.

A Member referred to the escalated risk in increased demand for Children's Services, and commented on the need to review the categorisation of current controls and actions to be taken within the Corporate Risk Register. The Corporate Director recognised the comments and offered to take the report back to the team and recategorise the narrative to the appropriate sections of the risk register as appropriate.

16 : DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

The Corporate Director outlined the Draft Annual Governance Statement 2021/22 for Members.

RESOLVED: that Governance and Audit Committee had reviewed the Annual Governance Statement and considered 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 management and internal control.

17 : RECOMMENDATION TRACKER - REPORTS OF EXTERNAL REVIEW BODIES

Members were provided with an overview of the report.

RESOLVED: to consider and notes the contents of the report.

18 : OUTSTANDING ACTIONS

The Audit Manger outlined the Governance and Audit Committee Action Plan.

19 : CORRESPONDENCE

The Audit Manger explained that Committee Correspondence was provided for Governance and Audit Committee oversight. A discussion had taken place with the Chairperson, and they had not identified any issues that need to be picked up.

20 : WORK PROGRAMME UPDATE

The Audit Manager outlined the planned work programmed for the year, noting that it was subject to change but provided a general structure.

It was agreed to add complaints to the 22 September 2022 meeting.

21 : URGENT ITEMS (IF ANY)

None received.

22 : DATE OF NEXT MEETING

22 September 2022.

The meeting terminated at 5.10 pm