



AUDIT COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON WEDNESDAY, 11TH DECEMBER 2013 AT 10.00 A.M.

PRESENT:

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

Councillors:

Mrs E.M. Aldworth, J.E. Fussell, N. George, S. Morgan, J.A. Pritchard

Lay Member - Mr N. Yates.

Together with:

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), R. Harris (Manager Internal Audit), G. Williams (Interim Monitoring Officer), C. Jones (Head of Performance and Property), J. Dix (Policy and Research Manager), S.M. Kauczok (Committee Services Officer)

Also present:

Sara-Jane Byrne and Lynn Pamment (PricewaterhouseCoopers)
Non Jenkins and Jackie Joyce (Wales Audit Office)

1. APOLOGIES

Apologies for absence had been received from Councillors Mrs K. Baker, D.G. Carter and Mrs. D. Ellis.

2. DECLARATIONS OF INTEREST

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

3. MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on 6th November 2013 (minute nos. 1 - 15; page nos. 1 - 7) be approved as a correct record and signed by the Vice Chairman.

4. CORPORATE GOVERNANCE PANEL

The minutes of the Corporate Governance Panel meeting held on 20th September 2013 were received and noted.

REPORTS OF OFFICERS

Consideration was given to the following reports.

5. REGULATION OF INVESTIGATORY POWERS ACT 2000

The report updated Members on the number of covert surveillance operations undertaken by the Council in accordance with the provisions of the Regulation of Investigatory Powers Act (RIPA) 2000.

It was reported that there had been two further investigations during the period August to the end of November, totalling nine to date in the current year. Members were advised that Council officers undertake surveillance operations in relation to Trading Standard issues and that the only cost to the Authority would be if overtime was incurred.

The Audit Committee noted the report.

6. CAERPHILLY COUNTY BOROUGH COUNCIL PARTNERSHIPS AND COLLABORATIONS

Members were updated on work being undertaken to meet both the requirements of the Wales Audit Office and of the Annual Governance Review Panel on the partnership and collaborative working of the Council.

Work had commenced via the Improving Governance Programme Board and the Annual Governance Review Panel to address the WAO recommendations P1 and P2 outlined in paragraph 2.1 of the report. To generate an up to date list of both key partners and partnerships, an email was sent to key contacts across the Council work areas involved with partnership working. This identified 272 partners excluding partnership links of a commercial nature. Senior Management Teams have been consulted on the list generated and are currently defining their most important partnership arrangements. A report on the findings will be presented to the Improving Governance Programme Board in January and a final report will be presented to the Audit Committee in March 2014.

Arising from the ensuing debate, Members were advised that the work would attempt to illustrate some initial costings on partnership and collaborative working by the Council in addition to defining the responsibilities of the partners identified. It was noted that the WAO is currently undertaking a collaborative study across the Gwent Local Authorities, which will cover issues relating to project management in terms of how to measure value for money. A report would be presented to a future meeting.

The Audit Committee noted the report.

7. PROGRESS ON THE IMPROVING GOVERNANCE PROGRAMME

The report set out progress to date on the Improving Governance Programme (IGP).

The Improving Governance Board was established to oversee the work on the Action Plan, which had been approved by Council to address the five recommendations contained in the Report in the Public Interest issued on 6th March 2013.

The Action Plan is regularly updated by the Group and is reviewed and endorsed by Corporate Management Team on a fortnightly basis. Reports are produced for Cabinet monthly and Council following on from these meetings.

A significant amount of progress has been made in most areas of the recommendations and work is also underway to address the additional areas of improvement identified and included in Phase 2 of the wider Improving Governance Programme.

The Audit Committee noted progress made to date in respect of the Improving Governance Programme.

8. PROPOSED TERMS OF REFERENCE FOR THE GOVERNANCE REVIEW PANEL

The Committee's approval was sought for the proposed Terms of Reference for the Corporate Governance Review Panel.

Members considered the report and appendix and clarification was sought in relation to paragraph 2.3 of the Terms of Reference, which reads: "Minutes will be produced to reflect the discussions and decisions taken by the Panel. The minutes will be presented to the Audit Committee following agreement by Corporate Management Team."

The Acting Director of Corporate Services and Section 151 Officer explained that any recommendations and proposals that arise from meetings of the Panel are referred to Corporate Management Team (CMT) for consideration. CMT acts as an extra safeguard in the process as three of its members are not part of the Corporate Governance Review Panel and are therefore able to offer an independent viewpoint on the proposals and recommendations. It was agreed that the wording of paragraph 2.3 would be revised to avoid any confusion about the process.

The Audit Committee endorsed the proposed Terms of Reference subject to paragraph 2.3 being amended as discussed.

9. WALES AUDIT OFFICE - DATA QUALITY REVIEW

The report summarises the conclusions of the Auditor General's review of the Council's data quality for the year 2012-2013.

The review headlines that: The Council has data validation arrangements in place, which it is continuing to improve but these need to be consistently applied and embedded across the organisation; the Council has continued to improve the development of more outcome-based measures but the basket of evidence being used is still limited; the Council has good systems in place to produce performance indicator data but the consistency of application is mixed; two performance indicators at the Council were qualified with a further two indicators qualified across Wales due to issues with data provided nationally by external bodies, not due to the Council's processes.

The Auditor General concluded the review by making two Proposals for Improvement i.e. P1 and P2, which are set out in paragraph 2.2 of the report.

