



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON WEDNESDAY, 11TH JUNE 2014 AT 10.00 A.M.

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PRESENT:

Councillors:

Mrs E.M. Aldworth, N. Dix, N. George, D. Havard, Mrs G.D. Oliver, J.A. Pritchard, D. Rees

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), G. Williams (Interim Monitoring Officer), D. Gronow (Service Auditor), J. Dix (Policy and Research Manager), A. Price (Deputy Monitoring Officer), R. Roberts (Performance Manager), C. Forbes-Thompson (Scrutiny Research Officer), R. Barrett (Committee Services Officer)

Also present:

Lynn Pamment (PricewaterhouseCoopers) and Non Jenkins, Jackie Joyce (Wales Audit Office)

#### 1. ELECTION OF CHAIR

Members were advised that in accordance with the Local Government Measure 2011, the Chair of the Audit Committee must be appointed by Members of the Committee. The Chair may be a member of the authority or a lay member but must not be a member of an executive group where there is an opposition group. The measure is silent on the appointment of a Vice Chair.

It was moved and seconded that Councillor D. Rees be appointed as Chair. By a show of hands this was unanimously agreed.

RESOLVED that Councillor D. Rees be appointed as Chair of the Audit Committee for the ensuing year.

#### 2. ELECTION OF VICE-CHAIR

It was moved and seconded that Councillor D. Havard be appointed as Vice-Chair. By a show of hands this was unanimously agreed.

RESOLVED that Councillor D. Havard be appointed as Vice-Chair of the Audit Committee for the ensuing year.

The Chair raised a suggestion in that, subject to the agreement of the Committee, the agenda items relating to the election of the Chair and Vice-Chair of the Audit Committee be placed at the end of the relevant Audit Committee meeting in Spring 2015.

**3. APOLOGIES**

Apologies for absence were received from Councillors Mrs K. Baker, D. Carter, J. Fussell, C. Hawker and S. Morgan.

**4. DECLARATIONS OF INTEREST**

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

**5. MINUTES - 5TH MARCH 2014**

RESOLVED that the minutes of the meeting of the Audit Committee held on 5th March 2014 (minute nos. 1 - 13; page nos. 1 - 6) be approved as a correct record and signed by the Chair.

**REPORTS OF OFFICERS**

Consideration was given to the following reports.

**6. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000**

Gail Williams, Interim Monitoring Officer, provided Members with an overview of the report, which highlighted the annual 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 were a total of 11 RIPA operations undertaken by the Authority for the year 1st April 2013 to 31st March 2014, all conducted by the Trading Standards department. There had been no further RIPA operations undertaken in the period 1st April 2014 to the date of the report. It was confirmed that the outcomes of the RIPA operations undertaken by the Authority for 2013/14 would be reported to the Regeneration and Environment Scrutiny Committee on 1st July 2014, as part of the Public Protection Enforcement Review Report.

The Audit Committee noted the report.

**7. REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE**

Ros Roberts, Performance Manager, presented the report, which updated Members on progress against the proposals made by the Authority's regulators since the last update on 6th November 2013.

The previous report detailed all the outstanding proposals as at November 2013. Since that time a number of historical proposals have now been addressed and new ones have come onto the report from recently received regulator reports. Previously it was decided for the

purposes of reporting to split the register into Appendix A (historical proposals) and Appendix B (new proposals received). This was to ensure that there was an accurate picture of how the backlog was being addressed and to draw a line under the historical proposals. The Authority is now in a position where enough progress has been made in that a split is no longer needed and a single register can be produced and maintained.

Members were advised that as of May 2014, there were 38 proposals outstanding, which represented good progress in that the outstanding totals had reduced by 10 since the last report. Customer Services proposals remained at 10 and it was explained that this total had not reduced because several actions are tied up in developing a new Customer Services Strategy, which is linked to discussions on the Medium Term Financial Plan (MTFP).

The Chair thanked the Performance Manager for her report.

