



## AUDIT COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD  
MYNACH ON WEDNESDAY 10TH SEPTEMBER 2014 AT 10.00 A .M.

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PRESENT:

Councillor D. Rees - Chair  
Councillor D. Havard - Vice Chair

Councillors:

Mrs E.M. Aldworth, Mrs K. Baker, D. Carter, N. Dix, C. Hawker, Mrs G.D. Oliver,  
J.A. Pritchard.

Lay Member - Mr N. Yates

Together with:

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), G. Hardacre (Head of Workforce and Organisational Development), C. Jones (Head of Performance and Property), S. Harris (Interim Head of Corporate Services), R. Hartshorn (Head of Public Protection), D. Jones (Health and Safety Manager), A. Price (Interim Deputy Monitoring Officer), D. Gronow (Service Auditor) and C. Evans (Committee Services Officer)

Also present:

Ian Davies, Lynn Pamment (PricewaterhouseCoopers)

### 1. APOLOGIES

Apologies for absence were received from Councillors J. Fussell, N. George and S. Morgan.

### 2. DECLARATIONS OF INTEREST

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

### 3. MINUTES - 11TH JUNE 2014

RESOLVED that the minutes of the meeting of the Audit Committee held on 11th June 2014 (minute nos. 1 - 17; page 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. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000**

Angharad Price, Interim Deputy 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.

It was reported that there was one RIPA operation undertaken by the Authority for the period June to end of August 2014.

A Member sought further details on the process and accountability. The Officer referred to the Corporate Policy, which outlines the process. The Monitoring Officer is in receipt of the applications and records their details. The Regeneration and Environment Scrutiny Committee are provided with details of the actions taken.

Members thanked the Officer for the report and noted its contents.

### **5. UPDATE ON THE IMPLEMENTATION OF THE COUNCIL'S CORPORATE COMPLAINTS POLICY**

Angharad Price, Deputy Interim Monitoring Officer, provided Members with a detailed report which updated on the number of complaints received under the Corporate Complaints Policy for the period February to mid July 2014 and sought the approval of Members that, in addition to the six monthly reports received, an Annual Report on the Corporate Complaints Policy be presented to the Audit Committee going forward.

The report provided the Audit Committee with an update on the use of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants and to monitor the corporate complaints received in order to provide information on the level of satisfaction of the services provided corporately by the Council.

Members noted that 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 and ensure that corporate complaints are dealt with consistently and fairly across all service areas.

Members thanked the Officer for the detailed report and sought further information on the complaints processes for Education and Social Services. The Officer highlighted that Schools and Social Services Departments hold separate Complaints Policies, which deal with complaints that are relevant to their service area only. Details of the complaints are reported to the Council and the Welsh Government.

Members requested that a report on the Complaints Processes within Education (relating to Schools) and Social Services Departments be presented to the Audit Committee.

Members raised concerns around the monitoring of the complaints. Officers assured Members that there are processes in place to effectively deal with these complaints, however, if a complainant is not satisfied that the complaint has been dealt with appropriately, they are entitled to contact the Ombudsman.

Following discussion, it was proposed that Members request Internal Audit Service to conduct a review on a random sample of complaints within the Social Services and Education Departments to ensure that the processes and procedures are being correctly followed.

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: -

1. Members noted the contents of the report and;
2. Members agreed that Committee will receive an Annual Report on the Corporate Complaints Policy following the expiry of the current year on 31st March 2015.

## **6. OFFICERS DECLARATIONS OF GIFTS AND HOSPITALITY**

Gareth Hardacre, Head of Workforce and Organisational Development, presented the report, which advised of the gifts and hospitality declared by Officers for the period 1st April to 30th June 2014.

Members were asked to note the list of Gifts and Hospitality received by Officers of the Council during this period, which was presented as Appendix A of the report. The Head of Workforce and Organisational Development would continue to monitor the returns and work with Heads of Service to improve their understanding and corporate compliance to the policy.

