

GOVERNANCE AND AUDIT COMMITTEE

23 NOVEMBER 2021

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

43 : APOLOGIES FOR ABSENCE

No apologies for absence were received.

44 : DECLARATIONS OF INTEREST

No declarations of interest were received.

45 : MINUTES

The minutes of the meeting held on 28 September 2021 were approved as a correct record. The minutes of the meeting held on 9 October 2021 were approved as a correct record, subject to the following amendment:

Minute 40 - Delete

'The committee members clarified issues relating to: their concerns regarding Appendix 3 but Audit Wales stated there were no concerns; the £25 million of debtors which was due to the classification of agency arrangements and which had now be rectified; the level of materiality which was a percentage of 1% of gross revenue expenditure and the possibility for production of percentage and amount of materiality in future reports.'

Replace with:

'The Committee Members requested assurances regarding the summary of corrections set out in Appendix 3 of the report. Members sought clarification on the need to make a £25 million correction relating to debtors and, specifically, whether this was in relation to a technical issue or something more significant in terms of how the Council records and registers debt. Members were advised that the adjustment related to the classification of agency arrangements. Officers confirmed that practices have now been put in place to ensure this correction will not be required in next year's accounts.'

Audit Wales confirmed that there were no fundamental concerns with regard to the financial statements, accounting controls or reporting of the Council. The corrections detailed in Appendix 3 of the report were mainly classification errors rather than systemic issues. Audit Wales also confirmed that the level of materiality of £13.2 million was based upon 1% of gross revenue expenditure.'

46 : ANDREW GREGORY, DIRECTOR OF PLANNING, TRANSPORT & ENVIRONMENT

The Chairperson welcomed Andrew Gregory, Director of Planning, Transport & Environment, to the meeting. The Director was invited to present a report on the control environment within the Directorate.

Members were advised that Cardiff Council's Planning, Transport & Environment Directorate (PTE) has responsibility for a wide and complex range of statutory and discretionary duties, functions and services. The directorate employs circa 460 staff in the following teams:

- Transport policy and delivery
- Planning
- Highways infrastructure and operations
- Energy & sustainability
- Air Quality
- Bereavement and registration
- Finance, Policy and Performance (Business Support)

The Director and Directorate Management Team lead on governance, risk management and internal control to ensure there are processes in place for management, monitoring and control within the directorate. Examples of the control systems in place were outlined in the report together with an explanation of how these are managed. The Director also reported on risk management within the directorate. A summary of the processes in place and the identified directorate and corporate risks was provided.

Members were advised that the directorate works closely with colleagues in Internal Audit in order to ensure the robust management of audits and actions arising. The directorate Audit Champion provides key supporting information to the Audit Team on the audits to be undertaken and reports to the Directorate Management Team on the schedule, outcomes and progress made. An up-to-date position in terms of audits with open recommendations and outstanding actions for the directorate was given.

The Director confirmed that Performance Reviews are undertaken on a quarterly basis in line with the Council's Performance Management Framework. Further detail in relation to the Directorate's Performance Management process was set out in the report. Members were also advised that the directorate has well-established arrangements for working partnership and collaboration with outside agencies. 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. Examples of partnering and collaborative working were provided. Senior Management and external assurance arrangements were also highlighted.

The Chairperson thanked the Director for a comprehensive report. The Chairperson invited Members to comment, seek clarification or raise questions on the information received. Those discussions are summarised as follows:

- A Member welcomed the accolades received in respect of Bereavement Services, and suggested that other departments could learn from Bereavement Services in terms of income generation.

