



AUDIT COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE YSTRAD MYNACH ON WEDNESDAY 19TH JUNE 2013 AT 2.00 PM

PRESENT:

Councillor D. Rees - Chairman
Councillor D. Havard - Vice Chairman

Mrs. E.M. Aldworth, N. Dix, J.E. Fussell, S. Morgan, Mrs. G. D. Oliver, J.A. Pritchard,
R. Saralis

Lay Member - Mr. N. Yates

Together with:

N. Scammell (Acting Director of Corporate Services), S. Harris (Acting Head of Corporate Finance), R.M. Harris (Manager Internal Audit), G. Williams (Monitoring Officer - Interim), C. Jones (Head of Performance and Property), R. Roberts (Performance Manager), H. Morgan (Senior Committee Services Officer)

Also present:

Ian Davies (PricewaterhouseCoopers)
Non Jenkins, Jackie Joyce (Wales Audit Office)

1. **FORMAT OF MEETINGS**

Members were advised that as part of the revised governance arrangements and scrutiny improvement action plan there are proposals to reorganise the layout of committee meetings whereby the Officer presenting the report is invited to the table to address the report and respond to queries raised. This had been piloted at the Policy and Resources Scrutiny Committee and will be rolled out to other committees in due course. This would be adopted at the Audit Committee and would be in place for this, and future meetings.

In noting the timetable of meetings for the remainder of the year it was agreed that a special meeting be convened early in November.

2. **APOLOGIES**

Apologies for absence were received from Councillors Mrs. K.R. Baker, D.G. Carter and Mrs. D. Ellis and Sara-Jane Byrne and Lynn Pamment (PricewaterhouseCoopers).

3. DECLARATIONS OF INTEREST

There were no declarations of interest made at the beginning of the meeting. During part of the debate on the Draft Governance Statement both Mrs. Scammell and Mrs Williams declared an interest (as being part of the interim arrangements) and left the meeting during part of the debate.

4. MINUTES - 14TH MAY 2013

RESOLVED that the minutes of the meeting of the Audit Committee held on 14th May 2013 (minute nos. 1 - 5 on page nos. 1 - 6) be approved as a correct record and signed by the Chairman.

REPORTS OF OFFICERS

Consideration was given to the following reports.

5. RESULTS BASED ACCOUNTABILITY - PRESENTATION

Members received a presentation on results based accountability and its introduction, as a management tool that can facilitate collaboration. Ms. Roberts (Performance Manager) outlined how it can be developed and used at different levels throughout the organisation. They were reminded of the requirement of the Local Government Measure 2009 and of the scrutiny of the process that the authority has gone through in the discharge of the general duty to improve, the challenging of the status quo and of the different ways of thinking of options for delivery which can be achieved through outcome based activity. The advantages and disadvantages of the thinking and subsequent process were outlined.

It was explained that RBA is a way of thinking ("an ends to a means") and it starts with the end and works backwards. An organisation decides what it wants to improve then works backwards using a set of questions (toolkit) to structure thinking and turning thinking into action to improve outcomes. It helps identify partners who have a role to play and assist in the development of an action plan. Results based accountability is divided into two areas - population accountability (which focuses on communities or whole populations) and performance accountability (which relates to service performance and focuses on the customers or the service provided). It assists in understanding who is accountable and can measure different things for different reasons with different customer bases. The process is designed to measure what difference is made to improve complex outcomes and who is accountable for that delivery. However it was explained that one of the potential flaws in RBA is to question how individual organisations can be made accountable for shared outcomes. Additionally it was explained many practitioners find the RBA 7 step process over simplifies the complex issues that it was designed to help improve. A few examples of RBA scorecards as used in the Health board and another authority were displayed and it was explained how it has been taken forward by this Authority and where it can be helpful in presenting some complex information and assisting in agreeing joint working priorities and actions.

Ms. Roberts then responded to a number of questions raised over and above those which were considered during the course of the presentation (accountability for shared outcomes, focus on development needs, implementation, collaboration, performance accountability, the application of the process within communities and the development and use of score/reporting cards). With regards to the latter it was requested that an example of the scorecards that are used be sent to Members.

Ms. Roberts was thanked for her informative presentation and for responding to questions and issues raised by members.

6. PROPOSED REVISED TERMS OF REFERENCE

Consideration was given to the report which sought approval to revise the Terms of Reference of the Audit Committee, required following the implementation of the Local Government Measure 2011 and as a result of the Council's internal review of governance arrangements.

