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For all enquiries relating to this agenda please contact Charlotte Evans  
(Tel: 01443 864210 Email: EVANSCA1@caerphilly.gov.uk)

**Date: 7th December 2016**

Dear Sir/Madam,

A meeting of the **Audit Committee** will be held **Sirhowy Room, Penallta House, Tredomen, Ystrad Mynach** on **Wednesday, 14th December, 2016** at **10.00 am** to consider the matters contained in the following agenda.

Yours faithfully,

A handwritten signature in blue ink that reads 'Chris Burns'.

**Chris Burns**  
INTERIM CHIEF EXECUTIVE

## A G E N D A

Pages

- 1 To receive apologies for absence.
- 2 Declarations of Interest.

Councillors and Officers are reminded of their personal responsibility to declare any personal and/or prejudicial interest(s) in respect of any item of business on this agenda in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.

To approve and sign the following minutes: -

- 3 Audit Committee held on 14th September 2016.

1 - 8

A greener place Man gwyrddach



To receive and consider the following reports: -

4	WAO Review of Arrangements to Address External Audit, Inspection and Regulation Recommendations and Proposals for Improvement - Caerphilly County Borough Council	9 - 38
5	Regulator Proposals for Improvement Progress Update.	39 - 46
6	Assurance Framework.	47 - 62
7	Public Sector Internal Audit Standards - Update on Internal and External Assessment of Internal Audit Services.	63 - 70
8	Internal Audit Services - Mid Year Progress Report.	71 - 76
9	Audit Committee Forward Work Programme.	77 - 78

To receive and note the following information items:-

10	Certification of Grants and Returns 2013/14 and 2014/15 - Caerphilly County Borough Council.	79 - 102
11	Annual Audit Letter - Caerphilly County Borough Council 2015-16.	103 - 104
12	IT Security and Governance Activity Update.	105 - 112
13	Regulation of Investigatory Powers Act 2000.	113 - 114
14	Update on the Numbers of Complaints Received Under The Council's Corporate Complaints Policy.	115 - 122
15	Officers Declarations of Gifts and Hospitality July to September 2016.	123 - 126
16	Corporate Governance Panel Minutes - 15th April 2016.	127 - 128
17	Corporate Governance Panel Minutes - 19th September 2016.	129 - 130

*\*If a member of the Audit Committee wishes for any of the above information reports to be brought forward for discussion at the meeting please contact Charlotte Evans, 01443 864210, by 10.00 a.m. on Tuesday 13th December 2016*

**Circulation:**

Councillors L. Ackerman, Mrs E.M. Aldworth, Mrs K.R. Baker, J. Bevan, D.G. Carter, Ms J. Gale, C. Hawker, Ms J.G. Jones, Mrs G.D. Oliver, J.A. Pritchard, D. Rees (Chair) and J. Simmonds

Lay Member – Mr N.D. Yates (Vice Chair)

Auditors - Ms S.J. Byrne (Wales Audit Office), Ms N. Jenkins (Wales Audit Office), Llinos Brown (Grant Thornton UK LLP) and Barrie Morris (Grant Thornton UK LLP)

And Appropriate Officers.

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# Agenda Item 3



## AUDIT COMMITTEE

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

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PRESENT:

Councillor D. Rees - Chair  
Mr N. Yates - Vice Chair

Councillors:

Mrs E. Aldworth, D. Carter, N. Dix, Ms. J. Gale, Ms. J. Jones, Mrs J.A. Pritchard Mrs G. Oliver  
and J. Simmonds.

Together with:

B. Morris (Grant Thornton).

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), G. Williams  
(Interim Head of Legal Services and Monitoring Officer), S. Harris (Interim Head of Corporate  
Finance), R. Harris (Internal Audit Manager), K. Peters (Corporate Policy Manager) and  
C. Evans (Committee Services Officer).

### 1. APOLOGIES

Apologies for absence were received from Ms. L. Ackerman, Mrs K. Baker, C. Hawker.

### 2. DECLARATIONS OF INTEREST

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

### 3. MINUTES – 8TH JUNE 2016

RESOLVED that the minutes of the meeting of the Audit Committee held on 8th June  
2016 (minute nos. 1 - 10) be approved as a correct record and signed by the Chair.

