



AUDIT COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON TUESDAY 10TH APRIL 2018 AT 2.00 PM

PRESENT:

Councillor M.E. Sargent – Chair
N. Yates – Vice Chair

Councillors:

Mrs E. Aldworth, D.T. Davies, C. Elsbury, D. Hardacre, Ms T. Parry, G. Simmonds and J. Simmonds.

Together with:

G. Hawkins (Grant Thornton) and G. Jones (Wales Audit Office).

S. Harris (Interim Head of Corporate Finance), D. Gronow (Audit Group Manager), R. Hartshorn (Head of Public Protection) and C. Evans (Committee Services Officer).

1. APOLOGIES

Apologies for absence were received from Councillors Mrs A. Gair, Ms J. Gale and Mrs B. Miles.

2. DECLARATIONS OF INTEREST

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

3. MINUTES – 30TH JANUARY 2018

RESOLVED that, subject to it being noted that at Minute 9. Audit Committee Forward Work Programme should reflect that Members requested that items be presented to the Committee on Customer Services, Procurement and Corporate Property at the next meeting, the minutes of the meeting of the Audit Committee held on 30th January 2018 (minute nos. 1 - 10) be approved as a correct record and signed by the Chair.

REPORTS OF OFFICERS

Consideration was given to the following reports.

4. CERTIFICATION OF GRANTS AND RETURNS 2016-17 – CAERPHILLY COUNTY BOROUGH COUNCIL

The report, which was presented in January 2018 provided the Audit Committee with an updated report and summary of the results of work on the certification of the Council's 2016-17 Grants and Returns.

The Committee were asked to note that Gwent Frailty Partnership (HLG01), at page 19 of the pack has been updated, as the original figure was incorrect based on what was invoiced and has since been updated.

The Committee thanked the Officer for the updated report and discussion ensued.

A Member sought an update on the recommendations and Officers assured Members that Management have accepted the recommendations and training has been provided to staff. In addition, it was noted that a follow up will be undertaken later this year to ensure systems have been implemented.

Discussions took place around the timely receipt of claims, and it was noted that whilst in one instance the information had been completed in a timely manner it had not been sent to the External Auditor on time. However, Members noted that there was no penalty associated with this error.

Members thanked the Officer for the report and requested that a cover report be provided should there be further amendments.

5. CORPORATE RISK REGISTER MONITORING (Q3 – 2017/18)

The report, which was considered and approved by Cabinet on 14th February 2018 provided Members with an update on the Corporate Risk Management Register.

The report outlined that Members have a critical role to play in evaluating the Council's Risk Management arrangements and in particular understanding how the Council identifies, manages and, where possible, mitigates/removes risk. Risk Management is crucial to the effective delivery of Council services.

Under the Council's Risk Management Strategy, the Corporate Management Team (CMT) monitors the Council's Corporate Risks and Audit Committee have the role of reviewing and challenging the risk register and where relevant, resultant actions plans, for the Council's key strategic and corporate risks.

Audit Committee noted that the role of Cabinet has been formalised and Cabinet will receive six monthly progress reports on the Corporate Risk Register. The Risk Register was reviewed and updated by CMT on 7th December 2017 and the changes made were summarised in the table in 4.4 of the report.

The Committee discussed the Risk Reporting process and expressed concerns that the current register being reported is out of date, as another version is being finalised and requested that consideration be taken in relation to aligning the reporting process so that the Committee has up to date information. Officers explained that, due to the change in Audit Committee dates and a cancellation of CMT, it has had an impact on the reporting process, however this will be considered for future reporting dates. Members were also asked to note that there had been no significant changes since December, with the exception of changes to narrative within the WHQS risk.

Members discussed the WHQS programme and raised concerns about meeting target deadlines, and number of tenant refusals. Officers explained that following the Wales Audit Office review, a Task and Finish Group was set up, the progress of which will be reported to

Policy and Resources Scrutiny Committee. In addition, Members were asked to note that there was a commitment made that 75% of internal works and 40% of external works would be completed by March, which has been exceeded.

Following discussion, it was agreed that the Chief Housing Officer be invited to the next available meeting in order to provide a progress report and offer assurances on the programme.

The Audit Committee thanked the Officer for the report and noted its content.

