

GOVERNANCE AND AUDIT COMMITTEE

9 JULY 2024

Present: Gavin McArthur (Chairperson)
Chris Burns, David Price, Janet Wademan

Councillors Berman, Lewis, McGarry, Moultrie and Palmer

1 : APPOINTMENT OF CHAIRPERSON AND DEPUTY CHAIRPERSON

RESOLVED – That Gavin McArthur be appointed Chairperson and Chris Burns be appointed Deputy Chairperson.

2 : APPOINTMENT OF COMMITTEE

The Committee noted that Council on 23 May 2024 appointed the following Members to this Committee:

Independent Members: Gavin McArthur, David Price, Janet Wademan,
Chris Burns

Councillors: Saleh Ahmed, Rodney Berman, Kate Carr, Margaret
Lewis, Mary McGarry, Jess Moultrie, Marc Palmer, Joel Williams

It was further noted that Councillor Joel Williams subsequently resigned from the Committee and was replaced by Councillor Jayne Cowan.

3 : TERMS OF REFERENCE

RESOLVED – That the Committee's Terms of Reference be noted.

4 : APOLOGIES FOR ABSENCE

Apologies were received from Councillor Kate Carr.

5 : DECLARATIONS OF INTEREST

No declarations of interest.

6 : MINUTES

The minutes of the meeting held on 26 March 2024 were approved as a correct record and were signed by the Chairperson, subject to one minor typographical amendment.

7 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources and Section 151 Officer, Chris Lee, presented a financial update including resilience issues on the Outturn 2023/24, the 2024/25 budget, the MTFP challenge and the corporate approach being adopted.

A Member asked whether the predicted balanced position will include the use of reserves to cover overspends in some directorates. The Section 151 Officer confirmed that there was a planned use of reserves in place and contingency budgets were also drawn down to achieve a balanced position.

A Member noted the revenue outturn position. Concerns were raised regarding income levels in Economic Development. Members asked whether income levels were expected to improve or continue to remain low. The Member also commented on the overspends within the Social Services directorate and asked whether there was any prospect that, with realignments, it was possible to have a sustainable, managed budget within Social Services, similar to that in other directorates. The Section 151 Officer noted the point raised regarding income in Economic Development and stated that the Budget Strategy includes an 'income framework' that focuses on the delivery of income. The self-assessment process has also undertaken a separate exercise on income looking at benchmarking, pricing strategies and other opportunities. The Section 151 Officer accepted that income levels had not been achieving budgetary levels for some time and therefore it was necessary to consider whether some budgetary levels were realistic. In terms of Social Services and the sustainability of the budget position, the Section 151 Officer stated that the directorate has been challenged on the realignments as growth in other service areas is diminished.

A Member asked what budgeted expenditure in other services areas was used to cover overspends and whether it was possible to quantify that expenditure and provide a breakdown. The Section 151 Officer stated that the budget outturn report to Cabinet provided details of savings delivery. The Section 151 Officer agreed to provide the Committee with a quantified breakdown of the 2023/24 budgeted activity that did not take place and was used to cover overspends as requested.

RESOLVED – That:

- (1) the report be noted;
- (2) the Section 151 Officer provide the Committee with a quantified breakdown of the 2023/24 budgeted activity that did not take place and was used to cover overspends.

8 : DRAFT STATEMENT OF ACCOUNTS 2023/24

The Committee received a report providing an opportunity for Members to review and comment on the Draft Statements of Accounts for Cardiff Council (including Harbour Authority and Trust Funds) and Cardiff and the Vale Pension Fund prior to their consideration by Council. Anil Hirani, Operational Manager, Capital, Corporate and Treasury was invited to present the report.

Members were advised that the draft accounts have been published on the Council's website and are available for review. The accounts have also been passed to Audit Wales for audit. Members of the public and any interested parties are able to review and raise questions to Audit Wales within the statutory notice period 22 July to 16 August 2024. Members of the Committee were invited to highlight any queries or provide any comments on the accounts either directly with officers or via email. The Operational Manager confirmed that any comments received and questions raised, along with the responses of the Finance Team will be consolidated and shared with the Committee prior to the final set of accounts being presented for review.

