



Welcome to our Governance & 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)



## Statement of Accounts & Annual Governance Statement

### Statement of Accounts

### Annual Governance Statement

Each year our committee plays an important role in reviewing the Draft Statement of Accounts of the Council, Harbour Authority and Pension Fund, and the Council's Annual Governance Statement. Following our review and external audit, approval was received by Full Council during October and November 2021.

After our review of the Draft Cardiff Council, Cardiff Harbour Authority and Cardiff and the Vale Pension Fund Statement of Accounts 2020/21 in July 2021, we received the audited position and details of the findings of Audit Wales (our external Auditors) during meetings in [October](#) and [November](#) 2021.

The corresponding International Standard on Auditing (ISA) 260 Reports from Audit Wales provided unqualified audit opinions on the accounts, and our committee was advised that the main amendments resulting from the audits were presentational and technical.

Our committee has commended the work of those officers involved in preparing a comprehensive set of accounts during challenging times.

The Council's Annual Governance Statement (AGS) measures and reports assurance of the Council's governance arrangements. Core components of the AGS are:

1. A Senior Management Assurance Statement (SMAS) and assessment of good governance.
2. The Audit Managers opinion on the Council's control environment based on the programme of Internal Audit work.
3. The Governance and Audit Committee's opinion of good governance, risk management and internal control.

We were content with the final version of the AGS which was amended only for presentation purposes.

In January 2022, we considered the [SMAS mid-year assessment](#). It will form a starting point for the assurances provided in the AGS for 2021/22.

## Audit Wales Studies

### National and Local Sustainability Reports

We reviewed National and Local Sustainability Reports in our Committee meeting in November 2021.

#### [National Report - Financial Sustainability of Local Government](#)

In their National report Audit Wales reported that "funding from Welsh Government to help with the pandemic has meant that councils are financially stable for now but face some challenges in the future."

#### [Cardiff Council – Financial Sustainability Assessment](#)

In the local report Audit Wales reported that "the Council faces a number of key financial risks and has a significant medium-term budget gap but has arrangements in place to manage its financial sustainability."

We have received a management response to the three 'proposals for improvement' arising from the local report. We monitor progress through a recommendation tracker reported to our committee.

#### [Financial Sustainability Data Tool](#)

After publishing the above reports, Audit Wales published a financial sustainability data tool which compares financial data of each Council, National Park and Fire and Rescue Authority from 2015-16 onwards.

## Control Environment Reviews

### Directorate-Level Reviews

Andrew Gregory, Director of Planning Transport and Environment provided our Committee with a [Directorate Control Environment Overview](#) in November 2021.

We received:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• an account and examples of how the directorate management team oversee governance, risk management and internal control across the directorate.</li> <li>• Details of the management of priority risks overseen by the directorate, the working relationship with internal audit for independent assurance, directorate performance arrangements and examples of value for money and partnership assurances.</li> </ul> | <ul style="list-style-type: none"> <li>• We discussed a range of matters referred to within the comprehensive report we received.</li> <li>• We considered that there is scope to use a standardised approach to programme and project management.</li> <li>• After discussing value for money arrangements, we also felt it would be useful to have sight of what is being achieved in this regard in future Committee reports.</li> </ul> |
|--|---|

Chris Lee, Corporate Directorate Resources and Section 151 Officer provided our Committee with a [Directorate Control Environment Overview](#) in January 2022.

The report we received:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Outlined how since the onset of the pandemic the directorate has played a key enabling role, whereby digital services supported staff to work from home, finance and procurement staff supported financial resilience and the commissioning of essential supplies, and HR staff supported solutions to business need (such as the temporary switch of staff from existing roles to priority front line posts).</li> <li>• Provided an overview of arrangements to oversee and maintain good governance, risk and performance management, and internal control. areas of good practice drawn upon included internal and external assurance arrangements, balanced scorecard approaches for managing performance, and examples of partnership and collaborative governance and value for money.</li> </ul> | <ul style="list-style-type: none"> <li>• We discussed the report's contents, and we supported a management action arising from a senior management assurance exercise for central services to revisit benchmarking which was had not been undertaken in recent years.</li> <li>• We sought assurance on arrangements to learn from national and international security incidents and to test the council's incident management arrangements. We were advised that appropriate arrangements and corporate exercises are in place.</li> <li>• We also discussed a risk relating to the analogue to digital shift for telecare customers by 2025. We were advised that this transition is being carefully managed to ensure there is no loss of service during any move to new technology.</li> </ul> |
|---|--|