### REPORTS OF OFFICERS

Consideration was given to the following reports.

#### 4. REPORT BY EXTERNAL AUDIT ON FINANCIAL STATEMENTS FOR 2015/16

The report which was presented by Barrie Morris, Grant Thornton, provided the Audit Committee with details of the External Audit conducted on the Financial Statements for 2015/16.

The purpose of the audit is to determine whether the financial statements provide a true and fair view of the financial position of Caerphilly County Borough Council at 31st March 2016 and its income and expenditure for the year end and identify any material misstatements within the financial statements. The draft financial statements for the year ending 31st March 2016 were received by the Auditors on 30th June 2016, in line with the planned timetable. The audit work is substantially complete, with the only work outstanding relating to the finalisation procedures. The report provided details of matters arising from the audit of the financial statements of Caerphilly County Borough Council, as required under the International Standard on Auditing (ISA) 260, which have already been discussed with the Interim Head of Corporate Finance and Acting Director of Corporate Services.

The Committee noted that no misstatements were identified within the financial statements that remained uncorrected. In terms of the Corrected misstatements, a number were identified, which included corrections in reference to Property, Plant and Equipment - Council Dwellings were revalued, in agreement with the Auditors, under an alternative valuation basis (Beacon Principle).

In addition, the report outlined that there were no concerns about the qualitative aspects of the accounting practices and financial reporting. The information was found to be relevant, reliable, comparable, material and easy to understand. In concluding, the accounting policies and estimates were appropriate and financial statement disclosures unbiased, fair and clear. The information was received in a timely and helpful manner and the audit work was not restricted.

N. Scammell, Acting Director of Corporate Services & S151 added that the Audit was conducted in a professional matter, with an improved timetable, aiming to complete and sign off of the Financial Statement earlier.

The Committee thanked the Officer for the report and discussion ensued. A Member sought further information on the anticipated impact to the Pension Fund and drain on dividends, as a result of the Brexit vote. The Officer outlined that there is a great deal of uncertainty in this area at the moment and that recommendations are in place for careful planning for all Councils.

A Member sought further information on the recommendation referring to the Calculation of Depreciation. It was noted that the Logotech Asset System calculates depreciation, and upon review, it was noted that the revalued assets were being depreciated one year too quickly; as a result the depreciation figure charged each year was higher than expected. Whilst this has no impact on the general fund balance or the Council's borrowing ability, the system, has applied a depreciation immediately following revaluation, ultimately reducing the asset level.

The Committee discussed the recommendations arising from our 2015-16 financial audit work and sought further clarification on the recommendation relating to Accumulated Debtors and Creditors Balances. It was noted Aged debtor and creditor balances should be written off and removed from the system, bringing forward only current balances, thus reflecting those with a realisable value. Further discussion ensued in which Members sought information on the write off of debts. Officers explained that the Cabinet Forward Work Programme currently schedules a report to Cabinet, requesting approval to write off debts. Any debts over £20,000 require approval from Cabinet to be written off, on occasions these are exempt items due to personal or client information being disclosed. Any debts that are below £20,000 are written off, subject to delegated powers and reported to Policy and Resources Scrutiny Committee on a 6-monthly basis.

The Audit Committee thanked the Officers for the detailed report and clear explanation and noted its contents.

**5. ANNUAL REVIEW OF COMPLAINTS RECEIVED UNDER THE COUNCIL'S CORPORATE COMPLAINTS POLICY 1ST APRIL 2015 TO 31ST MARCH 2016**

The report provided Members with an overview of the corporate complaints received for the year 1st April 2015 to 31st March 2016 and advised on any identified trends and the action taken during this period. In addition, the report provided Members with an overview of the lessons learned in respect of the complaints which have been upheld or partially upheld in the period.

Members noted that the total number of corporate complaints received across the Authority was 192, which demonstrates a minor reduction on last years' total of 212. Of the 158 Stage 1 complaints responded to, 44 were upheld, 84 were not upheld and 30 have been partially upheld. There are no substantial changes to the stage 1 outcomes for this current year when compared to last year (74 compared to 69). However, the number of complaints not upheld has reduced - 84 compared to 99. This is caused largely by a reduction in the Environment area and can be linked to the decrease of stage 1 complaints dealt with in the Environment (49 compared with 72).

