



### 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 Update

### Our New Deputy Chair

I would like to welcome Chris Burns on his appointment as Deputy Chair for the municipal year ahead, and I would also like to thank the wider Committee for my re-appointment as Chair.

Chris is a new member of our Committee, but he joins us with a wealth of valuable experience having worked at senior levels within local government. I look forward to working with him in his new role.

## 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.

We recognise the significant constraints on Council finances. For in-year revenue budgetary performance, at month 4 2023/24 there was a total directorate net overspend of £7.457 million (partly offset by an underspend against the capital financing budget of £1 million). We are advised that mitigating actions are being put in place to reduce and offset the impact of these overspends further. The budget setting process continues to be a challenging exercise, and we are kept informed of the steps taken with a view to setting affordable and achievable budgets each year, for which the current economic climate, and associated financial challenges and uncertainty, make robust and prudent financial planning particularly important. High inflation and borrowing costs are having an impact on the cost of the Council's programme for capital investment, and we value the information and assurances we receive from our Section 151 Officer in each committee meeting.

The presentation we received in our [October](#) meeting is available [here](#).

### Draft Statement of Accounts 2022/23

Each year our committee plays an important role in reviewing the Draft Statement of Accounts of the Council, Harbour Authority and Pension Fund.

We reviewed these accounts in draft in [July](#) following which we received the Audited Statement of Accounts 2022/23 for [Cardiff & Vale of Glamorgan Pension Fund](#) in [October](#) with an unqualified audit opinion.

We will receive the outcome and certificate from the audit of the Statement of Accounts for the Council and Harbour Authority when the audit has been completed.

## Corporate Reviews

We considered two corporate reviews of systems of governance, performance and risk management, and control.

The reports were presented by the Council's Corporate Directors (Chris Lee and Sarah McGill), Gareth Newell (Head of Performance and Partnerships) and Dylan Owen (Operational Manager, Policy and Improvement)

### Council Control Environment

Our Committee received a [report](#) outlining the Council's performance and assurance frameworks, centred around the systems of governance, risk management and internal control for the Council overall. This comprised the Council's planning and performance framework, senior management assurance processes and review arrangements, independent assurance arrangements, and risk management arrangements.

The overview consolidated the positions and views that we have received from individual Directors over the last financial year. We were advised that the key strategic challenges are:

- Managing a sustained increase in the complexity and scale of demand across Council services.
- Responding to workforce pressures that are impacting on all Council services.
- Continuing to respond to new and fast emerging risks.
- Ensuring continued financial resilience.

We were advised that through the Council's established arrangements to identify and manage service demands, risks, governance and assurance, the Senior Management Team will continue to lead a robust response to Council challenges, priorities and needs. We considered that the report was useful, honest and appropriately reflected in the overall self-assessment, as outlined below.

### Draft Year-End Annual Well-being (Self-Assessment) Report 2022/23

Our committee reviewed the Council's [draft Annual Self-Assessment report \(represented by the Annual Wellbeing report\)](#) during our meeting in July. The report outlined and evaluated the Council's performance and assurance frameworks, the arrangements in place to oversee and manage their effective application, and the reporting and improvement arrangements in place. In considering this report we reflected on the recommendations and observations that we made on last years' report, which we were satisfied had been sufficiently addressed in this year's report.

Following the meeting, we wrote a [letter](#) to the Leader of the Council and the Council's Corporate Directors advising that the overall view of our Committee arising from our review is that we are satisfied with the self-assessment process. We considered that a robust exercise had been completed in which duties have been sufficiently discharged.

We did not have any formal recommendations, but we raised some observations for the Council to reflect upon and consider, as future annual reports are prepared in the spirit of continuous improvement. We felt:

- The assessment is well structured whilst being based on a governance framework and reporting requirements that have inherent complexity. The report demonstrated clear corporate ambition but in some areas our Committee considered there was scope to make the outcomes of the assessment easier to identify and digest.
- There was a feeling that it would be a great pity if the undoubted success which was being achieved in delivering many of the planned outcomes became lost in the inevitable detail of such a wide-ranging report. In particular, it was felt that the most important ambitions and areas of performance could be more prominently highlighted within the report.
- Last year we referred to opportunities for some evaluative improvements in future years and we have seen evidence of this. However, we do consider that the conclusions against respective well-being objectives are drawn out to a greater extent in some areas than others.

There is evidence that careful attention has been given to the content and messaging of the report, and we encourage continued effort in future years. We do not underestimate the difficulty of striking the most appropriate balance between providing a focussed report, whilst also offering the necessary level of detail across the entire range of objectives.

