



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2016-17 City of Cardiff Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Steve Barry and Allison Rees under the direction of Huw Rees.

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Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Summary report

2016-17 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the City of Cardiff Council (the Council's) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the 'relevant regulators', is set out in [Exhibit 1](#).

The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.

Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection and publish a report and make recommendations; and
 - recommend to Ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Audit, regulatory and inspection work reported during 2016-17

Exhibit 1: audit, regulatory and inspection work reported during 2016-17

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

| Issue date | Brief description | Conclusions | Proposals for improvement |
|-------------------|--|--|--|
| Governance | | | |
| March 2017 | <p>Good governance when determining service changes</p> <p>Review of the Council's governance arrangements for determining service changes.</p> | <p>The Council has a clear framework for significant service change supported by improving governance, but arrangements could be more consistently applied:</p> <ul style="list-style-type: none"> the Council's Organisational Development Programme provides a clear framework to drive and shape significant cultural and service change; governance and accountability arrangements for significant service changes are clear and well-understood; the Council has a process for appraising significant service change proposals; however, this is not being consistently applied; the Council actively engages with stakeholders to inform decision-making; the Council routinely monitors its Organisational Development Programme, but evaluating the impact of individual service changes is less well-developed; and the Council is committed to strengthening governance and decision-making, and has responded positively to our audit reports. | <p>The Council's governance arrangements could be strengthened by:</p> <p>P1 Ensuring information supporting service change proposals consistently includes options and clearly sets out the method of appraising the options.</p> <p>P2 Explicitly setting out the arrangements for monitoring the impact of each service change.</p> |

| Issue date | Brief description | Conclusions | Proposals for improvement |
|---|---|---|--|
| Use of Resources | | | |
| November 2016 | <p>Annual audit letter 2015-16</p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in Appendix 2 of this report.</p> | <ul style="list-style-type: none"> The Council complied with its responsibilities relating to financial reporting and use of resources. We are satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. | None |
| March 2017 | <p>Savings planning</p> <p>Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p> | <p>The Council has a transparent and effective savings planning approach which supports financial resilience:</p> <ul style="list-style-type: none"> the Council has reported achievement of 80% of its planned 2015-16 savings in year and can demonstrate that individual savings have been achieved; the Council has effective financial planning arrangements; the Council forecasts it will achieve 80% of its 2016-17 planned savings and has contingencies in place to mitigate insufficiently developed plans. | <p>Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> ensuring that all savings proposals are fully developed prior to the start of the year with realistic timescales when the annual budget is set; developing an Income Generation/Charging Policy; and continuing to develop links between the Organisational Development Plan and annual savings. |
| Local risk-based performance audit | | | |
| December 2016 | <p>Review of Data Quality 2015-16</p> | <p>Overall, we found that the four indicators reviewed had arrangements that were fit for purpose which produced accurate end of year performance data.</p> | None |

| Issue date | Brief description | Conclusions | Proposals for improvement |
|---|--|---|---------------------------|
| July 2017 | <p>Can the Council demonstrate sufficient progress in meeting proposals for improvement made in February 2016?</p> | <p>The Council can demonstrate sufficient progress in implementing the 2016 proposals for improvement and is in the process of embedding new performance management and reporting arrangements, but a decline in the proportion of staff completing mandatory training in information confidentiality and data protection needs to be resolved:</p> <ul style="list-style-type: none"> • Leadership and Management: The Council has improved communication frameworks with staff. • Governance: The Council has implemented the majority of our proposals for improving governance. • Performance management, reporting and outcomes: The Council has implemented improvements to performance reporting and performance management and is in the process of embedding changes. • Corporate Enablers: The Council has made sufficient progress in addressing proposals for improvement across a range of corporate enabling functions but reported rates of completion of mandatory training in information confidentiality and data protection are declining. | None |
| Improvement planning and reporting | | | |
| April 2017 | <p>Wales Audit Office Annual 'Improvement Plan' Audit Review of the Council's published plans for delivering on improvement objectives.</p> | The Council has complied with its statutory improvement planning duties. | None |

| Issue date | Brief description | Conclusions | Proposals for improvement |
|--|---|---|--|
| November 2016 | Wales Audit Office Annual 'Assessment of Performance' Audit Review of the Council's published performance assessment. | The Council has complied with its statutory improvement reporting duties. | None |
| Reviews by Inspection and Regulation bodies | | | |
| July 2016 | Care and Social Services Inspectorate Wales (CSSIW) National review of domiciliary care in Wales – City of Cardiff Council | The report can be accessed via this link . | CSSIW did not issue any recommendations in this report but they did include 'areas for consideration'. |

Appendix 1

Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2

Annual Audit Letter

Reference: 1130.amh.cc.pb

Date: 30.11.2016

Councillor Phil Bale
Leader
City of Cardiff Council
County Hall
Atlantic Wharf
Cardiff
CF10 4UQ

Dear Councillor Bale

Annual Audit Letter – City of Cardiff Council 2015-16

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 30 September 2016 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee and the Council in my Audit of Financial Statements report on the 19 and 29 September 2016 respectively, and a more detailed report has also been issued.