Melanie Godfrey, Director of Education and Lifelong Learning provided our Committee with a [Directorate Control Environment Overview](#) in March 2022.

The report and presentation we received:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Provided details of the management structure, achievements and priorities, governance, directorate risk management, internal audit assurance and value for money.</li> <li>• Recognised that work was required in some key areas of governance captured through a mid-year senior management assurance statement assessment.</li> <li>• Recognised the positive outcomes of a recent <a href="#">Estyn Inspection report</a></li> </ul> | <ul style="list-style-type: none"> <li>• We discussed a range of matters with the director arising from the comprehensive report and presentation we received, ranging from the importance of the timely delivery of internal audit recommendations, the governance of school delegated budget balances, certain legal responsibilities, and opportunities to further develop value for money reporting.</li> <li>• We noted the positive improvements being made, as recognised in the Estyn report.</li> </ul> |
|--|--|

## Service Area Review

Neil Hanratty, Director of Economic Development provided our committee with an overview and update on [Governance, Internal Control and Risk Management in Waste Management](#) in December 2021.

Our committee has maintained a close interest in the internal control environment in Waste Management.

- Lower levels of assurance have typically been received from Internal Audit reports than for other areas of the Council.
- During recent years the Service Area has also been subject to investigations into financial / control matters for which our committee has received confidential briefings.

We have heard from the Director and the Audit Manager that there has been steady and sustained progress in recent years in the internal control environment, led by the senior management in place, through which:

- Mechanisms for delivering and acting on improvement actions are in place, and.
- There is a constructive two-way relationship with internal audit, in the planning of, and response to, assurance work.

In response to questions we raised during our discussion, we were advised that:

- Lower management assurance is reported in respect of compliance as a landfill aftercare issue has been identified, for which the Council is working with specialist waste contractors and consultants to address concerns regarding leachate emanating from a landfill site.
- Historically there have been internal control concerns in the Waste Management service, but controls have been tightened and a significant number of Internal Audit recommendations have been implemented. No recent audits have provided an 'unsatisfactory' audit opinion and focus remains on the journey of improvement.
- In respect of an Internal Audit of health and safety, one recommendation is outstanding relating to the 'Papertrail' system which captures health and safety data for reporting purposes.
- Audit Wales consider the work of Internal Audit, the reported findings and discussions with management when developing their work programme.
- Whilst there are high levels of sickness within the service, the corporate procedure was adequate, and attention is being given to ensuring it is consistently applied.
- Operational and Business Improvement Meetings are used to monitor customer feedback and complaints.
- Service improvements and controls are being improved through the digitalisation of systems and the greater use of new technologies. The introduction of 'BarTec' (in-cab GPS) technology captures data which can be used to refine how the service is delivered.

## Ongoing Reviews

We receive reports in a number of areas on a systematic basis throughout the year. The key areas of ongoing review since my last newsletter, and the pertinent details are detailed below.

### Treasury Management

- The Council needs to govern and manage its borrowing and investments effectively, with prudence and in accordance with CIPFA codes, standards and guidance.
- Our committee has continued to receive reports on treasury management strategy, practices and performance, and arrangements in place are subject to periodic internal audit review.
  - [Treasury Management Annual Report](#)
  - [Draft Treasury Management Strategy 2022/23](#)
  - [Treasury Management Practices](#)

### Performance – Self-Assessment

- We considered the [mid-year self-assessment report 2021/22](#) in January 2022, at which point we were advised of the approach taken and the resulting outcomes.
- We will discharge a new duty which is coming into force through the Local Government and Elections (Wales) Act 2021 in our meeting in July 2022, whereby we will formally review the self-assessment report for 2021/22.
- The self-assessment report is due to be presented to us by the Chief Executive, and during our review we will make any recommendations for changes where we consider this is appropriate.