Stage 2 complaints overall do not demonstrate a significant change in the figures, of the 77 Stage 2 complaints responded to 24 were upheld, 48 were not upheld, 4 were partially upheld and 1 did not proceed. However, the report outlined that the number of Stage 2 Complaints had almost doubled, which, upon analysis, demonstrated an increase in complaints relating to Planning. Of 77 Stage 2 complaints responded to, 17 were referred to the Public Services Ombudsman for Wales. None of which were investigated.

The Committee noted that corporate complaints have remained largely static over the last two years. However, it is important that the figures are viewed in the context of contacts with the Authority, in an average month customer service centres deal with about 6,400 customer visits and the contact centre deals with approximately 32,300 telephone calls and emails.

The consistency of the current arrangements in relation to complaints reporting and the static nature of the overall figures suggest that the complaints process continues to work effectively; although there is never room for complacency.

The Committee thanked the Officer for the report and discussion ensued around Service Requests. Members raised that communication with complainant could be improved, which could result in the reduction of complaints, for example, when a service request is made, where the service is over-subscribed, providing the customer with expected waiting times for service etc, could often reduce later complaints.

Members discussed cross-directorate complaints and Service Requests. It was noted that a dedicated member of the staff within Legal Services acts as the single point of contact for complaints, all contacts are filtered by the officer and forwarded to the relevant service areas for response. It was also noted that cross directorate complaint responses are provided by Legal Services. In respect of service requests, these would be dealt with by the relevant service areas and members were reminded that the issue of service requests is being considered by Internal Audit who are producing a Report for members..

The Committee discussed the Complaints Process generally and staff resources, clarification was provided in relation to the officers sitting on the Learning from Complaints Group.. Members requested further information on the number of support staff within each Directorate, dealing with Complaints. Officers agreed to email the Committee with the relevant information.

The Audit Committee noted the report.

## 6. CORPORATE RISK MONITORING

The report provided the Audit Committee with an update on the Corporate Risk Register in accordance with the recommendations to Audit Committee at their meeting 17th September 2013. In addition, the report afforded the Audit Committee the opportunity to satisfy itself that appropriate arrangements are 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.

At its meeting on 17th September 2013, Audit Committee accepted the council's new Risk Management Strategy and supporting Guidelines, which were subsequently approved by Cabinet on 2nd October 2013.

The Strategy identified the role of Audit Committee in the risk monitoring process as being:-

- Review the effectiveness of the risk management and internal control framework
- Review the Council's Risk Management Strategy and how it is being implemented
- Review and challenge the risk register and resultant action plans for the council's key strategic and corporate risks
- Satisfy itself that robust processes and procedures exist and are applied for the management of operational risks including health and safety risks.

For some time Corporate Management Team (CMT) has 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 quarterly basis and report progress to Cabinet on a regular basis. The Strategy identifies that the Corporate Risk Register should be owned and understood by Cabinet and CMT. It also recognised that Audit Committee would be the guardians of the risk management strategy and should satisfy that it is being adhered to.

The Committee noted that work has been undertaken since the Corporate Risk Register was reported to Audit Committee, to develop the current process of managing risk to ensure that the requirements of the Well-being of Future Generations (Wales) Act 2015 (FGA) are being fulfilled. The current risks to the Authority and the key FGA elements have been incorporated into one seamless process/register. The way in which the impact of risk is identified and analysed has changed as a result of applying the five ways of working (the sustainable development principle) and viewing existing risks through the lens of the FGA.

Members thanked the Officer for the report and discussions ensued. The Committee raised a number of queries in relation to risks and land shortage. As a result of the Council Decision not to have an LDP, it was agreed that there may be some Corporate Risks associated with the decision. As a result, Officers agreed to check with CMT and update the register accordingly.

Risk mitigation was discussed and a Member queried whether a register was in place to record and prioritise risks to highways etc. Officers agreed to contact the relevant department to determine if there was a flood mitigation plan in place and update Members via email.

Discussions ensued around risks to the Council for unsafe Tips and Quarries and the financial risks posed to the Authority. Officers agreed to check whether insurance policies are in place to cover such land.