Overall the statement of accounts and associated working papers provided for audit were of a reasonable standard. One of the more significant issues noted in my Audit of Financial Statements Report related to the identification of a number of prior years' creditors balances which hadn't been cleared when payments or adjustments had been made. Extended testing provided assurance that these balances were matched by debit entries to other codes and therefore the creditors balance in the accounts was materially correct. However, by not matching creditors and clearing, you increase the complexity of the year end reconciliation process and you also increase the risk that transactions may be included which are not true creditors. Officers have agreed to undertake an exercise to clear these old balances in 2016-17.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

I was unable to issue a certificate confirming that the audit of the accounts had been completed on 30 September 2016 as a number of questions were received from electors at the end of September. These issues are currently being resolved.

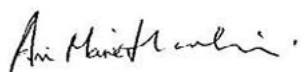
During the latter part of September I received a number of questions in respect of the Project Gwyrdd waste management contract and the Central Square Development. Due to the timing of these questions I was unable to issue a certificate of completion for the audit of the statement of accounts, although I was able to issue an unqualified audit opinion. I am currently working through the issues raised and expect to conclude this work shortly. I will discuss my findings with the Corporate Director of Resources.

My work to date on certification of grant claims and returns has not identified any significant issues that would impact on the 2016-17 accounts or key financial systems.

A more detailed report on my grant certification work will follow in 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be higher than the agreed fee set out in the 2016 Audit Plan due to the additional work that has been undertaken to respond to questions raised by members of the public. The final fee will be discussed and agreed with the Corporate Director of Resources.

Yours sincerely



Anne-Marie Harkin

For and on behalf of the Auditor General for Wales

Appendix 3

National report recommendations 2016-17

Exhibit 2: national report recommendations 2016-17

Summary of proposals for improvement relevant to local government, included in national reports published by WAO, since publication of the last AIR.

| Date of report | Title of review | Recommendation |
|----------------|---|---|
| August 2016 | <u>Financial Resilience of Local Authorities in Wales 2015-16</u> | <p>In our report of 2014-15 (The financial resilience of councils in Wales: April 2015), we made a number of recommendations for local authorities. Many of these recommendations remained relevant and required further work from authorities to address them during 2016-17. In addition, we also made the following recommendations based on our more recent review.</p> <p>R1 Local authorities should strengthen their financial-planning arrangements by:</p> <ul style="list-style-type: none"> • developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans; • aligning other key strategies such as workforce and asset management plans with the MTFP; • developing comprehensive multi-year fully-costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget; • categorise savings proposals so that the shift from traditional type savings to transformational savings can be monitored over the period of the MTFP; and • ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned. <p>R2 Local authorities should develop corporate Income Generation and Charging Policies.</p> <p>R3 Local authorities should ensure that they have a comprehensive reserves strategy, which outlines the specific purpose of accumulated useable reserves and the impact and use of these in the MTFP.</p> <p>R4 Local authorities should develop Key Performance Indicators to monitor the MTFP.</p> <p>R5 Local authorities should ensure that savings plans are sufficiently detailed to ensure that members are clear as to what the plans are intended to deliver and that the delivery of those plans can be scrutinised appropriately throughout the year.</p> <p>R6 Local authorities should ensure that corporate capacity and capability are at a level that can effectively support the delivery of savings plans in the MTFP at the pace required.</p> |

| Date of report | Title of review | Recommendation |
|----------------|--|---|
| October 2016 | <u>Community Safety in Wales</u> | <p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, Police and Crime Commissioners, Public Service Board members and local authorities.</p> <p>R1 Improve strategic planning to better co-ordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p> <p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focusses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> • setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services; • ensuring performance information covers the work of all relevant agencies; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny. <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through Public Service Boards in:</p> <ul style="list-style-type: none"> • developing plans and priorities for community safety; • agreeing priorities for action; and • reporting performance and evaluating impact. |

| Date of report | Title of review | Recommendation |
|----------------|---|---|
| November 2016 | <u>Charging for Services and Generating Income by Local Authorities</u> | <p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 required action from The Welsh Government and Welsh Local Government Association.</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the MTFP and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> • regularly reporting any changes to charges to scrutiny committee(s); • improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives; • benchmarking and comparing performance with others more rigorously; and • providing elected members with more comprehensive information to facilitate robust decision-making. <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p> |
| January 2017 | <u>Local Authority Funding of Third Sector Services</u> | <p>R1 To get the best from funding decisions, local authorities and third sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third sector bodies in developing their working practices, we recommend that the local authority and third sector officers use the <u>Checklist for local authorities effectively engaging and working with the third sector</u> to:</p> <ul style="list-style-type: none"> • self-evaluate current third sector engagement, management, performance and practice; • identify where improvements in joint working are required; and • jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation. <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p> |

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