Members considered the proposed revisions to the terms of reference, as appended to the report, and a query was raised as to the process for co-opting a layperson. It was explained that a Panel of three Members (approved at the Annual meeting of Council and drawn from the membership of the Audit Committee) had been established to appoint an Independent Member to the Committee. The Panel had interviewed applicants and made its recommendation to Council for endorsement. It was proposed that in future, the recommendation of the Panel should be presented to the Audit Committee for confirmation prior to Council for approval and that the terms of reference be revised to reflect this.

During the course of the debate, reference was made to the offer of the Auditors to meet with the Committee on an informal basis as deemed necessary in order to discuss and exchange information. It was agreed that this arrangement be incorporated within the terms of reference.

It was moved and seconded that subject to the forgoing the recommendations in the report be approved. By show of hands this was agreed by the majority present.

RESOLVED that subject to the revision in relation to the appointment process in relation to the lay person as set out above and to the inclusion of meetings being held with the Auditors on an informal basis, as deemed necessary, in order to discuss and exchange information, the revised Terms of Reference as appended to the report be approved.

7. CERTIFICATION OF GRANTS AND RETURNS 2010/11

Mr. I. Davies (PricewaterhouseCoopers) advised that the report provided information on the outcome of the Audit of the Authority's grant claims during the financial year 2010/11 to ensure that the Council's strategies were being delivered in a proper and transparent way. He referred to the appendix to the report which summarised the results of the audit of grant claims and returns for the financial year.

Members were advised that the Audit has concluded that whilst the Authority had good arrangements in place for the production and submission of its 2010/11 grant claims, there is some scope for improvement.

The recommendations arising from the Audit and the Authority's response were set out in the report and it was noted that the financial adjustments highlighted in the audit will be actioned. It was noted that the net adjustment of £638k represents 0.37% of the total grants claimed.

Members noted the content of the report.

8. CERTIFICATION OF GRANTS AND RETURNS 2011/12

Mr. I. Davies (PricewaterhouseCoopers) advised that the report provided information on the outcome of the Audit of the Authority's grant claims during the financial year 2011/12 to ensure that the Council's strategies were being delivered in a proper and transparent way. He referred to the appendix to the report which summarised the results of the audit of grant claims and returns for the financial year.

Members were advised that the Audit has concluded that whilst the Authority has generally good arrangements in place for the production and submission of its 2011/12 grant claims, there is some scope for improvement.

The recommendations arising from the Audit and the Authority's response were set out in the report and it was noted that the financial adjustments highlighted in the audit will be actioned. Mr. S. Harris advised that Officers continue to work closely with the Auditors and that the net adjustment of £34.8k represents 0.02% of the total grants claimed.

During the course of the debate reference was made to one of the recommendations that staff should be reminded of the importance of ensuring that claims are completed accurately and a query was raised as to whether further training is required. It was explained that there are terms and conditions attached to a grant and as such there are areas for interpretation that require confirmation from the external body who is responsible for those terms and conditions. A reminder has been issued to advise staff of the importance of maintaining accurate working papers, reconciled to source data, that fully supports the claim and procedures have been implemented to ensure that information received from partner organisations is accurate and agrees with its supporting documentation.

Members noted the content of the report.

9. DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13

Consideration was given to the report which provided an opportunity for Members to review the draft Annual Governance Statement (AGS) for 2012-13 and make any changes that they feel are required.

The Acting Director of Corporate Services advised that the draft document incorporates a number of changes to the previous year's statement. The majority of the changes relate to the consequences of the Wales Audit Office Public Interest Report and the ongoing implementation of the Authority's Action Plan as approved at Council on 23rd April 2013. As part of the consultation process the draft AGS has been considered by both the Corporate Governance Panel and Corporate Management Team and all comments received have been reflected in the draft AGS as presented.

In reflecting on the recommendations of the Public Interest Report and the subsequent action plan the AGS acknowledges and accepts that there have been shortcomings and recognises that changes are required. Mrs. Scammell referred to the scope of the responsibility and outlined the content of the governance framework which identifies the key elements of the systems and processes that comprise of the authority's governance arrangements.

Mrs. Scammell advised that the Authority has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Services Governance Group (who have responsibility for undertaking the annual review of the Council's governance arrangements), the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The review covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities.

During consideration of the draft AGS reference was made to the Single Integrated Plan (SIP) and the intention to rationalise partnerships. It was discussed and agreed that it is inherent that partnerships need to be drawn together but accepted that it should be clarified and made more specific within the draft AGS. It was recommended by members that an additional paragraph should be inserted in the draft AGS that details the impact of the SIP on current partnerships.