Members discussed Surplus school places and sought further information on the financial risk to the authority with the introduction of rationalisation and increase in Welsh Medium Schools. Officers agreed to provide details to Members as appropriate.

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

## **7. INTERNAL AUDIT SERVICES – ANNUAL OUTTURN REPORT 2015/16**

The report provided the Committee with a summary of the work carried out by Internal Audit Services during 2015/16. The report outlined that it is a requirement both of the Public Sector Internal Audit Standards and the Council's own Financial Regulations that an annual audit activity plan is prepared to ensure that there is an effective and efficient use of audit resources. In addition to producing the audit plan, it is also a requirement that the Internal Audit Manager produces an annual report on work carried out by Internal Audit Services during the financial year.

The Committee noted that The 2015/16 Annual Audit Plan was prepared on a risk-based approach and is structured around four key principles which include Systems Audits, which are prioritised; ensuring that Establishments receive a periodic visit; Regularity, ensuring the Safeguards of assets, income and control of expenditure remain a priority and Advisory, providing a consultative approach in order to promote an open and transparent culture to include the sharing of best practice and early input from Internal Audit in developing processes and procedures.

The Regularity work undertaken by Internal Audit Services, which is designed to assess the compliance with management policies and procedures, consisted of visits to 22 schools, 3 leisure facilities, 3 social services establishments and 5 other miscellaneous. All apart from three were reported to management as satisfactory or above. Follow-up audits have been undertaken or are planned shortly to follow-up on the required actions for those areas identified as being in need of improvement.

The Committee were pleased to note that no fundamental issues have come to light as a result of audits carried out on both the major financial systems and other financial and administrative systems and procedures. Where issues have been identified and brought to the attention of management an action planning process is in place to drive through the necessary improvements. Overall it is considered that the Council continues to operate within a control environment that should minimise the risk of loss to the Authority.

Members thanked the Officer for the report and discussion ensued. A Member sought further information on the support provided by Internal Audit to the Welsh Housing Quality Standard (WHQS) with the development of systems and processes and whether this included the procurement process. Officers outlined that assistance and advice was provided on the tendering process and systems. Value for Money was discussed and it was noted that, whilst Internal Audit were not involved in this process, and in noting that there has been an impact on process due to Brexit and the uncertainty in the Exchange Rate, negotiations have been conducted with the suppliers and Robert Price has been challenged to ensure that the savings can be made and Value for Money achieved.

Members discussed anonymous letters and it was noted that there were 76 received, which were passed onto the relevant department. Internal Audit receive the anonymous letters to check for whistle blowing, any others are then passed onto the relevant department. In addition it was noted that the majority of letters regarding schools are dealt with by the schools in question, or the Education Complaints Department.

A Member sought further information on the Internal Audits conducted and queried whether there are repeat offenders that require a number of visits and recommendations following audits. Officers highlighted that there could be Departments that would receive repeat visits, however the issues are not necessarily the same. The Audits conducted are varied year on year and Members were assured that the ones revisited are now satisfactory. Re-visits are conducted on a 6-8 monthly basis, unless the issues involve concerns of fraud or overpayments, in which case the timescales are much shorter.

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

## **8. 2014/15 NATIONAL FRAUD INITIATIVE UPDATE**

The report informed Members of the Audit Committee of the work carried out by Internal Audit staff on the 2014/15 National Fraud Initiative (NFI), which have recently been published by the Wales Audit Office and the full document is available for members on the members' portal.

The Committee noted that the latest biennial national counter exercise has helped Welsh Public bodies identify £4.4 million of fraud and erroneous payments. In respect of the work undertaken for Caerphilly CBC an amount of £96,153 relating to Council tax single persons discounts and a sum of £131,019 in respect of other frauds and errors has been identified via this exercise and action is being taken to recover these sums.

The Committee thanked the Officer for the report and discussion ensued. A Member queried whether the system is used in order to track previous offenders across a number of services. It was noted that the Finance has access to an additional system which identifies any duplicate payments made, many of which are down to human error, some as a result of fraudulent claims. Members noted that the system now includes a number of other Public bodies such as DWP, as well as Council Services, which assist to reduce duplication.