## Internal Audit and Counter-Fraud Updates

- We receive an update on the work, initiatives and outcomes of Council's Internal Audit and Counter-Fraud services on a quarterly basis.
- In March 2022, we approved the Internal Audit Charter and the Audit Plan for 2022/23. The Audit Charter provides the Audit Manager, and the team he leads, with unfettered access to systems, records and staff to deliver important assurance work across the organisation.
- If you would like to know more, please visit [Internal audit \(cardiff.gov.uk\)](https://www.cardiff.gov.uk/internal-audit)

## Risk Management

- Our committee has continued to receive quarterly corporate risk management updates, through which we have consider and discuss the Council's Corporate Risk Register. The latest update we received is available [here](#)
- When we invite senior officers to attend committee meetings, at which time we take an interest in understanding the controls in place to manage directorate risks, as part of wider assurance updates.

## Complaints Handling Arrangements

- Our committee has a role to review the arrangements for complaints handling within the Council.
- During November 2021, we considered a [half-yearly report](#) in the operation of corporate complaints procedures.
- We have set an expectation that future reports provide measures of the effectiveness of complaints handling in addition to raw data for us to meaningfully review the arrangements in place.
- We were advised that arrangements were being made to implement a council-wide system for recording and reporting on complaints.
- We have requested an overview of the preferred option for the new system, including details of the specification used to inform the procurement process.

## Recommendation Tracker - External Review Bodies

- We review the position against recommendations that have been raised by the Council's external review bodies twice a year.
- We last considered the position in January 2022, and the update we received is available [here](#).
- It has been agreed that details of board, committee or other oversight arrangements would be added to the recommendation tracker for future reports.

## Audit Wales Updates

- We receive regular updates from our external auditor on their work programme and timetable.
- In January we received the [Annual Audit Summary Report](#) which contained the work completed by Audit Wales over the reporting period.
- The National and Local Sustainability Reports and the Annual Governance Statement and Statement of Accounts reviews are referred to earlier in this newsletter.

## Working Relationships

As we seek assurance on governance, risk management, and performance assessment arrangements we see the importance in maintaining effective arrangements with all with whom we work.

### Senior Officers

We regularly meet with senior officers (all members of Senior Management Team will be invited at times to attend one of our committee meetings). We see the importance in reciprocated value from all officers that we engage with in committee meetings, and we request and value feedback from those in attendance on our performance. This offers us insight on their experiences of our Committee and an opportunity for reflection.

Both myself and my Vice Chairperson (Gavin McArthur) have regular and ongoing engagement in particular with the Audit Manager and the Corporate Director Resources (Section 151 Officer). With their respective responsibilities for independent assurance and the prudent management of the Council's financial affairs, we find having regular and ongoing dialogue with these officers to be of particular importance and value.

### Peers and Professional Networks

We lead on the organisation of an All-Wales Governance and Audit Committee Chairs' Network. We engage with the Chairpersons and Chief Auditors across Welsh Local Authorities through this arrangement, and we hold formal meetings at least annually. Meetings have been attended by representatives from Audit Wales, the Chartered Institute of Finance and Accountancy, and the Welsh Local Government Association.

### Wider Committees of the Council

This year we have realised, in light of our new statutory duties, that establishing a meaningful partnership between our committee and the scrutiny committees was in the best interests of the council. In December 2021, I attended a Scrutiny Chairs Liaison Forum and we agreed principles of sharing and informing the respective committees of committee work programmes, enquiries and outcomes.

## About Us & Our Work

Governance

Internal Control

Finance

Risk Management

Performance

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 review the performance assessment

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

[Why not watch our webcast meetings](#)