Mrs. Scammell then referred to the review outcome, which had identified the corporate governance failings highlighted by the Public Interest Report as being a priority area where improvements needed to be made to strengthen the existing procedures and processes. She also advised that the previous year's statement had determined that there were two areas where improvements needed to be actioned (the formulation and implementation of a suitable system of controls and governance in relation to the collaborative arrangements that were being developed and the further development of the Council's Business Continuity arrangements). As significant progress had been made on both previously identified areas views of Members was requested as to whether both should still be incorporated within this current years statement.

After due consideration it was agreed that all three issues should be included within the 2012/2013 Annual Governance Statement to ensure that improvements continue to be made and can be monitored through the Audit Committee process. It was also agreed that progress on the action plan approved by Council should be presented to the Audit Committee for monitoring.

In respect of the periodic review of the interim management arrangements brought about to strengthen the governance structures, members queried who was going to undertake this review. In noting that the review would be undertaken by the Acting Chief Executive it was suggested that the outcome should be presented to the Audit Committee. At this point the discussion was halted and Mrs. Scammell and Mrs. Williams left the meeting to allow the discussion to continue without them, as they both held roles that were subject of the discussions.

It was proposed that the Audit Committee undertake the review and that the Acting Chief Executive and the Leader be invited to attend the Committee when the matter is under consideration. Advice from the External Auditors explained that the role and function of the Committee is to review, scrutinise, assess and monitor and as such it should consider whether the process has been followed, review how the process worked and scrutinise the mechanics of the review and not undertake the process itself. This was accepted but it was agreed that there should be some member involvement in the review of the arrangements but members of the Audit Committee should not participate in the actual review.

At this point both Mrs. Williams and Mrs. Scammell returned to the meeting.

It was moved and seconded that subject to all three review outcomes remaining within the Annual Governance Statement the recommendations in the report be approved. By show of hands this was unanimously agreed by the majority present

RESOLVED that to ensure that improvements continue to be made and monitored through the Audit Committee process, subject to all three review outcomes remaining within the Annual Governance Statement, its content be approved.

It was noted that the Annual Governance Statement would be revised as agreed and circulated to all Members.

10. REGULATION OF INVESTIGATORY POWERS ACT 2000 - INVESTIGATIONS

The report advised Members of the number of covert surveillance operations undertaken by the Council in accordance with the provisions of the Regulation of Investigatory Powers Act 2000, which sets out strict controls for public authorities wishing to carry out covert surveillance of individual members of the public as part of their exercise of their statutory functions. The appendix to the report detailed the operations undertaken for the period 1st April 2012 to 31st March 2013.

Members noted that 20 RIPA operations had been undertaken during this period and it was queried as to the prosecutions that had resulted. It was noted that the report to the Audit Committee outlines the operations and that reports which detail enforcement activities are presented to the Regeneration and Environment Scrutiny Committee. Prosecutions are also reported in Newsline and in the local press.

11. YEARLY END OUTCOME OF IMPROVEMENT OBJECTIVES 2012/13

Mr. C. Jones (Head of Performance and Property) advised that the Local Government Measure 2009 requires all local authorities in Wales to set and publish a set of priorities called Improvement Objectives. The Wales Audit Office uses these Improvement Objectives to evaluate the council's likelihood of improvement and following that, the level of actual improvement that is achieved for the citizens of Caerphilly. This will form the main part of the WAO 'Annual Improvement Assessment' of the Council, which is made publicly available in January each year.

He advised that through a self-evaluation process the Council is required to review their Improvement Objectives to ensure they remain relevant and current and the report provides a year-end summary of how we performed against the objectives for the year ending 2012/13. Of the 8 Improvement Objectives in 2012/2013, 6 are deemed successful, 1 partially successful and 1 not successful. Each Improvement Objective will be reported to the relevant scrutiny committee to enable Members to scrutinise progress against the objective

Members noted the summary of the progress of each Improvement Objective for 2012/2013 and were advised that the next steps are to produce a fuller performance report of the improvement objectives ready for publishing to the public in Autumn 2013. The Performance Report will be subject to Audit by the external regulators and will inform their 2nd Improvement Letter and their Annual Improvement Report for 2013.