The Head of Performance and Property acknowledged the report and outlined the progress that was being made to address the two Proposals for Improvement. In terms of P1, it was understood that the service is reconsidering this indicator and the officer would confirm whether or not it had been decided to retain or withdraw it, in due course. In terms of the second point regarding an alternative way to measure the performance of the anti-social behaviour process, it was anticipated that the introduction of the Crime and Policing Bill would impact on this and that therefore it seemed appropriate to review it at that time. In terms of

P2, it was reported that whilst the need to have clear definitions in place for all local measures was recognised, the Authority is currently concentrating on local measures that appear in its published documents.

The Committee acknowledged the positive approach that had been undertaken by officers in terms of the way forward and approved the programme of monitoring detailed in paragraph 4.1 of the report.

10. WALES AUDIT OFFICE - SERVICE BASED IMPACT ASSESSMENT

The WAO conducted an evaluation in the Gwent region during 2012 in respect of a service based impact assessment. The fieldwork was undertaken by the WAO with assistance from PwC and a final report was issued to the Authority in November 2013. It was felt that the WAO report is useful as a review of progress to date in respect of the MTFP, particularly in the context of the Gwent region. The more significant savings requirements going forward will require much more focus in respect of the impact on services.

In the services reviewed, the WAO report concludes that the Council has made savings ahead of schedule and maintained performance despite using less resource but savings are not being explicitly monitored and evaluated. It was acknowledged that Councils in Gwent are facing increasing challenges to continue to maintain essential services and these challenges had significantly increased since the report had been written following the announcement of the Provisional LG Settlement. The report sets out the two Proposals for Improvement together with the officer's response.

The Acting Director of Corporate Services and Section 151 Officer referred to the unprecedented level of cuts that Local Authorities are facing across Wales following details of the Provisional LG Settlement. There would likely need to be a review of the Council's priorities and improvement objectives to assess whether they are still achievable. A review would have to be undertaken where savings had been delivered to determine their impact.

Members discussed the report in detail and suggested that the penultimate sentence on page 35, paragraph 111, should read "The Council removed *some* bulky waste charges in 2013-14...." as some items still have to be paid for to be collected. Reference was made to the need for flexibility in budgets to deal with unexpected events and the need for a review of the Council's priorities and improvement objectives was endorsed.

The Acting Director of Corporate Services and Section 151 Officer confirmed that at this point efficiency savings alone would not be sufficient to deliver the required savings and fundamental changes to service delivery would be required.

The Audit Committee noted the report.

11. AUDIT COMMISSION NATIONAL FRAUD INITIATIVE UPDATE

Mr R. Harris, Internal Audit Manager, presented the report, which informed Members of the work carried out by Internal Audit staff on the Audit Commission's National Fraud Initiative (NFI). It was noted that the majority of data matching investigation work is still undertaken by Housing Benefit Fraud Officers, the Employee Service Centre Manager and by Internal Audit staff in relation to creditors' data.

The Committee's attention was drawn to the following errors in paragraphs 4.6 and 4.7 of the report. In paragraph 4.6 the sentence should end after Student Loans and in 4.7, the second sentence should read 'The remaining 42 errors' (not 46 errors).

The Committee was advised that overall the situation is improving. As at 14th November 2013, there were 15 (53 in 2011) frauds and 1,778 (2,119 in 2011) errors recorded and the Council was seeking to recover an amount of £46,511.04 (£58,177.33 in 2011) as a result of the data matching exercise.

In relation to paragraph 4.7, Members were advised that the idea of adding bus passes to the list included in the Registrar's "Tell Us Once" service was under consideration. In terms of matching Council Tax records to the Electoral register, it was reported that an exercise had been undertaken in accordance with the requirements of Welsh Government.

The Audit Committee noted the report.

12. ANNUAL AUDIT LETTER

Lynn Pamment, PricewaterhouseCoopers LLP, highlighted the key points within the letter, which the Appointed Auditor is required to issue by the end of November each year. The Public Audit (Wales) Act 2004 requires the Appointed Auditor to provide an audit opinion on the accounting statements; review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and issue a certificate confirming that the audit of the accounts has been completed.

The key matters arising from the accounts were reported to the Audit Committee on 17th September 2013 and an update letter on matters that were outstanding on the day of the Committee was issued on 25th September 2013. The findings are summarised on page 2 of the letter. Overall, the Auditor General was not satisfied that the Council had appropriate arrangements in place and had found significant weaknesses in the governance procedures and arrangements at the Council in the period. He subsequently issued a Report in the Public Interest on 6th March 2013 to draw the public's attention to a failure in governance arrangements and inadequacies in the processes adopted by the Council to determine the pay of Chief Officers.

It was acknowledged that the Council had undertaken a significant amount of work to improve its governance arrangements since the report was published.

The Audit Committee noted the Annual Audit Letter.

13. 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 is presented to each meeting of the Audit Committee in order that Members are aware of the items that are scheduled to be discussed at future meetings. It also provides an opportunity for Members to propose items to be prepared for consideration at future meetings of the Committee.

It was agreed that arrangements would be made for an additional meeting of the Committee to be held in late January/early February 2014. A short film taken at a recent conference at the SWALEC Stadium in Cardiff, would be shown at the start of the meeting

The meeting closed at 11.25 a.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the next meeting, they were signed by the Chairman.

CHAIRMAN