- A Member asked for further details on the Cardiff Food Strategy, Health Streets Initiative and 20mph zones. The Director invited the Member to meet with him in person after the meeting to discuss those issues.
- A Member referred to the SMAS review on page 37 of the report pack. They asked whether the 'mixed application' results were averages and whether there were any outliers that the Committee should be concerned about. The Director stated that a number of the areas have been flagged representing the overall directorate position, including how service areas are delivering their Future Generations Act responsibilities and regional transport projects relationships. An action plan is in place to address the 'mixed application' results.
- A Member asked what criteria are used to decide where air quality monitoring stations were positioned. Officers stated that a risk-based approach is used based on DEFRA Technical Guidance Note 16.
- Officers confirmed that colleagues from the Parks Department have been brought in to assist with a Health and Safety related issue caused by overgrowth of trees on high-speed routes. The service area aims to develop a long terms strategy for addressing tree overgrowth before it becomes too problematic.
- Members asked the Director to confirm that the Directorate's external accreditations are mandatory and whether there were also other voluntary accreditations. The Director agreed to provide a briefing report on the mandatory and voluntary external accreditations across the directorate.
- Members noted the comments made in respect of the governance of partnership arrangements. Members asked how the directorate intends to address those issues. The Director stated that there are governance arrangements in place with the partners the directorate are involved with . The aim is to identify governance risks and agree with partners those which can be addressed. For larger, complex projects, officers map out the governance relationships between the partners.
- The Director accepted that universities were not statutory bodies as stated in the report.
- The Director was asked to comment on how value for money is quantified and how that leads into the decision-making process. The Director stated that each capital project has a business plan and against that there is clear quantified monitoring of income and other revenue and capital implications. Value for money is not only measured in terms of financial income. Account is taken of financial income supporting service benefits, aligned to the corporate priorities. A Member considered that it would be beneficial for the Committee to have sight of what is being achieved in terms of value for money in future reports.
- A Member asked whether there was a defined programme and project management methodology used in the directorate that could provide assurance that risks are covered in a structured way. The Director confirmed that programme management is taking place in the projects being undertaken and officers are trained as required in programme management. A standard business case format

is used.

RESOLVED – That the Committee receive a briefing report on the mandatory and voluntary external accreditations across the directorate.

47 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Audit Manager presented a progress report on the work and performance of the Internal Audit and Investigation Team during the Quarter 2021/22 period.

The Internal Audit Progress Report provided details of performance in relation to the Internal Audit Plan and summarised the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings across the Council for the assurance of the Governance and Audit Committee. Members were advised that no 'unsatisfactory' audit opinions have been provided during the period.

The Investigation Team Progress Report focused on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises.

The Chairperson invited comments on the report.

- Members noted the request from the Audit Manager for the Committee to approve a recommendation that 29 audit engagements are not targeted for completion during the current year. Members asked whether the Audit Manager was confident there were sufficient resources in place to enable the Audit team to provide a satisfactory level of assurance to the Committee. The Audit Manager stated that the Audit Plan allows some flexibility on the risk-based audits that are targeted. The report aims to provide the Committee with a level of indication of those audits that will be targeted. The target is to achieve 70% of audits. The team is currently behind target and there were some ongoing capacity issues. The Audit Manager did not consider that there was a material risk in terms of providing a full audit opinion. However, if further resource issues were to arise the position could change. Therefore, the Audit Management Team has looked at bringing in temporary resources to support the delivery of key audits.
- Members noted the audit opinions of 'Insufficient with major improvement needed' in the report. A Member asked whether it would be possible for the Committee to consider those areas in more detail. The Audit Manager referred Members to the detailed audit findings set out in the progress report that highlighted the reason why there are areas for improvement needed. The Audit Manager indicated that he was also happy to discuss audit findings in detail with any Member of the Committee. The Chairperson advised that he would consider the comments raised with the Audit Manager.
- Members noted that 5,700 members of staff have completed the mandatory fraud awareness training. Officers were asked what percentage of the total establishment that figure represented and whether there were any barriers to staff undertaking the training. The Audit Manager advised that each Member of

staff has a number of mandatory training targets and these form part of their annual Personal Review. It was agreed that the Audit Manager report a breakdown of fraud awareness training compliance data to Committee.