A Member observed the financial risk assessment set out in the report, and in particular the drop in projected income levels. The Member considered that a further risk could potentially be that, whilst the Council might deliver a balanced budget, it may not do so in the most optimal manner. For example a balanced budget might be delivered by cutting back services, whereas the most optimal method would be to drive out efficiencies through the use of digitisation. Members were asked to consider how the Governance and Audit Committee can contribute to these conversations and ensure that the best decisions are taken over the medium and longer term. The Section 151 Officer stated that the self-assessment process focusses on such questions in terms of integration of services and identifying opportunities around improved digitalisation.

The Head of Finance noted comments made regarding income levels. Members were advised that, whilst the Statement of Accounts is a key document, the budget monitoring reports and outturn report are contemporaneous in terms of budget setting.

Following on from previous comments made regarding the scope for harnessing digitalisation to produce productivity gains, a Member asked what productivity measurements does the Council use to assess the performance of its staff and whether these are satisfactory for gauging savings and high-levels of performance. The Member noted that the answers provided by officers previously when this point has been raised but considered that the data has yet to be provided to the Committee. The Member felt that the need to have information on the productivity of staff, and whether it was sufficient, will be a fundamental point in future years when the opportunities presented by AI will mean making a choice between adopting AI solution and members of staff. The Section 151 Officer considered that due to the broad range of services that the Council delivers there was no 'one size fits all' mechanism for assessing productivity. A suite of performance information and data is used and applied by individual services. A performance framework is in place which includes outcome indicators and there are corporate performance indicators. The Section 151 Officer suggested that the Head of Performance could provide the Committee with a briefing on the Performance Management Framework.

A Member again referred to the drop in income levels set out in the Statement of Accounts and requested an update on the position of St Davids Hall in terms of the income to the authority. The Head of Finance stated that the 2024/25 budget assumes no income or running costs from St Davids Hall. The agreement to transfer the asset to a private sector partner has yet to be agreed. The Head of Finance agreed to provide the Committee with an update on the works to reinstate St Davids Hall into operation.

RESOLVED – That:

- (1) the Committee notes the Unaudited Draft Statements of Account 2023/24;
- (2) the Committee notes that following the external audit, the Final Statements and the Audit of Accounts (ISA260) reports for 2023/24 will be reviewed by this Committee, prior to consideration by Council;
- (3) The Head of Finance to provide the Committee with an update on the works to reinstate St Davids Hall into operation.

9 : INTERNAL AUDIT ANNUAL REPORT 2023/24

The Committee received the Internal Audit Annual Report 2023/24. Members were advised that the Annual Report outlined the priorities and the approach taken by the Internal Audit Team to deliver a combination of management support through consultation and engagement in high-risk areas, and to deliver targeted assurance engagements from the Audit Plan. The Audit Plan contained assurance audit engagements, designed to support a full annual audit opinion on the Council's control environment and included advisory audit engagements, generally at the request of management.

The Annual Report contained the audit opinion and set out the rationale for reviewing the control environment. Based on the programme of work undertaken to assess the framework and application of governance, risk management and control, the annual opinion for 2023/24 is 'effective with opportunity for improvement'. The Annual Report provided details of the work performed, details of the audit reports issued and progress made against any recommendations.

Officers indicated that 62% of audits had been completed at 7.9 per FTE and that of 308 recommendations issued 87 were implemented before the year-end. The level of recommendations issued on time was 74% which was below the target set.

A Member asked what support is provided to service areas that have an 'insufficient with major improvement needed' or an 'unsatisfactory' audit opinion and whether, where such opinions are given, there is an expectation that will be an improvement of a prescribed period of time ahead of the follow-up audit. Officers indicated that there is an expectation that progress will be made on implementing recommendations within 3 to 6 months of the audit. However, some recommendations may take longer to implement.

A Member requested details of the support provided to schools in terms of cybersecurity. The Head of Finance stated that the resource needed to support the service area corporately, or possibly externally, is provided. The accountability for addressing recommendations stays with the senior management teams within directorates.

RESOLVED – That the report be noted.

10 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Committee received a progress report providing an update on the work and performance of the Internal Audit and Investigation Teams. The progress report covered the period from 1 March - 30 June 2024, and follows the updates provided in the last Committee.

