



AUDIT COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON WEDNESDAY 9TH SEPTEMBER 2015 AT 10.00 AM

PRESENT:

Councillor D. Rees - Chair
Mr N. Yates - Vice Chair

Councillors:

Ms. L. Ackerman, Mrs E. Aldworth, D. Carter, N. Dix, C. Hawker, D. Havard, Ms J. Jones, Mrs G.D. Oliver and Mrs J.A. Pritchard.

Together with:

I. Davies (PriceWaterhouseCoopers LLP)

N. Scammell (Acting Director of Corporate Services and S151 Officer), S. Harris (Interim Head of Corporate Finance), G. Williams (Interim Head of Legal Services and Monitoring Officer), R. Harris (Internal Audit Manager), and C. Evans (Committee Services Officer).

1. COUNCILLOR J.A. PRITCHARD

Members welcomed Councillor Pritchard following her recent operation. In response, she thanked those present for the best wishes she received during her recovery.

2. APOLOGIES

Apologies for absence were received from Councillors Mrs K. Baker and W. David.

3. DECLARATIONS OF INTEREST

There were no declarations of interest made at the beginning or during the course of the meeting.

4. MINUTES – 10TH JUNE 2015

RESOLVED that, subject to it being noted that Councillors D. Havard and Ms. J. Jones were present at the meeting and were not recorded as such, the minutes of the meeting of the Audit Committee held on 10th June 2015 (minute nos. 1 - 14) be approved as a correct record and signed by the Chair.

REPORTS OF OFFICERS

Consideration was given to the following reports.

5. THE AUDIT OF FINANCIAL STATEMENTS REPORT

Mr I. Davies (Wales Audit Office) provided an overview of the report, which outlined the Auditor General's opinion on whether the financial statements gave a true and fair view of the financial position of Caerphilly County Borough Council at 31st March 2015, and its income and expenditure for the year then ended.

The draft financial statements were received for the year ended 31st March 2015, in accordance with the agreed deadline. At the date of writing the report, work was still to be completed in respect of Senior Office pay disclosures; Completion of work on valuation of property, plan and equipment including Council dwellings properties; Completion of testing of income and expenditure and balance sheet items; and Completion procedures and Management representation letter.

The report outlined the more significant issues arising from the audit, which is recommended for consideration prior to the approval of the financial statements. The audit team had already discussed these issues with the Acting Director of Corporate Services and S151 Officer and members of her team.

The Committee noted that, in previous years there have been significant adjustments required in order to correct the balance of property, plan and equipment within the statement of accounts, since this time, the Authority have introduced additional procedures to reduce the levels of errors in accounting for fixed assets. Work is still to be completed in this area, and Members noted that errors of previous scales have not been identified this year. However, a number of small errors were identified, details of which were outlined in the report.

A Member raised their discontent that the report was provided as an electronic version and paper copies provided at the meeting. Officers explained that the report was not available at the time of printing the Audit Committee papers and as a result was sent to Members as soon as was available, however, comments were noted and considered for the future.

Members discussed the report and the detailed outline of the financial statements, and a Member queried the capitalisation level for purchases. It was noted that there is a guide limit of £10k, however Members were advised that this is dependent on the type of spend and the enhancement of the asset.

The Audit Committee, in noting that this was Mr Davies' last meeting, thanked the Officer their work and support over recent years and wished him well for the future.

6. REGULATION OF INVESTIGATORY POWERS ACT 2000

The Interim Head of Legal Services and Monitoring Officer, provided Members with an overview of the report, which highlighted the number of covert operations undertaken by the Council in accordance with the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA).

It was reported that there were two RIPA operations undertaken by the Authority for the period April to August (inclusive).

Members discussed the report, and it was noted that covert surveillance under RIPA is not used for the purpose of Employee Surveillance, which is currently on hold. Members were also informed that the Council's Corporate RIPA policy is currently under review.

A Member sought further information on the outcomes of RIPA operations and reporting process. Officers highlighted that the large majority of covert operations undertaken were in relation to sale of alcohol and tobacco products to minors and often include test purchases. All applications are taken through the judicial process and an annual report on the outcome the operations is reported to the relevant Scrutiny Committee.

The Audit Committee thanked the Officer for the report and noted the contents.

7. UPDATE ON THE NUMBERS OF COMPLAINTS RECEIVED UNDER THE COUNCIL'S CORPORATE COMPLAINTS POLICY

It was agreed that the agenda item 13 titled Annual Review of Complaints Received Under the Council's Corporate Complaints Policy 1st April 2014 – 31st March 2015 (which was an information item) be brought forward for consideration with this item.

