

GOVERNANCE AND AUDIT COMMITTEE

28 NOVEMBER 2023

Present: Chris Burns (Deputy Chairperson in the Chair)
Gavin McArthur (Chairperson), David Price, Dr. Janet Wademan

Councillors Carr, Lewis, Palmer and Williams

1 : APOLOGIES FOR ABSENCE

Apologies were received from Councillors Goodway and Moultrie

2 : DECLARATIONS OF INTEREST

The following declarations of interest were made:

Cllr Williams	Item 4	Prejudicial	Contract with Council on private rental leasing scheme
Cllr Williams	Item 5	Personal	Family member works for Council
Cllr Palmer	Item 5	Personal	Family member works for Council

3 : MINUTES

The minutes of the meeting held on 24 October 2023 were approved by the Committee as a correct record and were signed by the Chairperson subject to the following amendments:

Item 26 - Amend date of minutes of previous meeting approved from 11 July 2022 to 11 July 2023

Page 8 – amend:

Members were re-assured that actions and mitigations had been put in place and asked if the Authority considered that there was an acceptable level of fraud cases in Cardiff. Officers responded that it was difficult to know what a good level of fraud cases was but it was something the Authority should be asking itself and reflecting on.

To read:

Members were re-assured that actions and mitigations had been put in place and asked officers to reflect on levels of fraud in Cardiff.

4 : UPDATE ON DIRECTORATE CONTROL ENVIRONMENT FOR PEOPLE & COMMUNITIES

Councillor Williams declared a prejudicial interest in this item as he has a contract with the authority under the Private Rental Leasing Scheme.

The Committee received a report providing an update on the control environment within the People and Communities directorate. The Chairperson welcomed Sarah McGill, Corporate Director – People and Communities to the meeting.

The report provided an overview of the directorate and set out the key service demands the directorate was facing. The report focussed on areas of the directorate not overseen by the Director of Adults, Housing and Communities or the Director of Children's Services who had both previously attended the Governance and Audit Committee to provide assurance on their areas of responsibility.

The report provided an overview of the directorate services and its governance arrangements. Members were advised that there are strong performance management arrangements in place including quarterly performance reporting covering key indicators (KPIs), corporate plan and directorate delivery plan objectives. Performance is reviewed regularly internally and performance is also monitored quarterly at various Scrutiny Committees. Further monitoring is provided by SMT and directorate assurance meetings. Individual performance is monitored through Personal Reviews and the directorate has a robust approach to ensuring that Personal Reviews are undertaken.

The report also provided a summary of the directorate approach to governance arrangements, performance management, internal audit engagement, risk management and external assurance.

Following a presentations from the Corporate Director, the Chairperson opened the debate on this item. Those discussions are summarised as follows:

- A Member welcomed the mapping of the partnerships between the authority and other bodies set out in the report. Officers were asked to expand on the next steps in that process – in particular where processes and relationships can be improved. The Corporate Director stated it has been a valuable exercise in terms of understanding the visibility of the partnership working arrangements. The task has helped officers to understand the significant number of issues that each organisation is seeking to resolve which are complex and can only be resolved in working together. There was considerable duplication – for example, the Regional Partnership Board, the Public Service Board and the Regional Safeguarding Board have identified issues covering the same areas. Though it is possible to set up Task and Finish Groups within those partnerships – it was important to map the accountabilities, responsibilities and where those activities are being undertaken, thus allowing for intelligence to be shared and a reduction in duplication. The Corporate Director considered that it was important for each body to retain its own decision-making responsibilities, but the alignment of those activities would allow a more co-ordinated approach to shared problems.
- Members referred to the risk matrix presented in the report. A Member questioned whether there was any general guidance for directorate risk registers and risk assessment. The Audit Manager stated that the Risk Management Strategy and Policy sets out guidance for measurement, reporting and response to risks across the authority. The approach is standard to support consistent

application at all levels.