During the course of the debate the process of self-evaluation was detailed and a number of questions were raised in relation to specific Improvement Objectives. In relation to IO1 (engaging with Citizens of the county borough) Members noted that this objective has been deemed unsuccessful and were advised of actions that are being taken in order to rectify this. Whilst it was noted that there would be the opportunity to discuss this improvement objective in more detail at the relevant scrutiny committee they requested that such actions should be detailed within the report. Reference was also made to IO4 (improving the skills level for children and young people), which was deemed partially successful, and to the expectation that the report would provide more detail. Members were advised that this would be provided in the report to the relevant scrutiny committee.

In noting that each of the Improvement Objectives will be reported to the relevant scrutiny committee Members noted the performance of the Improvement Objectives for 2012/2013.

12. ANNUAL FINANCIAL AUDIT OUTLINE 2012/13

The report advised of the Financial Audit Outline which has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the 2012/2013 financial statements.

Ian Davies (PriceWaterhouseCoopers) highlighted the key issues within the report and its appendices, which set out details of the roles and responsibilities, the audit approach, reporting requirements, the audit fee, key elements of the audit engagement, details of the Financial Audit Team and perspectives on fraud.

Members were advised that under the Public Audit (Wales) Act 2004 the Appointed Auditor is required to examine and certify the accounts of the Council, satisfying himself that the accounts are prepared in accordance with Regulations and to give an opinion on whether the accounts give a true and fair view of the Council's position and of its income and expenditure for the year. He is also required to satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Reference was made to the audit risks and proposed action as outlined within the document and Mr. Davies explained the reporting timetable and audit fees and detailed what to expect from the audit process and how it will be undertaken.

In noting the audits that are to be undertaken during the course of the year (page 8 of the report refers), a query was raised as to the costs involved. Mr. Davies advised that grant certification work does fluctuate, but confirmed that it would be in line with the estimate detailed within the report.

Members noted the details of the Annual Financial Outline and the proposed timetable for the completion of the proposed audits.

13. 2013/14 PERFORMANCE AUDIT WORK AND FEES LETTER

Non Jenkins (Wales Audit Office) advised of the programme of performance audit work for 2013/14 and the associated fee for that work. In addition to the annual programme of audit and assessment of improvement planning and reporting arrangements, a programme of Improvement Studies and Local Government National Studies will also be undertaken.

Reference was made to the table in the report which outlined the fees for performance audit work and includes the fee for financial audit work for completeness. It was noted that if, during the course of the audit and assessment, any additional work is identified as being necessary, this may incur additional fees, as it also would for any special inspections that may be required.

It was noted that in addition to the programme of work detailed in the report, Wales Audit Office may be undertaking work with local government bodies in the course of its programme of value for money studies. It was confirmed that most of the elements detailed are national and standard to all local authorities although some are more local (improvement study - safeguarding being both national and local).

Members were advised that as part of the process an Annual Improvement Report will be published which will summarise the work and reports (and/or letters) setting out the findings of audit and assessment work will be issued which will be subsequently be present to the Audit Committee.

Members noted the details of the 2013/14 performance audit work and letter fees.

14. EXTERNAL AUDIT COVERAGE AND REPORTING FRAMEWORK

Members considered the briefing note from the Wales Audit Office which details the external audit coverage and reporting framework. Non Jenkins (Wales Audit Office) advised that the briefing paper provides an outline of what the financial and performance teams of the Audit Office are responsible for and what outputs each will provide to the Council and its Audit Committee.

She explained that the external audit comprises of two elements - financial (audit of the annual financial statements and grant claims and returns (where an external audit is required by the grant paying bodies) and performance (the delivery of an annual programme of improvement assessment work alongside a programme of improvement and national studies of local government bodies). With regards to the financial audit, the Audit Team also contributes to the delivery of some parts of the performance audit work at the Council.

Reference was made to the reporting and clearance process as detailed in the report and the outputs and timings of both the financial and performance audits were outlined. As raised when discussing the revised terms of reference it was noted that the offer of the Auditors to meet with Members of the Committee on an informal basis, as deemed necessary, twice a year in order to discuss and exchange information had been agreed.

Members noted the details of the external audit coverage and reporting framework.

15. FORWARD WORK PROGRAMME

Details of the items to be considered at future meetings as identified in the forward work programme were noted. The forward work programme will be presented to each meeting in order that Members are aware of the items that are scheduled to be discussed. Those currently detailed under date to be determined will be incorporated within the programme.

During the course of the debate on its content, it was requested that a report be brought forward on how assets and empty properties are being reviewed.

In noting the timetable of meetings for the remainder of the year it was confirmed that, as previously agreed, there would be a special meeting convened early in November.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 17th September 2013 they were signed by the Chairman.

The meeting closed at 2.30 p.m.

CHAIRMAN