6. OUTCOME OF EXTERNAL PEER REVIEW ON COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT

The report provided the Committee with details of the outcome of the external peer review on compliance with the Public Sector Internal Audit Standards (PSIAS).

The Chartered Institute of Internal Auditors (IIA) Public Sector Internal Audit Standards (PSIAS) require that both internal and external assessments are undertaken periodically with the external assessment being undertaken at least every five years.

At its meeting on 14th December 2016, the Audit Committee was presented with details of the internal self-assessment against the Standards. The process of undertaking the internal review highlighted a number of actions for consideration, but the overall outcome was that the main areas in the Standards were well covered and no fundamental issues were outstanding.

The Audit Committee was advised at that time that the self-assessment would be subject to an external review and that a further report would be presented at a later date providing details of the outcome.

The Audit Committee thanked the Officer for the report and discussion ensued.

A Member, in noting that within the nationally agreed checklist, there are approximately 300 best practice elements with less than 30 non-conformances identified, queried the number identified as non-conformances for Caerphilly CBC. Officers explained that, in line with the national checklist, there were approximately 10% identified, however, some of which were very minor and others don't apply to Caerphilly CBC.

The Committee discussed the Auditor conducting the review and it was noted that the Auditor works across both Monmouthshire County Council and Newport City Council. In addition, Members were assured that any follow up reviews will be conducted by an Auditor from another Authority, in the interest of transparency.

Officers explained that there is a requirement to review the Audit Charter, which will be presented to the Committee for consideration in the New Year.

Following consideration and discussion, it was moved and seconded that the recommendations in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that for the reasons contained in the Officer's Report that:

- (i) the actions arising from the internal and external assessments as detailed in Appendix 1 of the report; and
- (ii) the progress report be presented to the Audit Committee in April 2019.

7. INTERNAL AUDIT SERVICES ANNUAL AUDIT PLAN

The report sought the approval of the Internal Audit Services Annual Audit Plan for the 2018/19 financial year.

The report provided Members with details of the planned work programme for Internal Audit Services for 2018/19 and outlined the intended allocation of audit time for the financial year ending 31st March 2019.

The Public Sector Internal Audit Standards (PSIAS) and the Council's own Financial Regulations require that an annual Audit Plan should be prepared to ensure that there is an effective use of audit resources. The 2018/19 Annual Plan is broadly based on the effective and efficient use of audit resources and an ongoing assessment of risk, which makes use of data gathered from various sources including senior management, the authority's risk register, Heads of Service and Members. The purpose of an Annual Plan is to outline the resources available and set out the intended allocation of audit time for the forthcoming year. Actual work carried out will be regularly assessed against the Plan and the Audit Committee will receive a mid-year progress report.

Following on from recommendations made by the Authority's External Auditor the Plan has been split on a quarterly basis to show available man days per quarter. This has been based on the full-time equivalent (FTE) head count of staff and current working patterns as some staff have flexible working arrangements.

A larger proportion of annual leave days have been allocated to the traditional summer holiday period (01.07.18 to 30.09.18), but other overheads have been estimated to arise evenly over the period. These include sickness absence which has been estimated at the rate of 1.5% of available days. It also includes other managerial provisions including audit planning, servicing the Audit Committee and corporate governance. Obviously there may be variances in these overheads due to unforeseen events such as long term sickness or other staffing changes which will affect the number of available man days that can be allocated to audit assignments.

The Committee thanked the Officer for the report and discussion ensued.

A Member, in noting the reduction in FTE staff since 2017/18, following approval of a flexible working request, queried the impact on the team. Officers explained that work has been redistributed across the team, which is being managed. Should there be any significant impact on the team and workloads, this will be reviewed.

Members had consideration for the planned Audit days, which was provided at Appendix 1 of the report and sought comparative data from the previous year. Officers agreed to email the Committee with the data following the meeting.

A Member discussed Audits within schools and it was noted that not all schools have been scheduled to be audited. Officers explained that Comprehensives, due to their size are audited on a 2-3 year basis, Primary Schools are audited on a 3 year cycle. Members were assured that, should there be any concerns or issues raised, shorter timescales and follow up meetings would be arranged in order to deal with and mitigate risks.