The Committee discussed the report and queries were raised in relation to Housing and Members sought a report on the Council's Policy towards rehousing previous tenants with arrears and the risk to the Council. In addition the Committee sought information on the investigations conducted by Housing Staff on properties to reduce fraud through dual occupancy and to check the state of repair.

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

## **9. INFORMATION ITEMS**

The Committee received and noted the following information items:-

- (1) Update on the Numbers of Complaints Received under the Council's Corporate Complaints Policy;
- (2) Regulation of Investigatory Powers Act 2000;
- (3) Officers Declarations of Gifts and Hospitality – April to June 2016;
- (4) Financial Resilience Report;
- (5) Certificate of Compliance – Audit of Caerphilly County Borough Council 2016-17 Improvement Plan;
- (6) Corporate Governance Panel Minutes – 19th November 2015;
- (7) Corporate Governance Panel Minutes – 4th March 2016.

The meeting closed at 12.23pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 14th December 2016, they were signed by the Chair.

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CHAIR

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# Agenda Item 4



## AUDIT COMMITTEE – 14TH DECEMBER 2016

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

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER**

- 
- 1.1 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.
- 1.2 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
- 1.3 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.
- 1.4 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 and as outlined at the meeting : -

- (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 endorsed, with the addition that minutes from the Corporate Governance Panel also be reported to Cabinet

- 1.5 Members are asked to consider the recommendations.

Author: C.A Evans, Committee Services Officer  
Ext. 4210

Appendix: Report to Cabinet dated 19th October 2016.



## CABINET – 19TH OCTOBER 2016

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

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER**

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### 1. PURPOSE OF REPORT

- 1.1 To present Cabinet with 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.

### 2. SUMMARY

- 2.1 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

This review sought to answer the following question: Are the Council's arrangements for addressing external audit, inspection and regulation recommendations and proposals for improvements supporting improvement?

- 2.2 The WAO review has 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.

- 2.3 The WAO came to this conclusion because they found that:

- the Council has arrangements in place to address external review recommendations and proposals for improvement but they have concerns that they have not been used effectively in driving the pace of improvement in some key priority areas;
- the Council has strengthened its approach to self-evaluation although there is scope to ensure critical workforce issues are consistently identified and addressed through service plans;

- the Council now has an agreed Human Resources strategy and workforce planning activities are taking place but as the Council develops its vision and considers the future shape of the organisation, it would benefit from identifying its workforce requirements more strategically to implement this vision;
- whilst there are some signs that the Council is starting to improve the use of its Internal Audit service, progress has been slow until more recently and the Council would benefit from developing a wider assurance framework so that it can be assured that it is addressing its key risks; and
- the Council is taking action to improve the effectiveness of scrutiny but the full impact of the changes will not be evident until later this year.

### **3. LINKS TO STRATEGY**

- 3.1 Strong corporate governance arrangements are essential in any Local Authority or public body.

### **4. THE REPORT**

- 4.1 The WAO report on the outcome of its review in respect of arrangements to address external audit, inspection and regulation recommendations and proposals for improvement was issued in August 2016 and is attached as Appendix 1. Overall the report concludes that:-

- P1 As the Council develops its vision and considers the future shape of the organisation, it should identify and plan for the workforce requirements to implement its vision.
- P2 The Council should develop an assurance framework that sets out how it obtains assurance in relation to key risks from across the organisation.
- P3 To address fully the recommendation made in our Special Inspection and the proposal for improvement made in our Special Inspection Follow-up relating to Internal Audit, the Council needs to:
- Demonstrate more clearly how the work planned as set out in the Internal Audit Plan is linked to the Council's key risks;
  - Improve the quality of working papers;
  - Provide summary reports to the Audit Committee highlighting the findings from the work of Internal Audit during the year;
  - Ensure the Internal Audit outturn report fully reflects the work undertaken during the year and progress against the planned programme of work;
  - Confirm the timetable for the peer review of its Internal Audit service and complete its self-assessment against the Public Sector Internal Audit Standards (PSIAS);
  - Monitor the progress of undertaking the peer review of Internal Audit and consider how the outcome of the peer review will be used to strengthen Internal Audit.
- P4 The Council should strengthen arrangements to enable Scrutiny to hold Cabinet to account more effectively and to take action to ensure its Cabinet Members are equipped and prepared to be held accountable for the roles they fulfil.