- Referring to the audit findings regarding payments to carers, Members considered that cash payments carry inherent risk. Members asked whether the authority has looked at cash payments in general across the authority and made an assessment of its continued appropriateness. The Audit Manager stated that an audit is about to commence on income and debtors and an objective of that audit will be whether there is an efficient means of receiving income targeting those areas where a high level of cash payments are received. Likewise, the issuing of cash would be reviewed as part of a forthcoming purchasing and payments Audit.

RESOLVED – That the Committee:

- (1) notes the contents of the Internal Audit and Investigation Team Progress Reports;
- (2) approves the addition of a corporate audit on performance management;
- (3) approves the deferral of 29 audit engagements from the Audit Plan 2021/22 as identified within the Audit Plan (Appendix B);
- (4) Audit Manager to report a breakdown of fraud awareness training compliance data to the Committee.

48 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources presented an update on current issues including the Month 6 report to Cabinet and the Budget Strategy 2021/22.

Members received details of the Covid 19 expenditure claims made to the Welsh Government. At 30 September 2021 the authority claimed £13.8 million in expenditure support, of which, in excess of £10 million has been reimbursed. A total of £17,000 has been disallowed with the remainder held under review. Income is claimed on a quarterly basis and claims have been made totalling £9.9 million of which £7.8 million has been reimbursed. No income claims have been disallowed and around £2 million is being held under review. Members were asked to note that the ongoing income shortfall projected for 2022/23 is £4.469 million.

The Corporate Director provided a summary of the Month 6 position which projects a directorate overspend of £3.1 million. The overspend is to be offset by the general contingency and therefore the total council position is on overspend of £397,000.

The Committee also received an update on the Budget Strategy for 2022/23.

Responding to a question from the Committee the Corporate Director stated that at Month 6 claims for income and expenditure from Welsh Government are recognised but any funding that is disallowed by Welsh Government is offset within service area budgets. An assumption is being applied that only 75% of support claims will be received.

49 : DRAFT AUDITED STATEMENT OF ACCOUNTS - ISA 260 AND AUDITED STATEMENT OF ACCOUNTS 2020/21 FOR CARDIFF & VALE OF GLAMORGAN PENSION FUND

The Committee received the audited draft Statement of Accounts for the Cardiff and Vale of Glamorgan Pension Fund 2020/21. The revised draft included agreed amendments arising from the audit and feedback from Governance and Audit Committee.

The report provided an opportunity for Audit Wales to present their audit findings to the Committee in accordance with ISA260 and provide the Committee with the opportunity to consider the audit findings, the audit opinion, seek assurances on the delivery of the audit and any resulting adjustments made to the accounts and Annual Governance Statement.

The final Audit of Accounts Reports (ISA 260) along with the final audited financial statements will be considered by Council at its meeting on 25 November 2021.

The Chairperson invited Julie Rees of Audit Wales to present the report. Members were advised that the audit is substantially complete and only the final checks and reviews remain outstanding. Covid-19 continues to impact on audits, however all works have been completed remotely and there are no issues to report. It is proposed that the Auditor General issues an unqualified opinion.

There were no uncorrected misstatements to report. A number of minor corrected misstatements were identified previously that have been amended and those were set out in Appendix 3 to the report. Members were also asked to note amendments to note 8 and note 14b.

RESOLVED – That the Committee:

- (1) notes the Draft Audited Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund 2020/21;
- (2) notes the 2020/21 Draft Audit of Accounts Reports (ISA 260) for the Cardiff and Vale of Glamorgan Pension Fund;
- (3) recommends the Draft Audited Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund 2020/21 for Council approval on 25 November 2021.

50 : NATIONAL AND LOCAL FINANCIAL SUSTAINABILITY REPORTS

The Chairperson invited Phil Pugh and Sara-Jane Byrne of Audit Wales to present the reports.

Sara-Jane Byrne provided a summary of the key findings in the national reports that were pertinent to the role of the Governance and Audit Committee. Members were advised that whilst the financial support provided by Welsh Government has improved the financial position of Councils there are still some longer-term challenges that remain such as increased demand for services and the effects of climate change.