Members thanked the Officer for the report and discussion ensued. Clarification was sought on the Members Declaration process. Officers highlighted that the report demonstrated the declarations made by officers and separate process was in place for Members declarations. Members were asked to seek the advice of the Monitoring Officer or Democratic Services, if there were specific issues they would like clarified.

Following discussion, Members agreed that this item would be presented on future agenda's as an information item, and would be required to be called forward for discussion.

The Audit Committee noted the contents of the report.

## **7. BUSINESS CONTINUITY MANAGEMENT**

Robert Hartshorn, Head of Public Protection, and Donna Jones, Health and Safety Manager, provided the Audit Committee with an overview of the report, which updated on the Business Continuity Management Arrangements within the Council.

The Audit Committee considered the Business Continuity Management arrangements being implemented across the Council on the 5th March 2014. The report provided an update on the three-stage process.

Members were asked to note that Business Impact Analysis have been completed across the whole organisation. Risk Assessments have and are being undertaken, but due to the volume there has been some slippage against the anticipated timetable.

Donna Jones, Health and Safety Manager provided the Committee with details of the business continuity planning in schools, as requested by Members at the March meeting.

The report provided details of the lessons learned resulting from the situation at Cwmcarn High School. Members noted that the Education Directorate have reviewed their Emergency Planning and Education Continuity Arrangements and via the Health and Safety Division, have undertaken a programme of developing Emergency Response Plans for each school in the County.

The Chair thanked the Officers for the detailed overview of the Report and discussion ensued. Members sought further information on the Asbestos situations within the Schools across the Borough. Officers made assurances that there is not another school within the borough with Asbestos issues such as Cwmcarn, and further improvement works are being conducted within schools to reduce the risk further. Detailed registers of the location and nature of Asbestos are logged; both on a database and a register within schools and adequate budgets are available in order to tackle the issues.

Members raised concerns over the major server failure experienced throughout the Authority and the impacts on key and public services. Officers explained that upgrade works were planned over the course of a weekend, which took longer than anticipated. IT staff were working to ensure that key applications were online as quickly as possible to ensure business continuity, however, the incident did demonstrate the Authority's reliance on IT and a need to consider back up arrangements. It was noted that considerations on system sharing options are being considered with Newport City Council.

Members sought further information on the appendix and the "not completed" actions. Officers highlighted that there was a considerable amount of work to be conducted by members of the Emergency Management Team, as a result, it is anticipated that the Business Continuity Plans will be completed by 31st March 2015.

Following detailed discussions, Members were happy to note the contents of the report and requested an information report on the lessons learned and contingency plans for IT systems within Caerphilly County Borough Council.

## **8. ANNUAL FINANCIAL AUDIT OUTLINE**

Lynne Pamment, PricewaterhouseCoopers LLP (PWC), provided the Audit Committee with an overview of the report, which sets out for consideration, the matters arising from the audit of the financial statement of Caerphilly County Borough Council for 2013-14, that require reporting under ISA 260.

PWC are responsible for undertaking the financial statements audit work and provide an opinion on whether the financial statements give a true and fair view of the financial position of Caerphilly County Borough Council at 31st March 2014 and the income and expenditure for the year then ended.

Members noted that the draft financial statements for the year ending 31st March 2014 were received by PWC, the following areas of work were outstanding:

- Senior Officer pay disclosures
- Completion of work on valuation of property, plant and equipment including council dwellings properties-
- Completion of testing on certain income and expenditure and balance sheet items
- Whole of government accounts
- Completion procedures
- Management representation letter

The Chair thanked PWC for the detailed report and invited Nicole Scammell, Acting Director for Corporate Services and S151 Officer to provide comment on the outstanding items of work.

Members were asked to note that a meeting was held with PWC to discuss the findings within the report. The Auditors had highlighted that there were a number of assets that had not been formally valued in the last 5 years, they had however been uplifted for movements in building cost indices in previous years. Members were assured that the issue is being addressed.