## Annual Reports

### Governance and Audit Committee Annual Report 2022/23

We considered and approved our [Audit Committee Annual Report 2022/23](#) in our July meeting.

The report provides an overview of our work last year, including our key observations and opinion. Over the year we received a number of agenda items to deliver our role. An account of this work and its outcomes are included within our report. We also report how we have measured and assessed our performance to provide assurance to those placing reliance on our work.

Our considered opinion for the financial year 2022/23 is included in the report, which concluded 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 captured and reviewed on a regular basis.”

The report identifies that we will continue to seek particular ongoing assurance in Budget Management, School Governance & Compliance, Internal Control, Financial Resilience and Treasury Management.

I am looking forward to presenting our report to Full Council in the coming months.

### Internal Audit Annual Report 2022/23

We considered the [Internal Audit Annual Report 2022/23](#) in our July meeting.

The report provides a review of the internal control environment of the Council and the opinion of the Audit Manager, Chris Pyke. 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 report outlines the priorities and approach of the audit team, which were to deliver a combination of management support through consultation and engagement in high-risk areas, and to progress targeted assurance engagements from the Audit Plan.

The Annual Report sets out that, based on the programme of audit work undertaken to assess the framework and application of governance, risk management and control, the annual opinion for 2022/23 is ‘effective with opportunity for improvement’.

### Counter-Fraud Annual Report 2022/23

We considered the [Counter-Fraud Annual report](#) in our [October](#) Committee

This report provides a Council-wide appraisal of the counter-fraud issues, developments and outcomes in accordance with the Council’s Counter Fraud and Corruption Strategy.

We were advised that over the last year, focus has been given to maintaining a combination of effective preventative and detective controls, and participating in a breadth of counter-fraud networks, forums, initiatives and activities, in order to continue to effectively tackle fraud.

The report concluded with details of fraud measurement and assurance, and the priorities for the 2023/24, for which we will receive details of progress as part of our regular updates on counter-fraud from the Audit Manager.

## Audit Wales Reviews

We received a range of reports from the Council's External Auditor (Audit Wales) in our Committee meetings.

### Annual Audit Plans 2023

Audit Wales provided their [Draft \(outline\) Audit Plan 2023](#) for Cardiff Council in our July meeting. In this, Audit Wales set out how it is required (on behalf of the Auditor General for Wales) to:

- Audit Cardiff Council's financial statements to make sure that public money is being properly accounted for.
- Audit Cardiff Harbour Authority, Cardiff Port Health Authority, Glamorgan Archives Joint Committee and Prosiect Gwyrdd Joint Committee.
- Issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the associated Narrative Report and Annual Governance Statement are prepared in line with the CIPFA Code and relevant guidance and are consistent with the financial statements and their knowledge of the Council.
- Carry out a programme of performance audit work in relation to value for money and sustainable development. Cardiff's audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

After receiving a draft report in July, Audit Wales provided a final [Cardiff and Vale Pension Fund Audit Plan 2023](#) in our [October](#) meeting. In this, Audit Wales set out how it is required (on behalf of the Auditor General for Wales) to:

- Auditing Cardiff & Vale of Glamorgan's Pension Fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
- Certify whether Cardiff & Vale of Glamorgan's Pension Fund's financial statements are 'true and fair'.

We were advised that the audit work fulfils their responsibilities and responds to their assessment of risks. The audit approach focuses on addressing specific risks whilst providing assurance for the Pension Fund financial statements as a whole.

### Work Programme and Timetable Update

We receive regular updates from Audit Wales on their work programme, and the position and progress in respect of their audit studies. We are provided with links to completed Cardiff Council and national studies and details of relevant training, events and blogs. Our latest update is available [here](#).

### Annual Audit Summary Report

In July we received [The Annual Audit Summary 2022](#) from Audit Wales, which summarises the work they undertook during the year. During 2021-22 Audit Wales completed work to meet the following duties:

- **Continuous improvement:** The Auditor General assessed whether the Council had met its performance reporting requirements in relation to 2021-22. [The Auditor General certified that the Council had met its remaining Local Government \(Wales\) Measure 2009 duties for the financial year 2021-22, as per an order made under the Local Government and Elections \(Wales\) Act 2021.](#)
- **Audit of Accounts 2021/22:** The Auditor General audited the Council's financial statements to make sure that public money is being properly accounted for. [An unqualified true and fair opinion on the Council's financial Statements was provided.](#)
- **Value for money:** The Auditor General examined whether the Council has put in place arrangements to get value for money for the resources it has been using. [Their work focused on the following aspects of the Council's arrangements: \(1\) financial position; \(2\) implications of the Local Government and Elections \(Wales\) Act; and \(3\) carbon reduction plans. Their findings from this work are set out in their Assurance and Risk Assessment report.](#)