- A Member requested the Corporate Director to comment on the challenges faced and the solutions implemented in terms of the control environment within the Directorate given that there is such a broad spectrum of services within the Directorate. The Corporate Director advised that there are two Directors within the Directorate for Children Services and Adult Services respectively. Those Directors fulfil their entire remit including the control environment. There is a significant level of assurance in respect of each of those parts of the wider Directorate. The Directorate Senior Management Team meets each fortnight to discuss issues and where challenges are identified a joint approach is taken to address them. The report sets out a number of significant challenges for the Directorate, including the increasing demand for services, that will need to be addressed quickly. The Corporate Director considered that not only are the good governance arrangements in place but the SMT is able to deploy a rapid response to emerging issues.
- A Member questioned how the 'knowledge' invested within the Directorate was managed and utilised in order to gain sustainability and create resilience for the future. The Corporate Directorate stated that sustainability and the development of the managers of the future was a key consideration for the Directorate. The Directorate is proud of the investment it makes in its staff and it is keen to ensure that the next generation of managers are developed 'in-house', in addition to attracting talent from outside the organisation. It was accepted that there are challenges in terms of recruitment for some professions within the Directorate and therefore there has been a significant focus on development. Furthermore, the governance arrangements in place allow for people from different disciplines to work together on problem-solving and understand the challenges faced in different service areas.
- A Member stated that the newly appointed Welsh Language Commissioner was adopting a different approach at aspects of delivery against Welsh Language Standards, particularly in areas where IT technology has developed. The Member asked what the Directorate was doing specifically to ensure that the organisation is compliant with Welsh Language Standards. The Corporate Director stated that the Head of Bilingual Cardiff regularly attends SMT and provides a regular reports in terms of compliance with the standards. The Directorate has a good relationship with the Commissioner and there is a good degree of understanding around the complexities of hosting certain data sets online. The Corporate Director considered that there has been a significant and sustained attempt to ensure that all services across the Council are meeting the requirements of the Welsh Language Standards.
- The Audit Manager confirmed that Welsh Language Standards compliance is audited and is also embedded into thematic audits. The opinion from the audit of Bilingual Cardiff approximately two years ago was not adverse and it was considered that the organisation addresses these issues sufficiently.

RESOLVED – That the report be noted.

5 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

Councillor Palmer and Councillor Williams declared personal interests in this item under the Members Code of Conduct a family members are employed by the authority.

The Corporate Director Resources and Section 151 Officer, Chris Lee, presented a financial update on resilience issues and the financial challenges facing the authority, including the Month 6 position and preparation for the 2024/25 budget.

- A Member asked whether, in terms of the revenue settlement figure, a number of potential scenarios are being modelled. The Corporate Director Resources confirmed that a range of scenarios are being modelled and officers have been in contact with the Welsh Government throughout. Notification of an indicative settlement at an average of 3.1% for 2024/25 for all local authorities was provided at the end of the last financial year. Cardiff would anticipate being higher than the 3.1% average.
- A Member noted the significant draw down of reserves built into the budget position. The Corporate Director Resources was asked whether modelling has been undertaken to understand how long this contribution would be sustainable given that reserves are finite. The Corporate Director Resources stated that the use of reserves is modelled into the Medium Term Financial Plan. The use of reserves during the current year are offsetting the current position and those reserves were earmarked for key areas such as adult social care, childrens services and recycling. The Corporate Director Resources considered that there needs to be a clear distinction between the base budget and the use of reserves. When reserves are used to fill a budget gap then that expenditure needs to be found in subsequent years. The use of reserves, critically, is not sustainable and would not be supported in the longer term.

RESOLVED – That the report be noted.

6 : COUNTER-FRAUD AND CORRUPTION STRATEGY AND OPERATIONAL POLICIES - UPDATE

The Committee received a report presented by the Audit Manager, Chris Pyke, providing Members with an opportunity to consider incremental updates that have been made to the Counter Fraud, Bribery and Corruption Strategy and a suite of counter-fraud operational documents. The updates had draft status and were due to be considered by Cabinet with a request for approval.