- 4.2 The officer responses to the above proposals for improvement are attached in the template in Appendix 2, entitled Management Response.

- 4.3 The monitoring in respect of the delivery of the improvements will be undertaken by the Corporate Governance Panel. The Corporate Governance Panel comprises; Nicole Scammell - Acting Director of Corporate Services & S151 Officer, Cllr. Forehead - Cabinet Member for HR & Governance/Business Manager, Colin Jones - Head of Property, Gail Williams – Interim Head of Legal Services & Monitoring Officer, Paul Lewis – Acting Head of IT, Richard Harris – Internal Audit Manager. It meets 4 to 5 times per annum and the minutes of this Panel are presented to the Audit Committee. In addition the completion of these proposals for improvement will be included in periodic reports to the Audit Committee.



## **5. EQUALITIES IMPLICATIONS**

- 5.1 This report is for information purposes so the Council's Equalities Impact Assessment process does not need to be applied.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications arising from this report.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no direct personnel implications arising from this report.

## **8. CONSULTATIONS**

- 8.1 There are no consultation responses that have not been reflected in this report.

## **9. RECOMMENDATIONS**

- 9.1 Cabinet is asked to:-

- 9.1.1 Consider and comment upon the content of the WAO report.

- 9.1.2 Note the officer responses to the WAO proposal for improvement as detailed in Appendix 2 – Management Response.

- 9.1.3 Endorse the monitoring arrangements detailed in paragraph 4.3.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To ensure that Cabinet is aware of the review work undertaken by the WAO and the resultant findings, conclusion and proposals for improvement, along with actions to deliver and monitor work required.

## **11. STATUTORY POWER**

- 11.1 Local Government Acts 1972 and 2003.

Author: Nicole Scammell, Acting Director of Corporate Services & S151 Officer  
Tel: 01443 863031 E-mail: [scammn@caerphilly.gov.uk](mailto:scammn@caerphilly.gov.uk)

Consultees: Corporate Management Team  
Gail Williams, Interim Head of Legal Services/Monitoring Officer  
Stephen Harris, Interim Head of Corporate Finance  
Richard Harris, Internal Audit Manager  
Colin Jones, Head of Performance & Property  
Lynne Donovan, Acting Head of HR and OD  
Cllr Christine Forehead, Cabinet Member HR & Governance/Business Manager

Background Papers:  
Follow up Improving Governance Programme Update, Cabinet 20<sup>th</sup> May 2015

Appendices:  
Appendix 1 – WAO Report, Review of arrangements to address external audit, inspection and regulation recommendations and proposals for improvement, Caerphilly CBC August 2016  
Appendix 2 – Management Response

Review of arrangements to address external  
audit, inspection and regulation  
recommendations and proposals for  
improvement

## Caerphilly County Borough Council

**Audit year:** 2015-16

**Issued:** August 2016

**Document reference:** 344A2016

# Status of report

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work comprised Avril Watkins, Sara-Jane Byrne and Non Jenkins under the direction of Alan Morris.

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## Summary report

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The Council's response to our 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	4
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Proposals for improvement	6
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## Detailed report

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The Council has arrangements in place to address external review recommendations and proposals for improvement but we have concerns that they have not been used effectively in driving the pace of improvement in some key priority areas	7
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The Council has strengthened its approach to self-evaluation although there is scope to ensure critical workforce issues are consistently identified and addressed through service plans	9
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The Council now has an agreed Human Resources strategy and workforce planning activities are taking place but as the Council develops its vision and considers the future shape of the organisation, it would benefit from identifying its workforce requirements more strategically to implement this vision	10
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Whilst there are some signs that the Council is starting to improve the use of its Internal Audit service, progress has been slow until more recently and the Council would benefit from developing a wider assurance framework so that it can be assured that it is addressing its key risks	13
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The Council is taking action to improve the effectiveness of scrutiny but the full impact of the changes will not be evident until later this year	16
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# Summary report

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## The Council's response to our 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

