



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. (Gavin McArthur, Chair)

Committee Membership Update

My Introduction as New Chairperson

I introduce myself as [Chairperson](#) of the Governance and Audit Committee following the retirement of David 'Hugh' Thomas as Chairperson and Independent Member of the Committee at the end of March 2023.

I have served as Deputy Committee Chairperson for three years, and as an Independent Committee Member for nearly six and a half years overall. I am looking forward to my new role.

By way of background, I was Head of Governance and Assurance for the Ministry of Justice Estates Directorate. Prior to that I held senior management roles in internal audit functions in local government, central government and in the retail sector, with my particular experience and expertise relating to internal control, risk management, governance, internal audit and performance management.

An Outstanding Contribution to Public Service

I wish to start this newsletter by paying tribute to the outstanding commitment and contribution to public services of our outgoing Chair, David 'Hugh' Thomas. Hugh stood down from our Committee at the end of March after completing 62 years of unbroken public service.

Our Committee had the privilege of being led so effectively by Hugh since his appointment as Chair three years ago, and of his experience and input during the eight and a half years that he served as an independent Member overall.

Hugh has vast experience as a retired solicitor who served as Chief Executive of Mid Glamorgan Council for fifteen years, and within a number of public bodies and national voluntary organisations.

On behalf of our Committee, and the wider Members and public service officers who you worked with, very best wishes for your well-deserved retirement.

New Independent Member

In March, our Committee recommended the appointment of a [new Independent Member](#) to fill the vacancy arising from Hugh standing down. The recommendation will be submitted to Council in its May meeting, which follows a national recruitment exercise and the appointment recommendation of a recruitment Panel, comprising the Corporate Director Resources (Section 151 Officer), the Chair of a Governance and Audit Committee from a neighbouring Local Authority and myself. The candidate is highly experienced, and once a decision to appoint has been formalised I will formally introduce our new Committee Member.

Finance

Financial Updates

In each Committee meeting we receive a financial update from the Council's Corporate Director Resources (Section 151 Officer). The updates include details of the financial monitoring position against current year budgets, the budget strategy and the medium-term financial plan. Budget gaps for years ahead are presented to us, and we receive details of the efficiency and corporate savings required over the medium term to meet the statutory requirement of setting a balanced budget each year.

The Council makes use of financial modelling requiring prudent judgements to best identify future funding and costs (such as considerations of pay and price inflation, demand pressures, indicative revenue support grant settlements from Welsh Government etc.).

The financial challenge continues to be significant, with a budget gap of £113.4 million [reported](#) based on current financial modelling over the next four years. Whilst we have only recently entered the financial year 2023/24, work is planned over the summer to begin the difficult task of meeting the budget requirements for next year. Our Committee will continue to receive and consider regular updates on the Council's financial position, where we take a particular interest in the systems as described to us for effective budget governance and management.

In addition to managing the Council's revenue budgets, for the day-to-day nature in delivering public services as referred to above, the Council has a capital and investment programme of £1.413 billion over the next four years. As a Committee, we give focus to the Council's investments and borrowing in particular through our review of Treasury Management, for which further details are provided later in this newsletter.

Statement of Accounts

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 for the 2021/22 accounts by Full Council during [November](#) 2022 and [March](#) 2023.

The corresponding International Standard on Auditing (ISA) 260 Reports from Audit Wales provided unqualified audit opinions on the accounts and reported no uncorrected misstatements.

There was a delay in the completion of the audit and approval of the accounts as a result of national issues regarding the valuation of assets and presentation within the accounts, in particular infrastructure assets. This included a requirement to introduce regulations at a national level to ensure the audit of accounts of all local authorities could be completed.

In March 2023, we were provided with the timescales and accounting policies for the preparation and audit of the Statement of Accounts 2022/23, that we will consider in draft in our July meeting.

Control Environment Reviews

We have received reports directors on their directorate control environments on their arrangements for governance, risk management and control.