Reference was made to the delay in individual service asset management plans as a result of current MTFP issues, and Members queried whether reductions in the Authority's asset portfolio could result in savings being made. Officers confirmed that two reports in regards to asset rationalisation were due to be presented to Members in the near future and that the asset portfolio situation was closely linked to the outcome of the MTFP.

Members referenced the review of Management Arrangements following a Homicide Report from Healthcare Inspectorate Wales and queried the progress made relating to collaborative arrangements and inter-agency working. Officers advised that they would liaise with Social Services colleagues and report back to the Audit Committee on this matter.

The Audit Committee were pleased to note the contents of the report, together with the progress made to date against the attached action plan, and were in agreement on the proposals within the report identified as 'Considered closed by Caerphilly and endorsed by CMT'.

## **8. CAERPHILLY COUNTY BOROUGH COUNCIL PARTNERSHIPS AND COLLABORATIONS**

Jackie Dix, Policy and Research Manager, provided Members with a final update report on the partnership and collaborative working being undertaken by the Council with the intention of meeting the requirements of the Wales Audit Office and the Annual Governance Review Panel.

Members were informed that a comprehensive review had been undertaken of CCBC's partnerships and collaborative working, with 146 significant partner organisations identified. Of this number, 25 of the partnerships/collaborations are either statutory/deemed as good practice/in receipt of Welsh Government collaboration funding, and the report advised that there is a strong base of partnership working by CCBC within the South Wales region.

The next steps for the partnership work were highlighted, which included the drafting of a 'CCBC Collaboration and Partnership Strategy' and 12 month action plan, a quarterly review of the partnership data by Heads of Service, annual reviews and reporting to Council of this information, and the creation of an assessment tool to aid the improvement and accountability of partnerships through utilising best practice.

It was explained that through the data gained on partnership working, the Corporate Governance Review Panel is currently selecting partnerships/collaborations to review the robustness of governance and ability for the partnerships to be held to account through scrutiny, with random spot checks to also be undertaken on partnerships and collaborations.

Members were advised that a number of local authorities were in the process of developing collaboration frameworks and toolkits, but that no Council had yet been able to compile a single register of partnerships due to the difficulties of the high level of subjectivity in clearly

defining partnerships and collaborative work. A number of the local authorities contacted indicated an interest in receiving a copy of any subsequent partnership and collaboration strategy developed by CCBC and the details of the approach followed in generating a list of partnerships/collaboration.

Members queried the method of defining formal partnerships and collaborations, with Officers confirming that definitions from the Audit Commission and Wales Audit Office had been used in the review, with work being undertaken to refine these definitions further. Officers confirmed that the CCBC Collaboration and Partnership Strategy and 12-month action plan would be drafted by early August and reported to the Corporate Governance Review Panel in July 2014.

Members commented on the cost of collaborations, with Officers confirming that such arrangements were under the remit of collaborative funding, and discussion also took place regarding the current status of individual partnerships and collaborations.

Officers advised that any concerns regarding the effectiveness of individual organisations could be referred to the relevant Committee. It was confirmed that partnership and collaborative working would be placed on the Forward Work Programme and reported on regularly to ensure the continual effectiveness of such partnerships.

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

## **9. 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 January to March 2014.

Members noted that a new monitoring system had been implemented from November 2013, with Heads of Service providing data on a monthly basis to the Head of Workforce and Organisational Development for collation and monitoring purposes. Members were advised that the system includes offers of gifts and hospitality that were declined.

Members considered the report and appendix and queried the need for gifts and hospitality under a certain monetary value to be declared. Officers confirmed that it was advisable for all gifts and hospitality, irrespective of the value, to be declared in the interest of transparency, and that such declarations demonstrated that officer training relating to the Code of Conduct was continuing to be effective. Members also queried an item listed in duplicate within the declaration list and it was confirmed that the list displayed one declaration for each of the Officers who received the offer of hospitality.

The Audit Committee noted the contents of the report.