1. During October and November 2013, the Auditor General undertook a Special Inspection into the corporate governance arrangements at Caerphilly County Borough Council (the Council).
2. The Auditor General published his report on the Special Inspection in January 2014. He concluded that 'a combination of a number of weaknesses inevitably led to governance failings at the Council and whilst it was making encouraging progress in improving its governance arrangements, it was too early to conclude whether these improvements could be sustained'. He made eight formal recommendations.
3. During October 2014, we undertook a follow-up review to determine the Council's progress in addressing the eight recommendations made in the Special Inspection report. Specifically, we conducted reviews to:
  - Examine the Council's progress in addressing the recommendations made in the Special Inspection report and the recommendations made by the Appointed Auditor in his second Report in the Public Interest.
  - Assess the Council's progress since the Special Inspection in addressing the recommendations made by the Appointed Auditor in his first Report in the Public Interest.
  - Follow up the Council's progress since the Special Inspection in addressing the four proposals for improvement identified in our Human Resources (HR) and workforce planning thematic review undertaken in 2011.
  - Provide a baseline assessment of the Council's progress in developing its approach to self-evaluation. This was a review carried over from our 2013-14 Regulatory Programme of Work.
4. We published our follow-up report in January 2015. We concluded that 'the Council had made good progress in addressing most of the recommendations from the Special Inspection report and the Reports in the Public Interest. However, the Council still needs to take a lawful decision on the annual leave and essential car user allowances and to further improve other areas, particularly scrutiny.' We raised one recommendation and eight proposals for improvement.
5. The Council took a lawful decision on the annual leave and essential car user allowances in January 2015.

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6. In our Special Inspection follow-up report in January 2015, we came to the following conclusions in relation to self-evaluation, HR and workforce planning, Internal Audit and Scrutiny:
- the Council has taken a measured approach to implementing self-evaluation but it has yet to agree the purpose of self-evaluation, and how it will be used to inform corporate, service and financial planning remains unclear;
  - the Council is not yet realising the benefits of the strategic aspects of human resources and workforce planning although significant progress has been made in developing human-resources-related policies to facilitate the implementation of the Council's medium-term financial plan;
  - the Council is beginning to address aspects of our recommendations to improve Internal Audit but it lacks a robust action plan to ensure it can keep track of progress; and
  - the effectiveness and impact of scrutiny are mixed and its role needs to be clarified.
7. In our 2015-16 Audit Plan, we identified that we would assess the Council's progress in implementing recommendations from our previous work. As part of this follow-up work, we stated we would seek assurance that the Council has appropriate corporate processes for responding to our reports, tracking implementation of our recommendations and reporting this to the appropriate committee. We 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
8. This review sought to answer the following question: Are the Council's arrangements for addressing external audit, inspection and regulation recommendations and proposals for improvements supporting improvement?
9. Our review has concluded that the Council's response to our 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.
10. We came to this conclusion because we found that:
- the Council has arrangements in place to address external review recommendations and proposals for improvement but we have concerns that they have not been used effectively in driving the pace of improvement in some key priority areas;
  - the Council has strengthened its approach to self-evaluation although there is scope to ensure critical workforce issues are consistently identified and addressed through service plans;

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- the Council now has an agreed Human Resources strategy and workforce planning activities are taking place but as the Council develops its vision and considers the future shape of the organisation, it would benefit from identifying its workforce requirements more strategically to implement this vision;
  - whilst there are some signs that the Council is starting to improve the use of its Internal Audit service, progress has been slow until more recently and the Council would benefit from developing a wider assurance framework so that it can be assured that it is addressing its key risks; and
  - the Council is taking action to improve the effectiveness of scrutiny but the full impact of the changes will not be evident until later this year.

## Proposals for improvement

P1 As the Council develops its vision and considers the future shape of the organisation, it should identify and plan for the workforce requirements to implement its vision.

P2 The Council should develop an assurance framework that sets out how it obtains assurance in relation to key risks from across the organisation.

P3 To address fully the recommendation made in our Special Inspection and the proposal for improvement made in our Special Inspection Follow-up relating to Internal Audit, the Council needs to:

- Demonstrate more clearly how the work planned as set out in the Internal Audit Plan is linked to the Council's key risks;
- Improve the quality of working papers;
- Provide summary reports to the Audit Committee highlighting the findings from the work of Internal Audit during the year;
- Ensure the Internal Audit outturn report fully reflects the work undertaken during the year and progress against the planned programme of work;
- Confirm the timetable for the peer review of its Internal Audit service and complete its self-assessment against the Public Sector Internal Audit Standards (PSIAS);
- Monitor the progress of undertaking the peer review of Internal Audit and consider how the outcome of the peer review will be used to strengthen Internal Audit.