Officers were asked to comment on the budgetary control identified in the report. The Head of Finance stated that the significant overspend in Childrens Services were primarily as a result of service demands and the commissioning of care packages. A budgetary issued was identified at one of its residential care homes. Senior management in the service area have given a commitment to ensure that a culture of budgetary control is embedded across the service area. The lessons learned are being shared with other residential care homes to ensure that the problems identified are not replicated.

RESOLVED – That the report be noted.

11 : ANNUAL AUDIT SUMMARY REPORT

The Chairperson invited Sara-Jane Bryne of Audit Wales to present the Audit Wales Annual Audit Summary 2023. Members were advised that the report provided a summary of the audit work undertaken since the previous summary report was presented in July 2023, background information and the legislative duties under which Audit Wales conducts its work. The report provides summaries of both financial and performance audits undertaken.

All the reports had been previously presented to the Committee during the year other than a report on Equalities Impact Assessments, which would follow this agenda item.

RESOLVED – That the report be noted.

12 : EQUALITIES IMPACT ASSESSMENT REPORT

The Chairperson welcomed Sam Clements and Allison Rees of Audit Wales to the meeting. The Committee received the Audit Wales Equality Impact Assessment Report.

Members were advised that in 2023 Audit Wales conducted a review of the Council's arrangements to ensure that it completes Equality Impact Assessments (EIAs) in line with its Equalities and Inclusion Strategy 2020-24. However, Audit Wales did not review the delivery of the strategy.

The findings of the Audit were based on document reviews; interviews with officers; a focus group of officers from across the Council responsible for completing EIAs; a

demonstration of the Council's Impact Assessment Screening Tool; and a review of a sample of completed EIAs. The report was issued by Audit Wales in February 2024.

Overall, the Audit Wales report found that:

'While the Council has arrangements to ensure equality impact assessments (EIA) are now completed, there is a risk that it is not always involving the necessary persons and not undertaking such engagement and consulting more broadly at a sufficiently early stage to inform decision-making.'

Audit Wales made the following recommendations:

- R1: The Council should strengthen its Equality and Inclusion Strategy and supporting EIA guidance so that these accurately reflect the requirements of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011.
- R2: The Council should provide members with EIAs which incorporate the results of involvement of persons who represent the interests of people who share protected characteristics and have an interest in the way the Council carries out its functions. The Council should also provide members with the results of consultations that it has undertaken, following regard to the need to involve or consult people who share protected characteristics and have an interest in the way the Council carries out its functions. The Council should ensure that it provides members with such EIAs and consultation results when proposals are at a formative stage, i.e. while decisions remain genuinely open. In addition to ensuring legal compliance, such information should improve members' understanding of the risks and impacts the proposals may have and so should better inform decision making.
- R3: The Council should put in place arrangements to review the quality of its EIAs to assure itself that it is meeting the requirements of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. Reviewing the quality of its EIAs should also then be used to focus its training and support.
- R4: The Council should put in place arrangements to ensure that EIAs include the relevant data sources so decision-makers can assure themselves that EIAs consider a reasonable and sufficient range of data to better understand potential impacts on protected characteristics.
- R5: The Council should put in place arrangements to ensure the action(s) identified to mitigate any impact on people with protected characteristic(s) are delivered and mitigate adverse impact.

Gareth Newell, Head of Partnerships and Performance advised Members that Council has accepted all the recommendations made. The organisational response to this recommendation was set out in Appendix B of the report.

In response to a question from the Committee regarding recommendation 2, the Head of Performance and Partnerships stated that the 5 recommendations received were a set of recommendations relating to a system and that system has been strengthened in response to the recommendations. In respect of the timing of consultations and decision-making, the Council will in future ensure that the EIA and results of any consultation undertaken are systematically presented to the Cabinet for consideration at the point of decision.

A Member asked whether consistency in the application of EIAs was an issue. Colleagues from Audit Wales stated that the reason the audit was undertaken was that some inconsistencies had been identified during fieldwork in other audits.

A Member asked whether there was an optimal time for an EIA to be undertaken during the policy development process. The Head of Performance considered that EIAs should be undertaken as early as possible in the process with the final EIA being presented at the point of decision. There was no alert or trigger in place in the process to identify whether an EIA had been undertaken early enough but that would be reflected upon.

RESOLVED – That the report be noted.