Members discussed the number of days taken to deal with returned cheques. Officers explained that there is a strict process of checks and balances in place in order to ensure that correct payments are made, as a result, if cheques are misdirected etc, this can be a time consuming process. Officers assured Members that there is a software package used (AP Forensics) which helps to avoid duplicate payments, and this has been very effective to date. Should a duplicate cheque be cashed, there is a process in place to collect the overpayment, which can be escalated to debt collection, should it be required. Members thanked the Officer for the details and requested a report on the AP Forensics software, its function and performance.

Following consideration and discussion, it was moved and seconded that the recommendations in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that for the reasons contained in the Officer's Report, the Internal Audit Services Annual Audit Plan for the 2017/18 financial year be noted and approved.

8. 2018 AUDIT PLAN – CAERPHILLY COUNTY BOROUGH COUNCIL

G. Hawkins (Grant Thornton) presented the financial aspect of the 2018 Audit Plan and G. Price (Wales Audit Office (WAO)) presented the performance aspects of the Plan.

The Committee noted the objectives of the Audit Plan and the duties of the Auditor General in respect of his duties under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice. The purpose of the Audit was to examine and certify whether the financial statements are "true and fair", assess whether proper arrangements for securing economy, efficiency and effectiveness in the use of resources have been made; Audit and assess whether Caerphilly County Borough Council (CCBC) have discharged duties and met requirements of the Measure; and undertake studies in order to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.

The Audit Committee noted the extensive work that would be undertaken during the Audit in order to determine any areas of material misstatements, the fees associated with the task, as well as the findings following the Audit and the certificate that would be issued following its satisfactory completion.

The Audit Committee invited Mr Price (WAO) to present the report on the Performance Audit.

Members noted that as it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 will no longer apply to Councils, this will result in a minimised focus on the process of improvement planning. However, there is still a need to balance the existing, new and proposed statutory duties with the need to undertake meaningful, risk based and proportionate audits and assessments.

The Committee noted that, whilst the Measure will not be the basis for future audit work, in 2018-19, and subsequent years, the focus of the local performance audit programmes will be more clearly aligned to the discharge of the Auditor General's Public Audit (Wales) Act 2004 duty.

In 2017-18 the first work was undertaken under the Wellbeing of Future Generations (Wales) Act 2015, the Year One Commentary. This work sought to identify how public bodies are beginning to respond to the Act and share emerging practice. The 2018-19 programme will include the first examinations to be carried out under the Act. These examinations will assess the extent to which Local Authorities are applying the sustainable development principle when taking steps towards meeting their well-being objectives.

It was noted that the Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. Exhibit 3 of the report provided the Committee with a summary of the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

In the spring of 2018 consultation work will be undertaken on the forward programme of studies across all sectors and feedback and views are welcomed on the main focus areas for the national reviews when the consultation is launched.

Members noted that in 2016-17 three national reports were published relating to local government fieldwork will be undertaken for a further three reports during the summer and autumn of 2018.

The Audit Committee thanked the Officer for the detailed report and noted its content.

A Member queried the anticipated reporting process for this coming year. It was confirmed that the reporting process will aim to be consistent with that of previous years.

Members discussed the legislative changes and implications on the Auditing process. Discussions took place around the Wellbeing of Future Generations Act and it was noted that there are key indicators identified in the form of Wellbeing Objectives, however, the Committee were assured that further details would be provided at a later date.

The Audit Committee thanked the Wales Audit Office and Grant Thornton for the detailed report and noted its content.

9. AUDIT COMMITTEE FORWARD WORK PROGRAMME

The Forward Work Programme, up to October 2018 was presented to the Audit Committee for Member consideration. It was noted that the document is a working document and is regularly updated when additional reports are identified.

Members noted that the next meeting will consider the accounts and financial matters, including the External Auditor's ISA260 Report.

Following previous discussions in which the Committee would like to invite Officers from Procurement, Customer Services and Housing, it was agreed that Procurement would be invited to the next meeting, Officers from Customer Services and Housing would be invited to attend the meeting in October.

The Committee discussed a report on the Audit Charter and Officers suggested that this be presented in January 2019.

The Audit Committee noted the Forward Work Programme and additions.

10. INFORMATION ITEMS

The Committee received and noted the following information items:-

- (1) Officers Declarations of Gifts and Hospitality – October to December 2017.
- (2) Regulation of Investigatory Powers Act 2000.

The meeting closed at 3.03pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 24th July 2018, they were signed by the Chair.

CHAIR