Childrens Services

During our November meeting, Deborah Driffield, Director of Childrens Services, provided an [overview](#) of her service, its statutory obligations and the governance, risk management and control arrangements in place. We received details of:

- The risk management controls in place and applied within the Directorate, and a summary of the key corporate and directorate risks.
- The senior management assurance and external assurance arrangements in place.
- The position in response to internal audit reports and recommendations.
- External assurance, through reports from Care Inspectorate Wales and His Majesty's Inspectorate of Probation.
- Value for money and complaints handling.

In response to our enquiries, we were advised that:

- Significant work is being undertaken to develop in-house services in Cardiff to mitigate the risk of the high-cost external residential child care provision.
- Every decision to place a child into care is taken by the Senior Management Team and every decision has oversight. High-cost placements are reviewed weekly, and very high cost or unregistered placements are reviewed twice-weekly.
- There was a need to work on preventative measures to mitigate increases in demand and identify early warning signs, primarily in schools.
- Social Work Support Assistants provide administration support and are receiving support to become qualified within three years.

Education and Lifelong Learning

In January, we received an [overview](#) of the Education Management Team structure, the governance arrangements in respect for the school improvement framework and schools causing concern, and details of risk management, internal audit and senior management assurances. A summary of budget management and value for money was also included.

We also received updates that we had requested on the management of school balances, systems to review the affordability of the 21st Century Schools Programme, and complaints handling arrangements.

In response to our enquiries, we were advised that:

- In addition to delegated school budgets, due to the pandemic, some schools secured grant support from the Government, and some schools are very good at generating income. The position is monitored with the support of colleagues in Finance.
- A framework to implement the Tertiary Education and Research Act (Wales) requirements is in place.
- Audit Recommendations are regularly monitored and addressing them is a priority.
- Welsh Government sets the priorities for the 21st Century schools Programme, and the Council takes decisions on the specific projects to address need, for which improvements in the understanding of real-time data are needed to ensure school provision addresses the challenge of learner needs.
- There are a range of governance arrangements in place for the Central South Consortium, including boards and management arrangements.
- There are support measures in place for schools identified as a cause for concern for which assurance is received through the new accountability, improvement and evaluation arrangements from Welsh Government.
- Conditions surveys across the estate inform where best to make such investments over and above any reactive emergency repairs required.

We wrote a Committee [letter](#) for the Director to provide further information and assurances on the response to internal audit recommendations after we reflected on the position in our March meeting.

Adults, Housing and Communities

In March we received an [overview](#) of the control environment within the Adults, Housing and Communities Directorate. We received details of:

- The directorate's services and functions, and the key management and board meetings in place for governance.
- Performance and risk management arrangements and the details of corporate and directorate risks.
- The internal audit engagement and response position, which included a commitment to review and address longstanding recommendations.
- Senior management, partnership and major project assurances, together with details of external assurance arrangements and areas of oversight.
- Complaints handling arrangements.
- Value for money assurances.

In response to our enquiries, we were advised that:

- Corporate safeguarding arrangements are in place that can include partnership and multi-agency responses. In social housing for instance, risks are identified and referral systems are in place. Risks are monitored and domestic abuse services have been subject to review accordingly.
- Backlogs of deprivation of liberty safeguards are being prioritised and a project has been put in place to act upon new legislation and to prioritise cases.
- There is an independent living service in place which is wide ranging and integrated with other areas of the service, such as disabled adaptations, equipment provision and day centre provision.
- Risk registers will be reviewed for presentation, the description of controls in place and action dates.
- Upon our request, an update will be provided in due course on the response to internal audit recommendations.

Audit Wales Reviews

We received a range of reports from the Council's external Auditor (Audit Wales) in our November meeting.

Waste Management

We received a [report](#) on the Council's recycling performance, presented by Audit Wales. Management also attended to outline the Council's response.