## **9. REGISTER OF EMPLOYEES' INTEREST FORMS**

The report advised Members of the Register of Employees' Interest Forms completed by Officers for the 12-month period 1st April 2013 to 31st March 2014.

The report summarised the information in a number of ways, including Declarations by Directorate and Service Area, Declarations by Type, and Declarations by Relationship. It was explained to Members that the highest number of declarations centered around employee relationships, which was anticipated given the size of the Authority's workforce. It was advised that guidance was currently being revised to reduce bureaucracy and improve clarity as to what declarations were required, and that declarations of interest were often dependant on the sensitivity of specific service areas. It was explained that the level of declarations had

increased due to recent officer training relating to the Code of Conduct.

Members queried the level of declarations made prior to 1st April 2013, and it was confirmed that each individual area had previously maintained their own register and thus there had been no corporate overview of the system or the number of declarations. It was presumed by HR staff that generally there had been a lower level of declarations prior to officer training and the re-launch of the system in April 2013 to cover the whole Authority. It was anticipated that all existing employee declarations had now been covered by the re-launch and that a lower number would be received in subsequent years.

Officers confirmed that this Declaration of Interest Register related to Council employees and not Elected Members, and that the Code of Conduct also applied to casual staff within the Authority. It was confirmed that the declarations would be monitored and the procedure reviewed to promote best practice and ensure continual compliance with the Code of Conduct.

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

## **10. CONFIDENTIAL REPORTING (WHISTLEBLOWING) CODE**

The report informed Members on the proposed revision of the Council's Whistleblowing Policy, which was established to encourage and enable employees to raise concerns with the Council without fear of victimisation, subsequent discrimination or embarrassment. This policy supports the Council's anti-fraud and corruption strategy.

Members were reminded that proposals to develop an All Wales framework document that could form the basis of a revised Whistleblowing policy for the Authority were presented to the Audit Committee on 6th November 2013. Since that time, it had been established that the document circulated to Members required further amendment to take account of changes to legislation, and consequently further work was undertaken by Officers. The report therefore highlighted current proposals for consulting on a revised policy document.

It was advised that a Whistleblowing Commission was set up in February 2013 by the leading Whistleblowing charity, Public Concern at Work, to review the effectiveness of Whistleblowing in UK workplaces, and to make recommendations for change. In late November 2013 it published its findings, which included the recommendation that a Code of Practice be established that could be taken into account in Whistleblowing cases before courts and tribunals. The Commission has published a draft Code which sets out clear standards for organisations across all sectors to enable them to have clear Whistleblowing arrangements, and which was detailed in the appendices to the report.

Officers have worked with Public Concern at Work to access best practice guidance and support to develop a new draft Whistleblowing Policy. Members were informed that employees are able to access the confidential support helpline provided by Public Concern at Work, should they wish to seek independent advice. A copy of the revised draft policy was included in the appendices.

Officers confirmed that upon agreement of the revised policy, it would be re-launched via the Wellbeing Group and the information cascaded to the CCBC workforce, and published on the HR Portal on the Intranet. It was explained that the draft policy had been written in plain English to encourage a wide understanding by employees, and that Trade Unions had been actively involved in the consultation process.

It was clarified that the scheme applied to all Caerphilly employees with the exception of School based employees, unless the School Governing Body had adopted the scheme. Discussion ensued in relation to this and it was confirmed that CCBC maintained an open and regular dialogue with the Education Achievement Service in relation to HR policies within

schools. It was advised that queries regarding the remit of governing bodies could also be relayed via the Education for Life Scrutiny Committee.

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

## **11. REVIEW OF EMPLOYEE SURVEILLANCE BY WALES AUDIT OFFICE (WAO)**

Nicole Scammell, Acting Director of Corporate Services, presented the report, which advised Members on the findings of a review of employee surveillance undertaken by PricewaterhouseCoopers (PWC) on behalf of WAO.