In reference to Logotech, a fixed asset register system, which calculates the asset revaluation movement and depreciation charge for the year, the Auditors had identified issues with the calculation method used by the system. The Authority is in the process of querying these errors with the suppliers of Logotech.

Members queried the implications of the undervaluation identified by the Auditors. Officers assured Members that there was no financial impact to the Authority, in that it would not affect the Authority's ability to borrow or have implications on insurance premiums. The process is an accounting exercise, however, if the accounts do not quantify, it can reflect badly on the Authority.

The final statement of accounts is to be completed by 24th September in order to be presented at Council on 29th September 2014.

The Audit Committee thanked the Officers for the report and explanations and requested that feedback on the Logotech system outcome be reported back to the Committee.

## **9. AUDIT OF FINANCIAL STATEMENTS REPORT**

Lynne Pamment, PricewaterhouseCoopers LLP (PWC), provided the Audit Committee with an overview of the report, which outlined details of the Audit of Financial Statements by the Appointed Auditor.

Members noted that the external auditor conducted an Audit, the purpose of which was to examine and certify whether the financial statement of Caerphilly County Borough Council were 'true and fair' and assess whether proper arrangements for securing economy, efficiency and effectiveness of the use of resources are in place.

The Audit Committee noted the contents of the report.

## **10. CORPORATE RISK MONITORING**

Colin Jones, Head of Performance and Property, provided the Audit Committee with a progress update on the implementation of the Corporate Risk Register in accordance with the recommendations to Audit Committee at the meeting on 17th September 2013.

Members noted that, for some time Corporate Management Team (CMT) had identified and monitored the council's key corporate risks. Monitoring arrangements have been strengthened following the introduction of the Risk Management Strategy. CMT now monitor the Council's Corporate Risks on a monthly basis and report progress to Cabinet on a 6 monthly basis. A programme of Risk Management training has been introduced for members commencing with Audit Committee (30th October 2013). Cabinet Members have also received training.

Members thanked the Officer for the report and discussion ensued with Members seeking further information on the Risks within the Risk Register. Reference was made to the impact on Waste Management Service Continuity and Target Achievement and Members were asked to note that a consultation process has been conducted, the outcome and resolution for the collection prescription is to be determined by the Welsh Government. There is a potential for an increase in cost to the Local Authority to address the issues, however, further information would be provided to Members when available.

In reference to the Corporate Governance Arrangement, Members sought an update on the progress made to reduce the Risk to the Authority. Officers assured Members that significant changes have been made to the processes and procedures, as identified within the Corporate Governance Action Plan (CGI), which have contributed to the mitigation of Risks to the Authority.

Councillor Dave Rees requested further commentary in future reports on the high Risks within the Register, the impacts they could have on the Authority and the plans to mitigate the Risks.

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 Audit Committee accepts the Corporate Risk Register update as part of their ongoing commitment to regularly reviewing the register.

## **11. REVIEW OF RISK MANAGEMENT STRATEGY**

Colin Jones, Head of Performance and Property, provided the Audit Committee with an update on progress of the implementation of the Risk Management Strategy.

It was noted that, at its meeting on 17th September 2013, the Audit Committee accepted the Council's new Risk Management Strategy and supporting Guidelines, which were subsequently approved by Cabinet on the 2nd October 2013.

The report afforded the Committee the opportunity to satisfy itself that appropriate arrangements were in place for the council's risk management processes to be regularly and robustly monitored and scrutinised.

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.

The Audit Committee considered the report in detail and were assured that the Risks are considered at Management level, by Heads of Service and escalated to Corporate Management Team (CMT) and as a result, the Committee were satisfied that robust processes are in place to mitigate and manage the impact of Risk.

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: -

1. The Audit Committee noted the progress on the implementation of the Risk Management Strategy as described in paragraph 4.6;
2. The Audit Committee noted that a Risk Management Group has not been established, for the reason(s) described in paragraphs 4.4 and 4.5 and endorse this approach.

