



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)



Our Membership

Elected Member Changes

On behalf of the Governance and Audit Committee, I would like to welcome the Elected Members who have recently joined the Governance and Audit Committee.

- Councillor Jayne Cowan has served on the Committee previously, and we have benefitted again from her most recent appointment in November 2020.
- Councillor Keith Jones was appointed in March 2021 and has completed his induction. We look forward to his attendance in our Committee meetings and to his valued membership.

I would also like to record our thanks and appreciation for the valued services of Councillor Ashley Lister, who has stood down from the Committee since our last newsletter update, after two years of membership and support.

Independent Lay Member Resignation

On 28 November 2019, Council agreed to grant leave of absence to the then Chairperson of the Council's Audit Committee, Ian Arundale, one of the Independent Members. This was to enable him, with the approval of the Home Office, to take up a short-term contract as a Deputy Chief Constable in the North of England. I was invited to take up the role of Chairperson during his absence.

Ian had planned to return to the Committee in May 2021, but earlier this year, he was again approached to extend his short-term contract to the end of 2022. In March 2021, he tendered with regret and immediate effect his resignation as a Member of the Committee, explaining that he felt that stepping down was the honourable thing to do from the view of clarity, resilience and leadership of the Committee and its assumed responsibilities. An appropriate letter of appreciation has been sent to Ian on behalf of the Committee thanking him for his valued service over five and a half years.

Arrangements will be made for a recruitment exercise to appoint a new Independent Lay Member, and I hope to be able to report positive progress in this regard in our next newsletter.

Our New Committee Name & Role

We are now a....

Governance and Audit Committee

Under the provisions of the Local Government and Elections (Wales) Act 2021, we have been renamed a Governance and Audit Committee, after being known as an Audit Committee for a good many years.

It is not only our name that has changed... further details are provided below

Our New Responsibilities

As well as delivering our existing role, we have a number of new responsibilities imposed by the above Act, relating to performance and governance, some of which start immediately and others take effect during 2022. These new responsibilities require us to:

- Review the Council's draft Self-Assessment Report 2021/22 and each year thereafter, and make appropriate recommendations for changes.
- Consider and make recommendations in response to the Council's Panel Assessment Report when received.
- Review and assess the Council's ability to handle complaints effectively.
- Review the Council's draft response to any Auditor General recommendations arising from a 'special inspection' in respect of the Council's performance requirements, and make any appropriate recommendations for changes.

Preparing for Our New Responsibilities

Over the last 6 months, we have taken a number of steps to help us to understand and prepare for our new role as a Governance and Audit Committee

All Wales Audit Committee Chairs' Network

Our All Wales Audit Committee Chairs' Network continues to be a very useful forum to discuss issues, receive updates and share experiences and best practice among peers and with expert advisors.

As Chairperson of our Chairs' Network, with the invaluable support of our Audit Manager (Chris Pyke), it was arranged for Audit Wales to provide a guidance and information session in November 2020 to the Chairs of the Audit Committees across Welsh Local Authorities on the Local Government and Elections (Wales) Bill.

As part of the day, which was sponsored by the Welsh Local Government Association (WLGA) and delivered via a remote video session, we also received expert guidance and contributions to discussion from Diana Melville, who is the Governance Advisor for the Chartered Institute of Public Finance and Accountancy (CIPFA).

The discussion was very useful at a time when we were starting to consider how to deliver our responsibilities in practice for the year ahead. We also subsequently considered a consultation on Statutory Guidance for the Bill, and we feel we have a good grasp of our new roles. (*The Bill received Royal Assent in January 2021.*)

Updated Terms of Reference

We agreed our Terms of Reference for the year ahead in our Committee meeting in March 2021.

Our draft Terms of Reference include our new responsibilities and was developed through a technical review by lead Council officers, informed by peer group discussions with the Welsh Chief Auditors Group and in consultation with the WLGA.

Our Terms of Reference is approved by Council annually, and it is scheduled for Council consideration in May 2021.

To see our draft [Terms of Reference](#), please refer to Appendix D of the Audit Charter.

Updated Work Programme

We agree a draft work programme ahead of each municipal year, which provides a structure for routine items in Committee meetings.

Our work programme includes the flexibility to add further items to respond to matters of interest and risk.

We have added a performance section to our [work programme](#) through which we will cover items related to our new areas of responsibility.

Areas of Committee Focus

Senior Officer Engagement

We have met many senior officers to receive information and assurance on their areas of responsibility

Chief Executive

In March 2021, we welcomed Paul Orders to attend our Committee and provide an overview of the Council's control environment in what has been an extraordinary year.

- We were provided with an outline of the incident management arrangements invoked during the pandemic and the mechanisms used for briefings, decision-making, reporting and risk management. We also received details of the preparations in November 2020 for the UK's departure from the EU and the anticipated winter pressures.
- We were appraised of the recovery priorities for the year ahead from the Council's new Corporate Plan, and the programme of city renewal to be published in May 2021.

We also received an update and insight on the framework and activities relating to corporate risk management, senior management assurance, internal audit and wider assurance. We raised questions and had discussions on elements of risk management, partnership arrangements and UK funding.

Corporate Director – Social Services

Sarah McGill attended a Committee meeting in January 2021 for a Social Services Control Environment update

We received:

- An overview of the Directorate structure and we were asked to note the services and significant budgets being managed, for which robust monitoring arrangements are crucial.
- An outline of progress in responding to Internal Audit reports, for which there were no overdue actions, but a number of actions still needed to be completed.
- Information on key risks and the results of a senior management assurance self-assessment of good governance.
- Information on the arrangements for oversight and review of directorate risks, Internal Audit actions and the position against recently received inspection reports.