This report followed an earlier Audit Wales [review](#) completed in March 2020, of the Council's plans to reduce waste and achieve the national recycling targets. During this review, Audit Wales noted that work had commenced with the Waste & Resources Action Programme (WRAP), Local Partnerships and Welsh Government to look at an operating model to inform the development of an appropriate approach in Cardiff.

In March 2022 Audit Wales undertook a follow up [review](#) of the Council's plans to reduce waste and improve its recycling performance to achieve the national recycling targets. Five proposals were raised and [agreed](#) covering recycling strategy implementation planning and resources, the mitigation of associated risks, developing an integrated and longer-term waste management approach, and exploring how other organisations have achieved better recycling outcomes to improve performance and longer-term strategy.

In response to the report, we were advised that:

- The Council has continued to work closely with the Welsh Government and the Waste and Resources Action Programme (WRAP) to demonstrate its commitment to meeting the statutory targets.
- A segregated recycling pilot was undertaken across 4,000 homes in the city during January 2022 and a compositional analysis of household and Trade waste in Cardiff.
- The findings of these exercises informed the development of a new Recycling Strategy 2022-25: 'Cleaner and Greener'.
- In September 2022 the [Recycling Strategy](#) was considered by Cabinet and approved.
- The Recycling Strategy aims to achieve a recycling rate of 70% by 2025 and the Director considered that the service was on track to achieve that target.
- Regular Programme Board meetings are held between the Chief Executive, Head of Finance, Director of Economic Development and operational managers which aim to implement a sustainable service delivery model that will deliver the strategy.

Follow-up Leisure Review

We received a follow-up [report](#) on the Council's progress in meeting the proposals for improvement made in the Audit Wales Review of Leisure Services report in 2020. The report was presented to us by Audit Wales, and relevant Council Management.

The findings from the [review](#) in 2020 were based on fieldwork undertaken prior to the pandemic. At that time, it was concluded the Council had achieved its key aim of keeping its leisure centres open but there was scope for the Council to better apply the sustainable development principle and strengthen arrangements to assure itself that its contract with Greenwich Leisure Limited (GLL) was delivering value for money.

Audit Wales undertook a follow-up review during in spring 2022 to assess the Council's progress in addressing six proposals for improvement made in the 2020 report. Two were recognised as met and progress was noted in the remaining four areas. Audit Wales concluded that the Council has made swift and good progress in addressing the proposals raised but needs to do more to ensure the sustainable development principle fully drives future leisure provision.

In response to the report, we were advised that:

- In October 2022 Economy and Culture Scrutiny Committee [reviewed](#) the Leisure Services Contract discussing opportunities to improve the revenue position post-pandemic as identified in the Local Partnerships contract review report.
- In October Cabinet also [considered](#) the Leisure Services Contract review, with a focus on opportunities to improve the revenue position post-pandemic as identified in the Local Partnerships contract review report.
- To mitigate increased energy costs in the current financial year, it was agreed in principle, that the council will make relief payments to GLL and enable GLL to acquire their energy at a cheaper rate either directly or indirectly through the Crown Commercial Service.
- The management [response](#) follows consideration and review in which the proposals for improvement are agreed.

Summary Report of Assurance and Risk Assessment Work

We received a [report](#) summarising the assurance and risk assessment work undertaken by Audit Wales during 2021/22. One recommendation has been raised associated with determining the resource and cost implications of delivering the Council's 'One Planet Cardiff' Net Zero Carbon 2030 strategy.

We were advised that a management response to the report was being drafted, and we have asked that in future we consider all reports once a management response has been formalised, however, we were assured by management in attendance that there were no issues of concern identified through the Senior Management Team consideration of the report to date.