## **12. INTERNAL AUDIT SERVICES ANNUAL AUDIT PLAN**

Nicole Scammel, Acting Director of Corporate Services, and Deborah Gronow, Service Auditor, presented the Audit Committee with an overview of the report, which provided Members with an operational view of the Audit work plan for 2014/15 that was approved in March 2014.

The Internal Audit Section is required to present an annual audit plan to the Audit Committee, which outlines the deployment of staff on identified audit projects in line with available resources and operational priorities. In previous years the approach to the plan was broadly the same and the plan was based on a 5 year rolling plan based on Strategic Plan/ Risk Assessment previously approved by Cabinet. The 2014/15 Plan was presented and approved by the Audit Committee in this format in March 2014.

Members noted that the report outlined suggested changes following the Corporate Governance Inspection and as a result, the scope and focus of the plan was broadened. It is considered that this will be an evolving process and will develop further in future years.

The Audit Committee thanked the Officers for the opportunities to play a part in the change in the Internal Audit Process. The Committee raised concerns about the staffing levels within the Department and the increased workload as a result of the expanded scope.

In relation to Disclosure and Barring Service (DBS) checks, The Audit Committee discussed the requirement for Officers and School staff to obtain a check, and queried whether it was a requirement for Governors and the cost to the Authority. Officers clarified that there is a cost to the Authority for the checks, however schools may pay separately. It was added that the Wales Audit Office (WAO) have conducted a review of Safeguarding, the results of which are being finalized and Members would be updated accordingly.

The Audit Committee noted the contents of the report.

### **13. INTERNAL AUDIT SERVICES: AUDIT CHARTER**

Deborah Gronow, Service Auditor, provided Members with an overview of the report, which sought approval for the updated Internal Audit Charter.

The Public Sector Internal Audit Standards requires the Internal Audit Section to have a charter. The existing charter was revised and updated and the report outlined the revisions and updates that were made, along with the reasons for the revisions.

Members noted that the existing Internal Audit Charter, which was previously agreed by the Audit Committee and introduced in 2008, was need of updating. As a consequence of the introduction of the Public Sector Internal Audit Standards and to address an issue identified during the CGI review of Internal Audit Services, amendments required were to reflect changes in the focus and direction of internal auditing.

Members considered the report and appendices and sought further information around the relationship between the Chair of the Audit Committee and the Internal Audit Team, it was expressed that a close working relationship between the two parties was required in order to maintain effective services. Officers agreed with this and it was proposed that the wording within the Charter would be revised.

Following detailed consideration, the Audit Committee endorsed the revised Charter, with consideration for the amendment to wording and noted the report.

### **14. REVIEW OF TERMS OF REFERENCE**

Nicole Scammel, Acting Director of Corporate Services, provided Members with an overview of the report, which provided an opportunity to review the Terms of Reference for the Audit Committee. Members noted that this is a requirement following the implementation of the Local Government Measure 2011 and as a result of the Council's internal review of governance arrangements.

The Audit Committee considered and reviewed the previously agreed Terms of Reference, which were presented as an Appendix to the report.

Following detailed discussion and consideration, the Audit Committee was happy to endorse the Terms of Reference of the Committee and noted the report.

## **15. FORWARD WORK PROGRAMME**

Members considered the Forward Work Programme and reports scheduled for future meeting dates.

A member requested further details on the Corporate Engagement Strategy and how it implemented throughout the Authority for key issues. Officers highlighted that the request may be more appropriately discussed the Policy and Resources Scrutiny Committee. It was agreed that the Terms of Reference of the Committee would be clarified.

## **16. INFORMATION ITEMS**

The Committee received and noted the following information items:-

- (1) Internal Audit Services- Annual Outturn Report;
- (2) Certificate of Compliance for the Audit of Caerphilly County Borough Council's 2014-15 Improvement Plan;
- (3) Minutes of Corporate Governance Review Panel – 14th May 2014.

The meeting closed at 12.46 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 10th December 2014, they were signed by the Chair.

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CHAIR