The review highlighted a number of shortcomings historically in respect of the use of employee surveillance including the procurement arrangements in respect of the use of a company to provide those services. It was explained to Members that concerns surrounding the use of employee surveillance were reported to the Policy and Resources Scrutiny Committee on 16 April 2013.

Since April 2013, employee surveillance has not been undertaken and the Authority has been awaiting the WAO report prior to engaging with the Trade Unions in respect of updating relevant policies. Formal procedures will also need to be updated, agreed and implemented. Finally, a formal procurement process will be undertaken. Updates in respect of the above will be reported to Policy and Resources Scrutiny Committee.

Due to the implications of the Medium Term Financial Plan and the requirement for Human Resources to focus on introducing a range of new policies to deal with the impact of the savings required, this piece of work has not been seen as a priority especially as employee surveillance is no longer taking place.

Members queried whether there had been any cases that could have potentially required the use of employee surveillance since the suspension of the procedure, and Officers confirmed that such cases had been dealt with via alternative methods. It was added that employee surveillance was rare and the procedure was only utilised as a last resort. It was also confirmed that authorisation to use employee surveillance was required from at least two senior Officers, usually the Head of Workforce and Organisational Development, the employee's Head of Service and the Head of Legal Services.

The Audit Committee noted the contents of the WAO review and were in agreement that the highlighted shortcomings be reported to the Policy and Resources Scrutiny Committee, acknowledging that workforce strategies and managing the impact of savings proposals will need to remain as the key priority for next year.

## **12. ANNUAL FINANCIAL AUDIT OUTLINE**

In that the papers relating to this item had been marked 'to follow' on the agenda and had only been received the previous day, Members agreed the deferral of this item to the next meeting of the Audit Committee, in order to allow proper consideration of the item. Apologies were extended to Lynn Pamment of PricewaterhouseCoopers for the deferral.

## **13. 2014/15 PERFORMANCE AUDIT WORK AND FEES LETTER**

Non Jenkins, Wales Audit Office, advised of the programme of performance audit work for 2014/15 and the associated fee for that work.

Members were advised that the programme of performance work for 2014/15 would place an emphasis on added value and improvement assessment, with the key focus on financial

management Work would be undertaken in a number of areas relating to governance, Performance Management and local work (including follow ups on Gwent Frailty, the Special Inspection statutory recommendations and the four proposals for improvement in the HR and workforce planning thematic review of 2011). In addition to the annual programme of audit and assessment of improvement planning and reporting arrangements, a programme of Local Government Studies would also be undertaken which would be closely interlinked and follow up on the previous Special Inspection Report.

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. The report advised 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. Members were informed that the fee had reduced from the charge levied in 2013/14.

Members discussed the programme of work and Officers confirmed that the overall volume of work had increased for the coming year. It was also confirmed that public views would be sought during the course of the audit and assessment.

Members noted the details of the 2014/15 performance audit work and letter fees.

#### **14. FRAMEWORK FOR THE IDENTIFICATION AND PREVENTION OF FRAUD**

The report informed Members of the proactive measures in place to counter the risks of fraud, including the identification and investigation of potential issues.

Members were informed that the Authority has in place a number of policies and procedures to enable the central monitoring of suspected incidents, ensure that all reported incidents are appropriately investigated and concluded and form part of the control framework to aid transparency and minimise the risk of misappropriation.

Biennially the Authority participates in the National Fraud Initiative which is facilitated by the National Audit Office and involves the use of information technology to cross-match data held and managed by various public sector organisations to identify anomalies for investigation. For the years in-between this exercise, Internal Audit undertakes its own creditor matching exercise using a proprietary IT package to identify payment anomalies on an ongoing basis.

A dedicated team of CCBC Officers specialise in the identification and investigation of benefit fraud, with the potential for large sums of money to be recovered. This team will shortly be incorporated into the Department of Works and Pensions and benefit fraud investigations will no longer come under the remit of the Council. It was clarified that this merge had been planned for some time and was due to the introduction of the new Universal Credit system.