The report provided Members with an update on the number of complaints received under the Corporate Complaints Policy for the period mid January 2015 to 31st July 2015, any trends identified and actions taken and the use of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants.

The Officer provided an overview of the corporate complaints, which are one of the ways in which, the Council gains information on the level of satisfaction or dissatisfaction of the services provided corporately by the Council. The result of the monitoring enables each department to focus on areas of concern, to improve services and to monitor performance and ensure that any trends in issues raised are identified and dealt with so as to be avoided in the future.

The report provided members with the total number of corporate complaints received across the Authority during the period and noted it as 129. The number of complaints upheld for Housing at Stage 2 included a significant number of complaints relating to recharges. These complaints have been analysed within the Housing division and as a result, a new recharge policy was introduced and implemented from April 2015. The new policy incorporates a revised appeals procedure and it is anticipated this procedure will provide a more streamlined and uniformed approach to the consideration of recharge appeals, with the inclusion of a Review Panel as the final part of the process.

Members noted that the number of complaints not responded to within the timescales has slightly increased when compared with the data from March 2015 (from 9.4% to 9.7% for stage 1 complaints and 3.2% to 4.2% for stage 2 complaints). There has been an overall increase of 0.3% (from 7.6% to 7.9%) of complaints dealt with outside timescale. The response times will continue to be monitored and a further update will be provided in the next 6 monthly report.

The Committee thanked the Officer for the report and discussion ensued. Members discussed the implementation of the Recharge Policy and sought further information on the Communication conducted with tenants. Officers highlighted further details could be obtained from Housing Officers, however it was noted that tenants have been made aware through communications with staff and information posted on the Internet.

Members discussed recent complaints and raised particular concern in relation to a Housing complaint that had reached the Ombudsman. Members were assured that, since this complaint, the recommendations made by the Ombudsman have been met and significant

improvements have been made to internal processes, training and record keeping.

The Vexacious Complaints Policy was discussed and it was noted that, whilst it has been in place for 2 years, it has become evident that it is not fit for purpose and therefore will be reviewed in coming months.

The Committee discussed the report and sought queried the term 'Partially Upheld complaints'. It was noted that a partially upheld complaint means that part of the complaint has been accepted and processed as a complaint. It was agreed that examples/ case study of Partially Upheld complaints would be brought to the next Committee for further clarification.

Finally, a Member raised concern that a report had taken over 12 months to be referred from Audit for addition on the Policy and Resources agenda. Members felt that this was not an acceptable time and that reports from the Audit Committee should be considered by Scrutiny as a matter of priority. Officers agreed to provide a report at the next meeting, highlighting the process, any failings and an explanation of the current constitutional arrangements

8. WAO REPORT – THE FINANCIAL RESILIENCE OF COUNCILS IN WALES

The report, produced by the Wales Audit Office (WAO), provided information on the financial resilience of Council's in Wales, following a review of all 22 Local Authorities in Wales.

The financial resilience review report reflected findings from reviews carried out on the 2014/15 financial planning period, the delivery of 2013/14 financial plans and the financial performance track-record of 2011/12 and 2012/13. Each Authority also received an individual financial position assessment report and it was noted that the report for Caerphilly CBC is included separately on the agenda.

The review considered the management and planning arrangements to support financial resilience at each Council and how councils plan and then deliver their budget commitments. Comparisons were also drawn with the experience of English Council's, based on similar analysis conducted in 2013/14 by Grant Thornton. The report identified some key lessons to support Welsh Council's in becoming financially resilient in the future

Members thanked the Officer for the report and discussion ensued. Concerns were raised about the strength of the finance team in order to deal with cuts. Members were assured that, whilst there is a significant challenge ahead, careful planning is in place to focus on service provision and avoid destabilisation.

Members discussed Income Generation and it was noted that it was a complex area, however more detailed field work is being conducted to determine whether there were any liable options that CCBC could explore.

Finally, Members were asked to note that the report is dated incorrectly and should be noted that it is relevant for the period of April 2015.

9. WAO REPORT – FINANCIAL POSITION ASSESSMENT, CAERPHILLY COUNTY BOROUGH COUNCIL

S. Harris, Interim Head of Corporate Finance, presented the Audit Committee with a report produced by the Wales Audit Office (WAO) following a financial position assessment undertaken for Caerphilly CBC.