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg

Some authorities are better placed to respond to those challenges. The report emphasises that in order for Councils to continue to deliver key services they need to develop a more sustainable approach to their financial planning over the medium and longer term. Four areas where Councils can do this were set out in the report – Financial Strategy; Reserves; Performance Against Budget; Savings Delivery.

Members were advised that Audit Wales intends to continue monitoring the financial position of Councils and it was also intended that a financial sustainability data tool, that will be updated annually, will be published in January 2022. Audit Wales has engaged with the Society of Welsh Treasurers and will continue to do so.

Phil Pugh outlined the local position for Cardiff. Members were advised that the overarching view was that the authority continues to face a number of financial risks. There was also a significant medium-term funding gap to consider. Audit Wales considered that the arrangements the Council has in place will enable it to manage its financial position. The key proposals for improvement were detailed on page 357 of report. Phil Pugh highlighted that proposal for improvement 2 referred to the capital programme. The capital programme over the next 3 years amounted to £1.3 billion and as a result there was additional pressure to ensure that capital borrowing is repaid.

The Corporate Director Resources provided a commentary on the Council response to the proposals for improvement set out in the report. The Corporate Director Resources agreed to circulate or bring to the next meeting the management response to the Audit Wales sustainability report proposals for improvement.

Members asked whether Wales Audit has any specific advice to offer the Council regarding its proposal for improvement in relation to strengthening its savings planning processes. Phil Pugh stated that in terms of the local position, Wales Audit recognises the significant level of savings that have been achieved by the Council. However, there has been a pattern whereby the level of savings being achieved is below 100%. Savings proposals are underlined by a business plan and where savings are not achieved Wales Audit would question whether the Council has an understanding of why those savings have not been realised – for example, were assumptions over ambitious? Have timelines moved? Are savings taking longer than anticipated? Phil Pugh considered that gaining an understanding of why savings are not being achieved would help to strengthen future business plans.

Responding to those comments Members asked whether there were corporate processes in place to review business plans. The Corporate Director Resources stated there is regular analysis of the reasons for non-delivery of savings. Non delivery of savings can potentially be carried forward. There are reasons why savings are not delivered and these will be identified on monitoring reports.

Members noted that the Council's reserves had increased during the pandemic. Wales Audit were asked to comment on whether the average level of reserves over recent years have been set at a reasonable level. Members also asked whether Wales Audit were assured that the use of reserves to fund one-off investments was a suitable use of reserves. Phil Pugh considered that it was for the Council to take a view on the level of reserves it holds and that the level of reserves is sufficient to manage any unexpected circumstances. The Council's average level of reserves

has remained stable and it incumbent for the Cabinet Member and Corporate Director to ensure that those levels are prudent and appropriate. Similarly, the use of reserves to fund one-off investments is not a matter for Wales Audit to determine. It was for the Council to set its priorities and how it wishes to see services delivered. A Members suggested that Wales Audit could potentially include the median level of reserves in future reports.

The corporate Director of Resources stated that a distinction needs to be made between general reserves and earmarked reserves.

RESOLVED – That a management response to the Audit Wales sustainability report proposals for improvement to be circulated to the Committee or brought to the next meeting.

51 : AW WORK PROGRAMME AND TIMETABLE UPDATE

The Committee received an update on the Audit Wales Work Programme and Timetable.

RESOLVED – That the report be noted.

52 : DRAFT CARDIFF COUNCIL MID YEAR (CORPORATE) COMPLAINTS REPORT 2021-22

The Committee received a report enabling Members to review and assess the authority's ability to handle complaints effectively, and make any associated reports and recommendations.