The Insurance Section continues to monitor claims made against the Council and work with the Council's insurers to ensure that any potential fraudulent claims are robustly and thoroughly investigated. Officers clarified to Members the processes involved relating to insurance claims against the Authority.

Members were advised that complaints received via the corporate procedures, including those of an anonymous nature, are reviewed to establish if there is a fraud element involved, and appropriate referrals are made in such cases to facilitate appropriate investigation.

The importance of information-sharing was emphasised to the Committee, with intelligence networks developed to alert other local authorities to upcoming fraud areas or advance warnings of concerted efforts to target specific types of service areas. This has proved highly effective in respect of the identification of issues such as bank mandate fraud and allowed organisations to improve controls and procedures to reduce the risks as they emerge.

The Audit Committee noted the contents of the report, including the framework in place to lessen the risk of fraudulent activity throughout the Council.

## **15. ANNUAL GOVERNANCE STATEMENT FOR 2013-2014**

Members' views were sought on the draft Annual Governance Statement (AGS) for 2013-14, which was appended to the report and highlighted the progress made by the Authority over the last 12 months in respect of its Improving Governance Programme.

Members were advised that the draft AGS incorporated a number of changes to the previous year's AGS, details of which were also appended to the report. The majority of the changes relate to the fact that the Authority has made much progress in respect of its Improving Governance Programme. This progress was acknowledged in the Special Inspection Report presented to Council on 28 January 2014 by the Wales Audit Office (WAO). It was acknowledged that there are still improvements to be made, as with all service provision, and therefore the work of the IGPB (Improving Governance Programme Board) will continue.

Reference was made to the 2 additional major areas for improvement identified in the AGS for 2012-13, namely the formulation and implementation of a suitable system of controls governance in relation to the collaborative arrangements being developed, and the further development of the Council's Business Continuity arrangements.

During the last year, a detailed piece of work was undertaken to identify the Council's significant partnership arrangements to enable the Council to develop a Collaboration and Partnership Strategy. The governance arrangements for the Partnerships identified have been collated and the information reported to CMT, the IGPB and the Audit Committee. In view of the completion of this work, it was therefore considered that this is no longer an area that requires highlighting as an area of major concern. Again, as with the Improving Corporate Governance Agenda, work will continue to be undertaken and monitored.

The second area of improvement related to Business Continuity. It has been identified that Business Continuity exists in most front line service areas and IT but that there is no consistent approach. Recent reports to the Corporate Governance Panel and CMT have agreed a strategy that has been adopted by the Authority, which should ensure that there is both a strategic and consistent approach to Business Continuity. Progress to date was reported to the Audit Committee on 5 March 2014. Although progress has been made, it is not seen as significant enough to enable this area of concern to be removed from the 2013-14 AGS.

As per the previous year, the draft AGS for 2013-14 also identified 2 additional major areas where improvements could be strengthened. The first area for improvement identified was 'Interim Management Arrangements' with it acknowledged that the extent of interim arrangements in respect of senior staff could create instability in the Authority moving forward.

The second area identified was 'Improving timeliness of response to Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests'. It was explained to Members that there have been a significant increase in such requests, and that failure to comply with these requests in a timely manner could result in a number of sanctions being placed on the Authority.

Discussion ensued regarding the report and Officers responded to a number of queries in regards to FOI requests, including clarification of the response timelines and deadlines and the correct procedures to be adhered to by Officers.

The Audit Committee considered and noted the draft Annual Governance Statement for 2013-14 and were in agreement on its content.



**16. FORWARD WORK PROGRAMME**

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

**17. INFORMATION ITEMS**

The Committee received and noted the following information items:-

Minutes of Corporate Governance Review Panel - 15th November 2013;  
Minutes of Corporate Governance Review Panel - 24th January 2014;  
Minutes of Corporate Governance Review Panel - 21st March 2014;  
Minutes of Corporate Governance Review Panel - 2nd May 2014.

The meeting closed at 12.21 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 September 2014, they were signed by the Chair.

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CHAIR