



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON WEDNESDAY 14TH DECEMBER 2016 AT 10.00 AM

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#### PRESENT:

Councillor D. Rees - Chair

#### Councillors:

Mrs E. Aldworth, Mrs K. Baker, Ms. J. Gale, C. Hawker, Mrs J.A. Pritchard and J. Simmonds.

#### Together with:

L. Brown (Grant Thornton), G. Hawkins (Grant Thornton), N. Jenkins (WAO).

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), S. Harris (Interim Head of Corporate Finance), R. Harris (Internal Audit Manager), R. Roberts (Performance Manager) and C. Evans (Committee Services Officer).

#### 1. APOLOGIES

Apologies for absence were received from J. Bevan, D.G. Carter, Ms J. Jones, Mrs G.D. Oliver and Mr N.D. Yates.

#### 2. DECLARATIONS OF INTEREST

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

#### 3. MINUTES – 14TH SEPTEMBER 2016

RESOLVED that the minutes of the meeting of the Audit Committee held on 14th September 2016 (minute nos. 1 - 9) be approved as a correct record and signed by the Chair.

#### REPORTS OF OFFICERS

Consideration was given to the following reports.

#### **4. WAO REVIEW OF ARRANGEMENTS TO ADDRESS EXTERNAL AUDIT, INSPECTION AND REGULATION RECOMMENDATIONS AND PROPOSALS FOR IMPROVEMENT – CAERPHILLY COUNTY BOROUGH COUNCIL**

The report, which was presented to Cabinet on 19th October 2016 provided details of the Wales Audit Office (WAO) report on its review of arrangements to address external audit, inspection and regulation recommendations and proposals for improvement of Caerphilly CBC.

In the 2015-16 Audit Plan, the WAO identified that they would assess the Council's progress in implementing recommendations from their previous work. As part of this follow-up work, they stated they would seek assurance that the Council has appropriate corporate processes for responding to their reports, tracking implementation of their recommendations and reporting this to the appropriate committee. The WAO did this by undertaking specific follow-up work to determine progress in addressing the recommendations made in areas for improvement arising from the Special Inspection Report, the Follow-up of the Special Inspection and previous audit work relating to:

- Self-evaluation
- HR and Workforce planning
- Internal Audit
- Scrutiny

The review concluded that the Council's response to their recommendations and proposals for improvements is supporting improvement in its self-evaluation and scrutiny arrangements, but further work remains to fully address weaknesses in Internal Audit and Human Resources, some of which are longstanding. When presenting the report the WAO acknowledged that work to address the long standing areas had progressed significantly since the report was produced.

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

A Member raised concerns with regards to the Workforce Development Policy and the potential impact on the Medium Term Financial Plan. Concerns were raised that, under the austerity measures, there is a need to reduce posts where possible, however, there is also a significant need for qualified staff in key roles, in order to ensure that Services can run effectively. Officers explained that vacancy savings are reducing and will play a less significant part in savings proposed in future years.

Members discussed Scrutiny and the recommendations to improve effectiveness of Scrutiny within the Authority. Concerns were expressed that there are still improvements required in terms of effective challenge, provision of feedback following decisions and a Member queried whether PDR's are being conducted for Cabinet Members. Officers recommended that Members highlight their concerns regarding Scrutiny with the relevant Chairs or Head of Democratic Services, in order that this can be addressed at the correct forum. In addition, it was noted that PDR's are being conducted for Cabinet Members, as well as Chairs and Vice-Chairs of Committees, however, further clarification would be provided to Members following the meeting.

Following consideration and discussion, it was moved and seconded that the recommendation 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: -

- (i) the Officer responses to the WAO proposal for improvement as detailed in Appendix 2 (Management Response) of the report be noted;

- (ii) the monitoring arrangements, as outlined in paragraph 4.3 of the report be agreed, with the addition that minutes from the Corporate Governance Panel also be reported to Cabinet

## **5. REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE**

The report provided members with an update on progress against the proposals made by all regulators since the last Audit Committee update (May 2016).

Since May 2016 there have been 9 proposals addressed and 6 new proposals added onto the register. In addition, there have been 3 Areas for Improvement (AFI's) from the Care and Social Services Inspectorate of Wales (CSSIW) since the last update but these have already been addressed.

The Committee noted that 2 new reviews have been conducted by the Wales Audit Office, which include Financial Resilience (local) Report (May 2016) and the Leisure Review (May 2016), which came onto the Cabinet Programme in June and are now featured in this progress update. CSSIW carried out a national review with a local output called 'National review of care planning for children and young people subject to the Public Care Outline proceedings' which is yet to be published. There were no formal recommendations made for Caerphilly at the end of the fieldwork stage of the review.

Audit Committee were asked to consider that there are currently 20 proposals on the register, 9 of which are recommended for closure which would leave 11 outstanding.

Members thanked the Officer for the report and discussion ensued.

A Member raised concerns at the length of time in which some of the recommendations are on the register. The Officer highlighted that there are 2 remaining on the register, which include the Asset Management Strategy and Customer Services Review. Members were asked to note that there was considerable deliberation as to whether an Asset Management Strategy was required, and as such, this had caused delay, however, the Strategy is now in place, and therefore the proposal is recommended for closure. With reference to the Customer Services review, the review was conducted approximately 4-5 years ago, however, upon completion, there were a number of considerations to be made relating to the Medium Term Financial Plan. With this in mind, Members were asked to consider the changes and movement in Customer requirements and technological developments over recent years, which has superseded the outcomes of the review. Members were assured however, that the review would be completed next year.