13 : ANNUAL AUDIT PLAN 2024

The Committee received the Annual Audit Plan 2024. Julie Rees of Audit Wales provided a summary of the Annual Audit Plan 2024.

Members were advised that the key audit risks identified in the plan are management override and land and building valuations. Other areas of focus include the valuation for pension fund, related party disclosures and contingent liabilities.

Sara-Jane Byrne stated that in terms of performance audits an assurance and risk assessment will be undertaken. There will also be a review of Planning Services and a follow-up audit on Waste and Recycling.

A Member noted the 30 November 2024 deadline and asked whether any risks to achieving the deadline were foreseen. Julie Rees stated that this issue was identified as a key risk in 2023. Audit Wales will be meeting with Council colleagues to discuss progress made on recommendations made. In terms of the Statement of Accounts, Audit Wales will be ensuring that good quality working papers support the audit of the accounts and no risks to achieving the 30 November 2024 deadline were foreseen, subject to any other significant issues arising.

A Member asked whether the valuation of land and buildings risk was a common risk across local authorities or specific to Cardiff. Members were advised that Audit Wales were unsure whether this was a risk across other authorities but it was a significant risk in Cardiff. The Council has a rolling programme of valuations and the risk relates to the assurance that the material valuation of land and building are correct in the intervening years. Volatility in the market means that relying fully a rolling programme of valuations is insufficient.

A Member requested clarification on the Areas of Specific Interest section of the report and in particular what concerns may manifest around the remuneration element identified. The Committee was advised that Audit Wales would ensure that any remuneration stated is accurately reflected.

Members noted that the fee for grant certification had risen potentially as a result in the volume of certifications to be completed. Audit Wales advised that the fee for grant certification in 2023 was £68,000. Audits of Housing Benefit, NDA and TPA progressed well, in particular the Housing Benefit Audit and testing was not extended, as in previous years. The fee for 2024 was therefore set at the mid-point.

RESOLVED – That the report is noted.

14 : CARDIFF AND VALE PENSION FUND AUDIT PLAN 2024

The Committee received the Audit Plan for the Cardiff and Vale Pension Fund 2024. The Audit Plan set out the materiality to be applied, audit risks, testing to be undertaken, a timetable for delivery of the audit along with the audit team and fee.

Management override was the only key risk identified in the plan and two areas of focus are: investment valuations, specifically the pooled investment property funds; and the valuation of retirement benefits.

RESOLVED – That the report be noted.

15 : AW WORK PROGRAMME AND TIMETABLE UPDATE

The Committee received an update on the current plan of audit work including the closure of the financial audit of the 2023/23 accounts and progress on the financial audit of the 2023/24 accounts.

Members were asked to note that the bulk of the 2023/24 performance audit programme was complete. There was one outstanding audit on unscheduled care which will be reported on at end of July/beginning of August. Sara-Jane Byrne provided an update on the two thematic audits taking place across all 22 Welsh Councils on commissioning and financial sustainability, along with a number of other key updates.

A Member sought clarification on the process and timetable for clearing the financial sustainability report. Members were advised that the process would be the same as for any report. The Council has provided evidence and the report is being drafted.

RESOLVED – That the report be noted.

16 : GOVERNANCE AND AUDIT COMMITTEE ANNUAL REPORT 2023/24

The Committee received the Governance and Audit Committee Annual Report 2023/24/ The Annual Report provided an account of the role, work, observations and

opinion of the Governance and Audit Committee in respect of the municipal year 2023/24.

The report was prepared by the Audit Manager in consultation with the Committee Chairperson and was aligned to the reporting requirements of the Committee's Terms of Reference. Members were asked to consider the Annual Report 2023/24 prior to it being reported to a meeting of Full Council in the autumn.

RESOLVED – That:

- (1) the Committee approved its Annual Report 2023/24
- (2) the Annual Report 2023/24 be presented to Council.

17 : CORPORATE RISK MANAGEMENT (YEAR-END)

The Head of Finance presented the Corporate Risk Management (Year End) report providing an update on the risk management position at quarter four 2023/24 and highlighting any changes from the quarter three 2023/24 report.

Members were asked to note that the Senior Management Team collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter four. After consideration, it was determined that the current set of risks set out in the Corporate Risk Register captures the range of risks being managed currently.