Members were advised that the Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets. Fraud costs the public sector an estimated £50.2 billion annually, and of this total, £8.8 billion relates to local government. A Counter-Fraud and Corruption Strategy was introduced and approved by Cabinet in July 2019 to co-ordinate the counter-fraud policy framework and outline the strategic approach to tackling fraud across the organisation.

The Strategy incorporates best practice guidance and intelligence from the Chartered Institute of Public Finance and Accountancy (CIPFA) and is also based on best practice information and intelligence on the nature and management of fraud risks gained through lead counter-fraud officers participating in ongoing networking such as Core Cities UK, Welsh Chief Auditor and Welsh Investigator Groups.

The updates were discussed with the Council's Trade Unions in November 2023, and all documents have been supported by Single Impact Assessments with the engagement of the Council's Equalities Team and Bilingual Cardiff. Any commentary and guidance received through these processes to date is taken into account in the draft strategy.

The draft revised Strategy (Appendix A) has been updated to incorporate the incremental updates to best practice models, information and guidance as referred to above. The principal updates from the draft updates to the Strategy are:

- Enhanced Oversight
- Assurance Reviews
- Communication
- Training - Refreshed mandatory fraud awareness training for 2024/25 to support all staff.

The Counter-Fraud, Bribery and Corruption Strategy template for schools has also been updated and arrangements will be made to engage with school Headteachers and Chairs of Governors to outline the updates, provide relevant guidance and to commend the adoption of the Strategy by respective Governing Bodies.

In addition to updating the Counter-Fraud, Bribery and Corruption Strategy, the following operational documents have been subject to review and incremental update in line with best practices and are provided for Governance and Audit Committee consideration and comment:

- Counter-Fraud Bribery and Corruption Policy
- Fraud Response Plan
- Sanction Procedure
- Publicity Procedure

RESOLVED - That the Committee notes the draft updates to the Counter-Fraud, Bribery and Corruption Strategy and the operational counter-fraud documents.

7 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Audit Manager presented the quarterly progress report providing the Committee with an update on the work and performance of the Internal Audit and Investigation Teams. The report covered the period from 1 July - 30 September 2023.

The Audit Manager was asked to comment on the spike in investigations in the Housing service area. The Audit Manager advised that the increase was a result of the release of National Fraud Initiative data matching information during the period.

A Member asked whether more clarity was required in terms of the officers declarations of interests and secondary employment, particularly around the circumstance when officer would be required to declare an interest. The Audit Manager stated that it was important for officers to understand their responsibilities and record interests correctly. Declarations of Interest and declarations of gifts and hospitality have formed part of Fraud Awareness Week and work is ongoing to digitalise the declaration process .

A Member asked the Audit Manager to comment on rationale for management's request for the additional resource being allocated toward in the area of financial management of the Council and Schools Non-Domestic Estate. The Audit Manager stated that there are no known risks or exposures, but the request follows consideration with relevant senior officers and audit.

RESOLVED – That

- (1) the report be noted

- (2) the proposed in-year amendment, to add an assurance audit engagement of 'building repairs and maintenance' to the Audit Plan be approved.

8 : CARDIFF COUNCIL - DETAILED AUDIT PLAN 2023

The Chairperson welcomed Sara-Jane Byrne and Julie Rees from Audit Wales to the meeting. Wales Audit presented the Detailed Audit Plan 2023. The plan set out the work programme for the year in three main areas – the audited Statement of Accounts, the review of value for money arrangements and compliance with the sustainable development principle. The Plan also set out the materiality that will be adopted for the core and group audits; identified areas or risk and focus; the timetable of works; and an analysis of the audit fee.