Following consideration and discussion, it was moved and seconded that the recommendation 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 Audit Committee note the contents of the report and agree the closure of the proposals noted as 'recommended to be closed' within the Appendix of the report, be agreed.

## **6. ASSURANCE FRAMEWORK**

The report provided Audit Committee with a draft Assurance Framework and details of the purpose and structure of the framework and sought comments and feedback from the Committee on the draft framework.

In August 2016 the Wales Audit Office (WAO) issued a report on its review of arrangements within Caerphilly CBC to address external audit, inspection and regulation recommendations and proposals for improvement.

The WAO report contained a number of proposals for improvement, one of which was the following: -

*The Council should develop an assurance framework that sets out how it obtains assurance in relation to key risks from across the organisation.*

A draft assurance framework was appended to Audit Report for consideration and comment.

The Committee thanked the Officers for the detailed report and provided positive feedback on the detail and diagrams. Members were asked to note that the document is a live document and therefore is subject to change.

A Member sought clarification on the process in which the Framework had been reviewed. Officers explained that the document is in draft format at present and currently under consultation. Grant Thornton have had sight of the document and provided feedback albeit they cannot endorse or agree the report as they are our Auditors and any additional comments or amendments will be considered and implemented, prior to the final version being presented to Audit Committee in March 2017.

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

RESOLVED that for the reasons contained in the Officers report:

- (i) the feedback and comments of the Audit Committee be considered;
- (ii) the Corporate Governance Panel be responsible for keeping the Assurance Framework under regular review to ensure that it remains relevant and up-to-date;
- (iii) the Audit Committee be updated in respect of any changes to the Assurance Framework.

## **7. PUBLIC SECTOR INTERNAL AUDIT STANDARDS – UPDATE ON INTERNAL AND EXTERNAL ASSESSMENT OF INTERNAL AUDIT SERVICES**

The report provided Audit Committee with details of the outcome of the internal self-assessment, undertaken by Internal Audit Services, against the Public Sector Internal Audit Standards (PSIAS), along with an update on the arrangements for the external validation exercise that will be undertaken in March 2017.

It was noted that 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.

The report provided the Audit Committee with details of the key issues from the recently completed self-assessment and an update on arrangements for a peer review approach to external assessment.

Following consideration and discussion, the Audit Committee thanked the Officer for the report and noted its contents.

## **8. INTERNAL AUDIT SERVICES – MID-YEAR PROGRESS REPORT**

The report provided the Audit Committee with an overview of the work undertaken by Internal Audit Services in the first six months of the current financial year.

In August 2016 the Wales Audit Office (WAO) issued a report on its review of arrangements within Caerphilly CBC to address external audit, inspection and regulation recommendations and proposals for improvement.

The WAO report contained a number of proposals for improvement, one of which was to provide summary reports to the Audit Committee highlighting the findings from the work of Internal Audit during the year.

The report provided an overview of the work undertaken by Internal Audit Services in the first 6 months of the current financial year.

Members thanked the Officer for the report and discussion ensued. It was noted that an additional category would be added to the review. 'Unsatisfactory', which would now be a category for which there are a significant number of recommendations or issues identified for improvement.

A Member sought further information on the audits conducted on Wales Housing Quality Standard (WHQS). It was noted that Internal Audit Services conducted a desktop exercise, which considered the processes followed for procurement and business management. Tenant Satisfaction Surveys are conducted following the completion of works and regular updates are provided to the Caerphilly Homes Task Group and Policy and Resources Scrutiny Committee. Officers agreed to provide further details following the meeting.

The process for Returned Cheques were discussed and Members sought further information on the reasons for the returns and provided that there should be a more joined-up service or a central database to more accurately record client information across Service Areas. Officers explained that there are a number of reasons for the cheques being returned, which include incorrect address, wrong amount or invoice number and the cheques are all returned to Internal Audit, in order to conduct system cheques. The Officers took on board the feedback regarding a system and agreed to look into it, however it was noted that this would be difficult to implement across the Authority.

Discussions ensued around priorities for the department and, whilst Members were assured that there is an optimum number of staff with Internal Audit, the external pressures, such as budget cuts, increased workloads and changes in risks are considered carefully and planned accordingly.

A Member sought clarification on the work of Service Level Agreements (SLA's), with particular reference to issues and concerns raised within Schools following Audit. Officers explained that generally there is excellent best practice sharing and systems in place, however issues can arise as a result of staff changes or absences. Whilst a number of high level areas will be thoroughly checked and monitored, through the support of the SLA, areas such as the correct banking of School Dinner money or order raising may be over-looked. As a result, these get picked up by other departments within the Council, which will highlight to the Internal Audit Team and intervention is implemented.

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

## **9. AUDIT COMMITTEE FORWARD WORK PROGRAMME**

The Forward Work Programme up to June 2017 was presented for Member consideration. It was noted that the document is a working document and is regularly updated when addition reports are identified.

Having fully considered its detail the Audit Committee noted its content.

## 10. INFORMATION ITEMS

The Committee received and noted the following information items:-

- (1) Certification of Grants and Returns 2013/14 and 2014/15 – Caerphilly County Borough Council;
- (2) Annual Audit Letter – Caerphilly County Borough Council 2015-16;
- (3) IT Security and Governance Activity Update;
- (4) Regulation and Investigatory Powers Act 2000;
- (5) Update on the Number of Complaints Received Under the Council's Corporate Complaints Policy;
- (6) Officers Declarations of Gifts and Hospitality July to September;
- (7) Corporate Governance Panel Minutes – 15th April 2016;
- (8) Corporate Governance Panel Minutes – 19th September 2016.

The meeting closed at 11.31pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 8th March 2017, they were signed by the Chair.

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CHAIR