The Corporate Risk Team has engaged with the Directorate Risk Champions to review all targeted reduction dates and because of this several Corporate Risks have had their target reduction dates amended to reflect that these risks are still ongoing and are being managed by the respective risk owners. A further meeting was to be held in September which will focus on progress on horizon scanning and to consider sharper ways of risk reporting going forward.

The Core Cities Risk Management Group has not met since the last report and was scheduled to meet on 12 September. The outputs of that meeting will be shared with the Committee in due course.

A Member asked whether Members of the Committee might receive a briefing on 'horizon scanning' in general and the extent to which financial pressures and anticipated demand increases are taken into consideration during the budget setting process. The Head of Finance stated the Medium Term Financial Plan aims to manage known economic factors and uncertainty up to five years ahead. Horizon scanning seeks to look further ahead. The Head of Finance will be seeking to brief the Committee on what other Core Cities are doing in this regard.

The Head of Finance stated that officers will require Members of the Committee to engage, test ideas and provide feedback on horizon scanning as a concept. The key aim of having the initial conversation with directorates is to arrive a simple definition

for horizon scanning given that each directorate will have different types of their uncertainties.

A Member asked for details of the extent to which the Council engages with organisations that look at future global challenges, such as the future of AI. Colleagues from Audit Wales advised that there were many firms publishing material in this field, including material on the public sector recognising the challenges faced in finance, climate change and other aspects. The Head of Finance considered that it was not the intention for horizon scanning to be completely theoretical. The Council was aiming to understand future uncertainties and prepare proportionate responses based on likelihood and impact.

A Member observed that the target dates for 3 of the risks outlined in the Risk Register had shifted by a year. Officers were asked whether risk owners are challenged when making such changes. The Head of Finance stated that changes can be challenged. Officers recognise that target risk dates for some strategic risks are not being met. Some risks will require the cumulative impact of a number of key actions is sometimes required to move the risk on the risk matrix.

A Member considered that a number of risks set out in the risk register involve factors that are outside of the direct control of the Council, e.g. climate change. However, there are a number of risks, such as those in the Education Directorate, that are within the remit of the authority and which have a high likelihood rating. The Member was concerned that the mitigations taken to date have not resulted in these risks being less likely given the strategic importance of the Education Directorate. The Head of Finance accepted that point and considered that these risks were good examples of risks that require the cumulative impact of a number of actions to reduce the likelihood, as referred to previously.

Responding to a question from the Committee, the Head of Finance stated that the service assessment approach seeks to identify invest to save schemes across directors and including Education, where there are tangible benefits to making early investment.

RESOLVED – That the report be noted.

18 : RECOMMENDATION TRACKER - REPORTS OF EXTERNAL REVIEW BODIES

The Chairperson invited the Head of Partnerships and Performance to present a report providing an overview of the management and delivery of recommendations received from Audit Wales, Estyn, Care Inspectorate Wales and His Majesty's Inspectorate for Probation.

The report included a summary position of the Council's progress in responding to recommendations made by regulators and details of all recommendations which are currently open or that have been closed during the last reporting period.

A Member asked whether it would be possible for the report to include a list of forthcoming external audits in future. The Head of Performance stated that Audit

Wales audits that are in progress are included within the appendix of the report and these can be brought into the main report. Consideration will be given on how to bring future audits from other regulators into the report. Colleagues from Audit Wales stated that they publish a three-year programme of areas which they are proposing to look at an all-Wales level and these can be signposted. Other regulators, by the nature of their work, may not issue advance notice of their programme.

A Member requested further details of the sign off process for recommendations that have been actioned. The Head of Performance stated that actioned recommendations are reported to the Senior Management Team and it may be feasible for the Tracker Report to include a section on the recommendations closed during the period in future.

Responding to a question from the Committee, the Head of Finance agreed that the tracker reporting has improved the authority's ability to respond to recommendations made across directorates more proactively and this is evidenced in the data in the report. Tracker reporting is now embedded and has been a positive development.

RESOLVED – That the report be noted.

19 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted

20 : CORRESPONDENCE

RESOLVED – That the report be noted

21 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted

22 : URGENT ITEMS (IF ANY)

No urgent items

23 : DATE OF NEXT MEETING

The next meeting is scheduled for 10 September 2024.

The meeting terminated at 4.30 pm

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