Members were asked to note the key risks and key areas of focus identified in the Plan. Further, Members were asked to note the increase in the fee relating to introduction of the new ISO315 standard. The key changes from ISO315 were set out in an appendix to the report. Julie Rees provided a summary of the changes.

Sara-Jane Byrne provided an overview of the performance audit programme including two thematic reviews on financial sustainability and commissioning and contract management. A local review on the Highways and Transportation will also be undertaken.

A Member referred to previous comments made regarding the Audit Plan report and, in particular, requests made for a breakdown of the fees and details of how Audit Wales officers will be deployed across the audits. The Member also requested a breakdown of the additional costs referred to in respect of the increase in fees in respect of undertakings for the new ISO315 standard.

The Chairperson requested that the Member provide details in writing in respect of the format for the breakdown of the fees requested. Members supported the request for the breakdown of fees and considered that this would provide the Committee with some assurance in terms of value for money. The Corporate Director Resources advised that there is a consultation process in place in terms of the fees.

Audit Wales gave an undertaking to provide a breakdown of the fees, as requested, and also provide some additional information in terms of how fees are calculated, benchmarking data and details of the consultation process.

Responding to a question from the Committee, Audit Wales confirmed that the financial accounts audit is underway and scheduled for completion in January 2024. Completion of the audit is later than in previous years as a result of internal resource pressures.

RESOLVED – That the report be noted.

9 : CORPORATE RISK MANAGEMENT 2023/24 (MID-YEAR)

The Committee received a report presented by the Head of Finance, Ian Allwood, on the risk management position at quarter two 2023/24 and highlighting changes from the previous report.

Members were asked to note that, as requested, an update was provided on the position of RAAC and associated risks. Also, as part of the risk escalation process, consideration was given to the Directorate risk in respect of ensuring an effective response to the increasing rise in homelessness. It was proposed that as from Q3 that this risk will be added to the Corporate Risk Register in order to ensure corporate oversight on this potential risk.

A Core Cities risk management working group has recently been set up, and the risk management team are participating in this group. The first piece of work to be undertaken will be a comparison of each City's Corporate Risks. This will be presented to a future meeting.

A Member noted that external funding was secured to fund a new post relating to the Climate Change and Carbon reduction risk. The Member asked whether there was scope to secure additional external funding from other sources. The Head of Finance agreed to provide Members with feedback regarding this before the next meeting.

A Member commented that a number of the corporate risks identified in the risk register generally move slowly towards their risk target and are often in a steady state. Officers were asked to consider the profile of change on the risk register over the medium to long term as a means of challenging management in terms of moving

those risks forward. The Head of Finance stated that the risk register is presented to SMT quarterly and the risks that are in a steady state are highlighted. The Head of Finance accepted the point and agreed to consider the matter further, particularly whether the risks should be compartmentalised in terms of those SMT are seeking to move forward and those that require the steady state to be maintained.

The Head of Finance also advised that discussions were taking place with colleagues in the Planning, Transport and Environment Directorate with a view to combining their Climate Change Risks into one sharper, more targeted, narrative.

RESOLVED – That the report be noted.

10 : TREASURY MANAGEMENT HALF YEAR REPORT

The Committee received a report presented by the OM Accountancy Manager – Capital, Anil Hirani, on the Council's Treasury Management Activities since 1 April 2023 and the position as at 30 September 2023.

RESOLVED – That the report be noted.

11 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

12 : CORRESPONDENCE

RESOLVED – That the report be noted.

13 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

14 : URGENT ITEMS (IF ANY)

No urgent items.

15 : WASTE MANAGEMENT - POST TRIAL UPDATE

The Committee received a confidential briefing providing details relating to a large-scale investigation in the Waste Management Service following the arrest of eight individuals and a subsequent criminal investigation.

RESOLVED – That the report be noted.

16 : DATE OF NEXT MEETING

The next meeting was scheduled for 23 January 2024.

The meeting terminated at 4.13 pm

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