



Welcome to our Audit Committee Newsletter

I intend to write our newsletter twice a year, to keep you up to date on the work we have delivered, the work we have planned and our outcomes. (David Hugh Thomas, Chair)



Audit Committee Membership

Reappointed Audit Chair and Vice Chair

In our first meeting of this municipal year (on 28 July 2020), I was reappointed as Audit Committee Chairperson and Gavin McArthur was reappointed as Vice Chair for the municipal year 2020/21.

We have a busy and important work programme this year, and Gavin and I are thankful for the support of our Audit Committee Members as we focus our attention on delivering our respective roles.

Membership Changes

On behalf of the Audit Committee, I would like to welcome Councillor Russell Goodway who has recently joined the Audit Committee.

Audit Committee would like to acknowledge its thanks and recognition to Councillor Roderick McKerlich, a valuable Member, who is standing down to take up appointment as Lord Mayor.

Stay Safe and Vigilant

Writing in such unprecedented times, the Committee's immediate thoughts are of the human impact of the current pandemic, which has so significantly affected every one of us.

I am aware of the hard work and flexibility, which has been shown by a significant number of officers in rising to the challenges set by the crisis, which I would like to recognise on behalf of the Committee.

With new ways of working and the need to respond to current challenges and priorities rapidly, it is essential that we protect public resources.

The risk of fraud has not reduced in recent months. In fact, the current pandemic has seen a rise in reported scams, including those targeting local authorities.

All staff have been advised to remain vigilant and aware of the key messages previously shared in Fraud Awareness Week.

I include links to the short video messages recently recirculated to staff, which are particularly useful:

Mandate Fraud Video - from the Head of Finance https://youtu.be/Rr7_SeMeFHM

Cyber Crime Video - from the Chief Digital Officer <https://youtu.be/fCVIJV8DFWw>

Procurement Fraud Video - from the Head of Commissioning & Procurement <https://youtu.be/fqJleK7Tsw>

Remember:

- All officers must complete fraud Awareness Training, to help the Council to tackle Fraud risks. I encourage staff who have yet to complete the eLearning to please do so via the Academy site.
- In developing new ways of working, systems or processes, colleagues in Internal Audit are available for advice, guidance and support.

For help or further information, please contact Internal Audit on 029 2087 2284 / fraud@cardiff.gov.uk

Audit Committee Meetings

The current pandemic caused us to cancel our Audit Committee meetings scheduled for 24 March 2020 and 23 June 2020, but that did not stop us progressing our business.

Ahead of formal consideration in Committee meetings, we consulted on the Internal Audit Plan for 2020/21 remotely during March and April, and we consulted on the Draft Statement of Accounts 2019/20 during July and August.

We have held two remote Audit Committee meetings via webcast so far this year in July and September, and we seem to be adapting well. **We are focussing our agenda on core business, and key areas of assurance on risk management, good governance, and internal control – assurance in these areas has never been more important!**

Our meetings are webcast - why not watch us by clicking on the link below?

<https://cardiff.moderngov.co.uk/ieListMeetings.aspx?Committeed=137&LLL=0>

Areas of Audit Committee Focus

Statement of Accounts 2019/20

In our Audit Committee meeting on 8 September 2020, we considered the unaudited draft Statement of Accounts 2019/20 of Cardiff Council including Cardiff Harbour Authority, and Cardiff and the Vale of Glamorgan Pension Fund. This followed our participation in a 4-week consultation process, which enabled questions to be raised with, and received from, lead finance officers.

At the time of our September meeting, the external Audit was ongoing. The deadline for signing and approving the 2019/20 Accounts was extended nationally due to COVID 19. The deadline for the Accounts to be audited and published was extended from 15 September 2020 to 30 November 2020.

We will receive the external Audit certificates following the conclusion of the Audit, and we will consider the merits of holding a special Audit Committee Meeting ahead of the intended approval of the Accounts in Full Council on 22 October 2020.

Through our consideration of the Accounts in September, we recognised the scale of the budget gap as referred to within the narrative report. We registered our intention to closely scrutinise budget management during 2020/21.

Annual Governance Statement 2019/20

We considered the draft Annual Governance Statement (AGS) 2019/20 in our Audit Committee Meeting on 28 July 2020. The AGS is an important narrative disclosure of the application of good governance in the Council during the previous year. It contains the annual opinions of senior management, and the independent annual opinions of the Audit Committee and the Audit Manager.