During the period May to August 2014, the WAO examined Authorities' financial positions and how they are budgeting and delivering required savings. The report considered whether

Authorities have robust approaches in place to manage the ongoing budget reductions, to secure a stable financial position that will enable them to continue to operate for the foreseeable future. The focus of the work was on the 2014/15 financial planning period. In order to inform views on the planning for and successful delivery of budgets, the review also considered track records for the previous financial years 2011/12 to 2013/14.

The work focused on whether Council's were managing budget reductions effectively to ensure financial resilience. The WAO report set out conclusions on both track record and future prospects. Following from the review, Caerphilly received 2 proposals for improvement:

1. The Council should ensure that its priorities and improvement objectives are explicitly taken into account when determining its savings plans;
2. The Council should continue to develop the framework to formally monitor the delivery of savings and report to Members. This is becoming increasingly important as the Council faces more difficult savings requirements.

Members thanked the Officer for the report and consideration was given to the impact of the savings proposals on both services and service users. Officers highlighted that, as a result of the proposals and in order to monitor the impact of the savings on service users, Managers across the Authority are being asked to conduct qualitative reviews and report the outcome.

The Committee discussed the Reserves Account and it was noted that this has reduced as a result of unexpected pressures during the financial year, as a result, a number of Invest to Save prospects are no longer available. It was agreed that an updated Provisional Report would be circulated to Members following the meeting.

The Audit Committee noted the report.

10. INTERNAL AUDIT SERVICES: ANNUAL OUTTURN REPORT 2014/2015

The report provided Members with details of the work carried out by Internal Audit Services during 2014/2015.

It is a requirement both of the Public Sector Internal Audit Standards and the Council's own Financial Regulations that an annual audit activity plan is prepared to ensure that there is an effective and efficient use of audit resources. In addition to producing the audit plan, it is also a requirement that the Internal Audit Manager produces an annual report on work carried out by Internal Audit Services during the financial year.

The report provided a detailed summary of the activities Internal Audit was involved in during the year, which included the internal audit review of Local Service Board and Regional Development Plan grants, conducting Audit visits to Local Authority establishments, Assisting Caerphilly Homes with the stocktaking at the Council's stores and assisting with the introduction of new procedures, Audits of Contractors final accounts and involvement in the development of new and existing systems and procedures. Additionally, Internal Audit staff continued to provide and support staff on Standing Order for Contracts, Financial Regulations and financial best practice including tailored training or instruction as and when required.

Members thanked the Officer for the detailed report and sought further information on the Audit and follow up process. The Officer highlighted that, following the initial Audit, an action plan is agreed with the appropriate service manager and a review mechanism is in place to monitor the satisfactory completion of the agreed actions. In the situation where it is felt that satisfactory progress has not been made with the implementation of the agreed actions an escalation process allows reporting of concerns to the Director/ S151 Officer and in some cases the Audit Committee. It was noted however, that there is a different process in place

for schools, in which the follow up meetings would be conducted with School Governors.

Members discussed staff sickness within Internal Audit and queried whether agency staff had been considered. It was noted that, due to the nature of the department and the work, it was difficult to recruit agency staff on a short-term basis. However, for significant periods of long-term sickness, it would be considered.

Members discussed the Local Authority savings requirements and, having recognised the significant role that Internal Audit Services play, sought assurance that there would be no cut to staff within the team. Officers acknowledged the work of the Internal Audit Team to be an integral service to ensuring that there are robust procedures and policies across the Authority and assured Members that there are no planned reductions to the team in 2016/17 or 2017/18.

Audit Committee noted the report.

11. AUDIT COMMITTEE FORWARD WORK PROGRAMME

The Forward Work Programme up to September 2016 was presented for Member consideration. It was noted that additional updates on Business Continuity Arrangements, Annual Governance Statement and Corporate Risk Register are to be scheduled for future meetings.

Having fully considered its content the Audit Committee noted the Forward Work Programme up to September 2016.

12. INFORMATION ITEMS

The Committee received and noted the following information items:-

- (1) Audit of Caerphilly County Borough Council's 2015-16 Improvement Plan.
- (2) Officer's Declarations of Gifts and Hospitality.
- (3) Annual Review of Complaints Received Under the Council's Corporate Complaints Policy 1st April 2014 to 31 March 2015 – was taken in conjunction with agenda item 6 – Update on the Numbers of Complaints Received under the Council's Corporate Complaints Policy.

The meeting closed at 11.44am.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 9th December 2015, they were signed by the Chair.

CHAIR