We commented on:

- The relatively high number of 'insufficient' Internal Audit opinion reports. We were advised that these reports covered a wide range of issues and were being responded to via the design of processes, compliance, considering skills and accountability, and through addressing any structural issues.
- A high number of senior management assurance statement responses for which aspects of good governance application were assessed as self-assessed as 'mixed' and needed improvement.
- An inspection of the Youth Offending Service that provided an adverse assurance opinion. We were advised that steps have been taken to learn from the experience and to ensure demonstrable improvements that can be reported on.

[Youth Offending Service Report](#)

Director - Education and Lifelong Learning

Melanie Godfrey attended her first Committee meeting in March 2021, four months after her appointment as Director of Education and Lifelong Learning. We received an overview of her directorate control environment.

The report we received covered risk management, the response to Internal Audit actions, the results of a senior management assurance self-assessment of good governance, governance details in respect of the Schools Organisational Programme, an update on the work of Estyn and value for money information.

Over a number of years, we have sought regular reports from senior management in the Education and Lifelong Learning directorate, where concerns have been raised through internal audit reports on good financial management in school-traded services and on school governance. We have also sought ongoing assurance on the arrangements to manage school balances, and to address audit recommendations.

In advance of our meeting, I wrote to the Director requesting an update on the position in respect of addressing Internal Audit recommendations both in schools and within the wider directorate. We are advised that new staff resources and responsibilities have been assigned to support coordination and improvements.

Director – Economic Development

Neil Hanratty attended our Committee meeting in March 2021 to provide an update on his directorate control environment and to address how management are responding to a recent Audit Wales '[Review of Leisure Services](#)' report. In advance of the meeting, I wrote to the Director requesting an update on the position in respect of addressing Internal Audit recommendations and received a detailed response.

We received:

- A presentation, which contained the outturn budget position, information on the management structure and background details on the Leisure contract to supplement the Committee papers we had received.
- Audit Committee papers providing details of:
 - The approach to engaging with and responding to Internal Audit, and analysis of the position in respect of audit actions.
 - The wider control environment, including information on risk management, the results of a senior management assurance self-assessment of good governance, a summary of major project governance, external assurance details, and certain examples of value for money.

We commented on:

- The Audit Wales review of Leisure Services was a particular area of focus, through which we commented on:
 - The importance of contingency arrangements to mitigate any current or future contract issues.
 - The proposal for the social value tool to be reviewed to ensure it is effective and that there is assurance in its measurement and use.
 - Our interest in a follow up report planned by Audit Wales, and an audit of Governance in Leisure Contracts planned by Internal Audit.

Management acknowledged our comments and advised that there will be a comprehensive review, following the decisions to date on the contract and its provision, encompassing affordability and long-term sustainability.

Audit Wales Reports & Recommendations

Audit Wales undertake external audit work on behalf of the Auditor General for Wales

External Audit Recommendation Tracker

Committee considered an External Audit Recommendation Tracker item for the first time in our meeting in January 2021. The new item provided us with an opportunity to comment on and consider the progress the Council is making in addressing recommendations made by Audit Wales.

There is a commitment to considering the item twice a year, and for the tracker to be extended to include wider regulatory, inspectorate and external assurance reports, and supplemented with details of which Committees of the Council or Boards the various reports have been reported to for information and assurance.

External Audit Reports

Financial Sustainability of Local Government

We considered a national report on financial sustainability in local government as a result of the COVID-19 Pandemic for information, and a Financial Sustainability Assessment of Cardiff Council accompanied by a management response in November 2020.

Whilst Audit Wales reported no major concerns about the Council's financial resilience, significant challenges were noted over the medium term given the savings required. We have been advised that further work is being undertaken, and we await further reports with keen interest.

[National Report](#)
[Financial Sustainability Assessment - Cardiff Council](#)

Commercialisation in Local Government

We received a national Audit Wales report on commercialisation in Local Government in November 2020. The report had recently been received and it was recognised that any actions taken in respect of the report would need to be in accordance with the policy direction of the current administration.

Audit Wales advised that the report was not prescriptive in its definition of 'commercialisation' for which there was a broad spectrum of approaches that could be applied. Officers agreed to consider the forum and approach for considering the report.

[National Report](#)

Internal Audit

We receive regular updates on the work of Internal Audit & we approve the Audit Charter & Plan each year.

Recommendations

It is vital that audit recommendations are addressed promptly. We receive and observe progress against all internal recommendations from the point they are raised, until they are closed.

We have recently sent letters to directors for an account of progress in addressing internal audit recommendations based on our review of the position in the reports we receive.

Internal Audit Charter

We approved the [Internal Audit Charter 2021/22](#) in our March 2021 meeting. It gives the Internal Audit Team full access to all necessary reports, information and officers, the authority it requires to deliver its role, and details the necessary responsibilities in place.

Internal Audit Plan

We approved the Internal Audit Plan for 2021/22 in our March 2021 meeting. The Plan is designed to be risk-based and comprehensive to provide assurances on good governance, risk management and control across the Council.

Counter-Fraud Policies

We have considered a number of counter-fraud policies prior to Cabinet approval since my last update.

The Council's Anti-Money Laundering Policy was approved by Cabinet in December 2020. An eLearning module is now available via the following Academy link [eLearning](#), and needs to be completed at a minimum by all operational managers, all solicitors, and all staff who receive cash, monitor cash receipts or who manage staff in these areas.

The Council's Authorisation and Protocol Requirements for Review of Work Activities was approved by Cabinet in March 2021, after consideration by Committee in January 2021.

About Us & Our Work

Governance

Internal Control

Finance

Risk Management

Performance

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 review performance assessments

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](#)