Our Annual opinion is as follows.

“Based on the evidence presented to the Audit Committee during 2019/20, it is the considered view of the Committee that the Council does have, for the most part, sound internal controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis.”

Counter-Fraud National Report

In our September meeting, we considered the latest counter-fraud [report of the Auditor General for Wales, 'Raising Our Game' Tackling Fraud in Wales](#). The audit was designed to answer the question: 'Are the arrangements for preventing and detecting fraud in the Welsh public sector effective?'

The report considered that all public bodies in Wales should focus on raising their game to tackle fraud more effectively through considering fifteen recommendations across seven themes. Members received a presentation from Audit Wales, and the Audit Manager presented Cardiff Council's management response to the national recommendations.

[Through discussion with Audit Wales and the Audit Manager, we were advised that many of the national recommendations were either in place, or were being actively worked upon, in Cardiff Council. Members recognise that the Council has a small counter-fraud specialist team, and although capacity is limited, a number of Welsh local Authorities do not have this provision.](#)

We receive regular updates on counter-fraud activities and outcomes in Committee meetings, through which we will continue to monitor and discuss the Council's important work in this area.

Annual Reports / Year End Reviews

Audit Committee

We considered our Audit Committee Annual Report 2019/20 in our July meeting. The report provides an overview of our work during the year, including our key observations and opinion. The report identifies the following areas for which we will be seeking particular ongoing assurance:

- Budget Management
- Internal Control
- School Governance & Compliance
- Financial Resilience & Treasury Management

Internal Audit

We considered the Internal Audit Annual Report 2019/20 in our July meeting. The report provides a review of internal control environment of the Council and the opinion of the Audit Manager. It details the audit work completed to support the opinion and provides performance information and assurance of ongoing compliance with the Public Sector Internal Audit Standards.

The Annual Report sets out that, based on the programme of audit work undertaken to assess internal controls and reviews of governance and risk management arrangements, [the application of the overall framework for control within the Council for 2019/20 is considered as 'effective with opportunity for improvement'](#).

Risk Management

We received the year-end risk management position in our July meeting. In addition to receiving the corporate risk management position, we were advised that the Council invoked incident management reporting arrangements from March 2020, with daily Senior Management Team meetings and reporting.

Officers will provide us with further details on the operation of risk management practices in the current environment in a future update.

Treasury Management

We considered the Treasury Management Annual Report 2019/20, which provided strategic and operational information in relation to the Council's borrowing and investments. Treasury Management is a technical area, and we received training in January to support us in seeking assurance in this important area, for which financial resilience is necessary.

Counter-Fraud

We considered the Counter-Fraud Annual Report 2019/20 in September. The set out the counter-fraud development, campaigns, resources, work and collaboration over the year. The report is aligned to the Counter-Fraud and Corruption Strategy, approved by Cabinet in July 2019.

Senior Officer Engagement

At this stage in our work programme, Audit Committee has identified three senior officers who will be invited to Committee meetings this year, for information and assurance on their areas of responsibility.

The Chief Executive

We invite the Chief Executive to attend an Audit Committee meeting on an annual basis. Last year, this was not possible, as the March 2020 meeting for which attendance was arranged needed to be cancelled at short notice due to the pandemic.

We will ask the Chief Executive to join us in an Audit Committee meeting later in the municipal year, to provide an overview and assurances on the Council's control environment.

Corporate Director, Social Services

Arrangements are being made to invite Sarah McGill, who has recently assumed statutory responsibility for Social Services, to our next Committee meeting on 17 November 2020.

In our update on the Social Services control environment, we will be focussing our attention on the operation of good governance and risk management, and the directorate response to internal and external audit, inspection and regulatory reports.

Director, Education and Lifelong Learning

We will invite Melanie Godfrey, the director of Education and Lifelong Learning designate, to a future Committee meeting.

The new Director is due to take up post in November 2020, and we are keen to discuss matters of school governance and internal control, for which Internal Audit colleagues typically report a lower level of assurance than for other areas of the Council.

About Us & Our Work

Governance

Internal Control

Finance

Risk Management

We are independent

We are made up of four Independent Lay Members & eight Councillors

- ✓ **We review governance and internal controls**
- ✓ **We review financial reporting, control and value for money**
- ✓ **We review risk management**

We receive and discuss reports and updates from a range of Managers, the Internal Audit and External Audit Teams.