**Sustainable development principle:** The Auditor General assessed the extent to which the Council was complying with the sustainable development principle when setting and taking steps to meet its well-being objectives. [The auditor examined how councils are strengthening their ability to transform, adapt and maintain the delivery of services. Work focused on the Council's strategic management of its assets and workforce. They found that 'the Council has made valuable progress in developing its hybrid working plans. It has not developed its longer-term workforce plans nor the resources and governance arrangements to support their delivery, fully shaped by the sustainable development principle' and 'the Council 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'. Five recommendations were made in their Report.](#)

To meet the Auditor General's duties, Audit Wales completed specific projects, but also relied on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate).

## Ongoing Reviews

### Internal Audit

We receive an update on the work, initiatives and outcomes of Council's Internal Audit and Counter-Fraud services on a quarterly basis. We received the quarter one 2022/23 [Progress Update](#) in our July meeting.

### 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 at our meeting in [July](#). We were advised that further to the risks on the corporate risk register seventeen directorate risks have been escalated to Senior Management Team level primarily due to either mitigations being required from other directorates or a need to monitor the position so prompt corporate action is undertaken as and when required.

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.

### Senior Management Assurance Statements

The Council uses Senior Management Assurance Statements (SMAS) to assess governance maturity in application of the [Delivering Good Governance in Local Government' framework](#), developed by CIPFA / SOLACE.

Through the SMAS, each Director responds to 29 good governance statements using a 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. Prior to submitting their returns, each Director is required to obtain underlying assurances from their management teams to support a directorate-wide response to each statement.

There is an annual senior officer process to challenge and consolidate directorate responses into an overall Senior Management Assurance Statement, and to document and review associated significant governance issues.

The Annual Governance Statement includes an overall Senior Management Statement along with the statements from the Governance & Audit Committee and the Audit Manager. In July, we received an [update](#) on the SMAS and progress in preparing the Annual Governance Statement 2022/23, which we are due to receive in November.

### Complaints Handling

In our [October](#) Committee we received a report on [Council complaints and compliments](#).

Our Committee has a responsibility to review and assess the authority's ability to handle complaints effectively and make any associated reports and recommendations.

To assist us in our review we have been receiving updates led by Isabelle Bignall, Chief Digital Officer, on the roll out of a corporately owned system for Complaints, Cabinet Member Enquiries & Member Enquiries (Halo). The aim of the council-wide system is to improve the handling process, increase efficiency and provide corporate oversight of the complaints and member / cabinet enquiries across the organisation.

We have also received assurance on complaints handling arrangements from a recent internal audit, which reviewed corporately arrangements, and those in social services and Cardiff schools. The audit provided an opinion of effective with opportunity for improvement and raised five recommendations, all of which have been agreed by management and have responsible officers and target dates for implementation that we will monitor.

We also receive an annual report on Council complaints and compliments, which provides background data and information for our awareness.

## 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 considers relevant reports of how this is demonstrated.

In [October](#), our Committee received the draft [Treasury Management Annual Report 2022/23](#), prior to submission to Council. This is in accordance with our role to seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks. We regularly discuss and seek assurance on current economic conditions, at a time of high interest rates and inflation and the impact on borrowing and affordability.

## Recommendation Tracker – External Review Bodies

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 Prisons). The report contains a management update of how each recommendation is being addressed and if there is reporting to a relevant oversight board or committee.

Our latest update on the [Reports of External Review Bodies](#), was in [October](#).

## Networking

### Governance and Audit Committee All Wales Chairs' Network

We attend an annual Chairs' network, to meet with the Chairs of Governance and Audit Committees across the 22 local authorities in Wales. The events are coordinated by our Audit Manager with the Welsh Local Government Association (WLGA), in which we share best practice, receive professional advice, updates and guidance.

In October we met to discuss and receive items on:

- Risk Management (with attention given to a [Risk in Focus 2023](#) publication)
- The draft updated Internal Audit [Standards](#)
- Interpreting Local Authority Accounts.

The items were presented by Liz Sandwith, professional advisor for the Institute of Internal Auditors (IIA), Jen Bevan, Chartered Institute of Public Finance and Accountancy (CIPFA), Gareth Lucey (Audit Wales) and Joseph Lewis (WLGA).

Chris Burns and I both attended the event which we found invaluable, and we look forward to future opportunities to share knowledge, ideas and experiences with our peers and professional advisors on the delivery of our roles and the functioning of our Committees.

## About Us & Our Work

Governance	Internal Control	Finance	Risk Management	Performance
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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](#)