Members were advised that in 2019 the Ombudsman gained new powers under the Public Services Ombudsman for Wales Act 2019. Part of the act detailed a commitment for Local Authorities to report on complaints to senior management twice a year. The authority will provide its comprehensive Annual Complaints Report annually to Cabinet. A second report will be provided to Informal Cabinet, covering the first six months of the year. Prior to being considered at Cabinet / Informal Cabinet, the Governance and Audit Committee will have an opportunity to consider the complaints reports.

The half-yearly report attached as Appendix A of the report provided information on the operation of the corporate complaints procedure between 1 April 2021 and 30 September 2021.

In addition to the Council's Corporate complaints policy, it is a statutory requirement for Local Authorities to have in place a complaints policy for Social Services. The Council also reports on the operation of the Social Services complaints policy and the report contained information about the number of Social Services complaints received.

Members were asked to note that a total of 2,248 (Corporate) complaints were recorded during Quarters 1 and 2 of 2021/22. Increased pressures continue to be placed on service areas across the Council as a result of Covid-19.

Priorities for the coming six months include a new Council-wide complaints and correspondence system and the improvement of complaints reporting and complaints training. Within the next six to eight months, the Council are to implement a council-wide complaints and correspondence system. The project team have considered 3 systems with the aim of having the preferred solution identified by the end of the year. Implementation of the new solution would then take place between January 2022 and May 2022. The new platform will provide additional functionality which can be harnessed to improve performance.

In terms of complaints handling, Members were advised that each Council service area has a lead officer for complaints. The central corporate complaints team are able to provide advice and support to lead officers and ensure the required standards are being met at regular meetings. The new complaints handling system will lead to improvements as the corporate complaints team will have increased oversight of all complaints and consistency of data entry across the organisation. It will also enable the Council to implement a tracking system for lessons learnt and monitor how improvements are embedded into existing routines/policies within service areas.

The implementation of the council-wide system will lead to further improvements in recording and reporting on complaints received by Cardiff Council. There is also a requirement to meet the Complaints Standards Authority (CSA) standards and a central complaints repository will help in this regard.

The Chairperson invited Isabelle Bignall, Chief Digital Officer to deliver a presentation on the Mid-Year Corporate Complaints Report for 2021-22.

The Chairperson requested that the next complaints report provide an overview of the preferred option for the new complaints handling system, including details of the specification used to inform the procurement process.

Members considered that the role of the Committee was to take a view on the effectiveness of the authority's complaints handling system. The report set out some raw data on the current position but did not include any measures on effectiveness. Members requested an assurance that future reporting will include information that will enable it to assess the effectiveness of the authority's complaints handling processes. A Member also asked whether a route-cause analysis of complaints could be used identify the route cause, learn from complaints and change systems to improve services – The Member also asked whether this could be factored into the specification for the procurement of a new complaints system. The Chief Digital Officer accepted the comments and agreed to reflect upon how the Committee could receive assurance. Members were advised that the new complaints handling system will provide some improvements in terms of the categorisation and identification of causation.

RESOLVED – That:

- (1) the report be noted;
- (2) the Committee receives an overview of the preferred option for the new complaints handling system, including details of the specification used to inform the procurement process.

53 : CORPORATE RISK MANAGEMENT 2021/22 (MID-YEAR)

The Committee received a report providing an update on the risk management position at Quarter 2 2021/22.

A Member requested that, in terms of the actions achieved during the quarter, it would be helpful if all actions included timetables. The Head of Finance stated that the Risk Team work closely with Risk Champions in service areas and an undertaking was given that the Committee's comments will be fed back to service areas and will form part of future conversations.

RESOLVED – That the report be noted.

54 : TREASURY MANAGEMENT HALF YEAR REPORT

The Committee received the Treasury Management Half Year report providing Members with an update on treasury management activities since 1 April 2021 and the position as at 30 September 2021.

RESOLVED – That the report be noted.

55 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

56 : CORRESPONDENCE

No correspondence was received.

57 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

58 : URGENT ITEMS (IF ANY)

No urgent items were received.

59 : DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to take place on 25 January 2022.

The meeting terminated at 4.45 pm