Combined Springing Forward Report

We received a [report](#) focused on how the Council strategically plans to use its assets and workforce, how it monitors their use and how it reviews and evaluates the effectiveness of its arrangements. The report raised four recommendations arising from the report for which a management response was being prepared, and concluded that the Council:

- Has made valuable progress in developing its hybrid working plans. It hasn't developed its longer-term workforce plans nor the resources and governance arrangements to support their delivery, fully shaped by the sustainable development principle.
- Has made good progress in delivering its property strategy and has the necessary governance arrangements underpinned by improved performance data, but its approach lacks a focus on service user and longer-term needs.

Ongoing Reviews

Internal Audit

- **Peer Assessment of Conformance with Audit Standards** – In March, we received an external quality assessment [report](#), undertaken via a peer assessment process from the Chief Internal Auditor in Newport and Monmouthshire on Cardiff Council's conformance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS requires an external assessment at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The assessment reported no partial or non-conformance with the requirements of the PSIAS, and conformance with all 304 of the requirements (includes those not applicable).
- **Quarterly Updates** - We receive an update on the work, initiatives and outcomes of Council's Internal Audit and Counter-Fraud services on a quarterly basis. If you would like to know more about the team's work, please click [here](#).
- **Approved Charter and Plan for 2023/24** – In March 2023 we approved the [Internal Audit Charter and Plan 2023/24](#). The Audit Charter defines the internal audit purpose, authority and responsibility. The Audit Charter provides a mandate for the necessary unfettered access of internal audit to records, personnel and properties in order to carry out its importance assurance and advisory work, whilst the Audit Plan sets out the detailed planned audit engagements for the year ahead.

Corporate Risk Management

Our committee has continued to receive quarterly corporate risk management updates, through which we have considered and discussed the Council's Corporate Risk Register. The latest update we received was in March. When we invite senior officers to attend committee meetings, we take an interest in understanding the controls in place to manage directorate risks, as part of wider assurance updates.

Recommendation Trackers

Our Committee receives a consolidated report twice a year of the recommendations which have been received from external review bodies (Audit Wales, Estyn, Care Inspectorate Wales, and Her Majesty's Inspectorate for Probation). The report contains a management update of how each recommendation is being addressed and details of the relevant oversight board or committee. Our latest update was in [March](#).

Complaints Handling

Our committee has a role to review the arrangements for complaints handling within the Council.

Following our July update where we received an update on the implementation of a new corporate complaints system, in our November [report](#) we were advised that the Project Manager for rolling out the corporate system has since left the Council, that a request for a full-time Project Manager had since been made, but the resource had not yet been identified presenting a challenge for the project. We were advised that there has been no impact upon the ability to respond to complaints on a day-to-day basis. However, the timeline for rolling out the new system would need to be revisited.

In addition to receiving corporate reports and updates on complaints handling twice a year, we have been receiving overviews of the arrangements in place within directorates when we engage with senior officers to discuss the internal control environment for their areas of responsibility.

Treasury Management

Through its Treasury Management role, the Council needs to govern and manage its borrowing and investments effectively, with prudence and in accordance with professional codes, standards, and guidance. Our Committee reviews and considering relevant reports of how this is demonstrated.

- In January, our Committee received the draft [Treasury Management Strategy](#) to provide an opportunity for Comment before it was recommended to Cabinet for approval.
- In March we received a report on the Council's [Treasury Management Practices](#) which were proposed for application from April 2023.

Self-Assessment Report

Our Committee has a responsibility to review the draft annual Self-Assessment (Well-being) Report and make any recommendations for changes in accordance with the Local Government and Elections (Wales) Act 2021.

We undertake this role formally after the end of each financial year, and we have invited the Chief Executive to our July Committee meeting where we will consider the 2022/23 draft report.

At the mid-year stage we are provided with a [report](#) and the [mid-year assessment](#) of performance, as reported to [Cabinet](#) in July to note progress reported and any updates on the approach ahead of our formal review in July. Ahead of our year-end review arrangements will be made for our Committee to receive an overview of the corporate planning and performance framework.

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

Why not watch our [webcast meetings](#)