P4 The Council should strengthen arrangements to enable Scrutiny to hold Cabinet to account more effectively and to take action to ensure its Cabinet Members are equipped and prepared to be held accountable for the roles they fulfil.

# Detailed report

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## The Council has arrangements in place to address external review recommendations and proposals for improvement but we have concerns that these arrangements have not been used effectively in driving the pace of improvement in some key priority areas

11. The Council has an established process in place for addressing and monitoring external review recommendations and proposals for improvement. It has developed a flow chart showing how and where it will consider external review reports. The Corporate Management Team (CMT) upon receipt considers all external review reports. The CMT then determine the appropriate member audience for the report, which has included full Council, Cabinet, Scrutiny and Audit Committee in the past. A Council report/action plan usually accompanies external review reports. The Council's Audit Committee has responsibility for assuring that arrangements are in place to respond to external review recommendations and proposals for improvement effectively.
12. The Council's self-evaluation process also includes consideration of external review recommendations and proposals for improvement. The Council has recently established a Business Improvement Board to monitor the progress with key strategic projects. This will provide another mechanism for addressing and monitoring improvement.
13. The Audit Committee receives quarterly progress reports against our proposals for improvement and recommendations. The progress reports include areas for improvement identified by other external review bodies, such as the Care and Social Services Inspectorate Wales (CSSIW) and Estyn. Improvements identified by CSSIW and Estyn are also considered by the relevant scrutiny committees.
14. The Audit Committee considers whether the Council has taken sufficient action in order for it to close the proposals for improvement and recommendations at these meetings. Our observation of the Audit Committee meeting in December 2015 found that members did challenge the officers on their proposal to close a Wales Audit Office proposal for improvement relating to asset management planning and considered the views of officers and external audit. We have since met with officers to discuss asset management. This issue was also followed up by the Council's Audit Committee at its meeting in June 2016 and we are reassured that the Council is now in the process of addressing our proposal for improvement relating to asset management.
15. The Council has had a clear process for reporting and monitoring progress against the proposals for improvement made in our Special Inspection follow-up report published in January 2015. This built upon the process the Council used for reporting and monitoring the recommendations and proposals raised in our reports in the public interest and Special Inspection report. The Council's Improving Governance Programme Board (IGPB) continued to monitor progress against the Council's



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- improving governance action plan, which the Council expanded to include actions to address the proposals for improvement made in the Special Inspection follow-up report. A programme manager supported the IGPB and there have been regular progress reports to CMT, Cabinet and Council.
16. The Council also developed specific improvement action plans to address the proposals for improvement made in our Special Inspection follow-up report relating to scrutiny and internal audit.
  17. Following Cabinet agreement in October 2015, the Council has now disbanded the IGPB as the Council has deemed that it has addressed the majority of improving governance recommendations and proposals for improvement. The final progress report to Cabinet in October 2015 showed that the Council considered that all bar two of the actions had been completed. The Council identified that the two outstanding actions, whistleblowing and HR strategy, were 'approaching completion'.
  18. Cabinet agreed that it would transfer responsibility for the outstanding actions to the Council's Corporate Governance Panel (CGP). The October report to Cabinet also states that, 'The Corporate Governance Panel will continue to monitor the corporate governance arrangements to ensure that all the actions implemented by the IGPB become embedded and business as usual.'
  19. The Council's CGP meets quarterly and has some of the same members as the IGPB thus providing an element of continuity. Progress against outstanding IGPB items is a regular agenda item of the CGP. Minutes of the meetings are very brief and provide little detail. The draft minutes of the meeting of 4 March 2016 showed that whistleblowing has been closed and the second action relating to the HR strategy will be closed following a report to the next available Performance and Resources Scrutiny committee. The minutes do not show if the CGP considered if actions implemented by the IGPB have become embedded as business as usual as requested by Cabinet in October 2015.
  20. Of the four areas we assessed during this review, we have found that whilst the Council has made good progress in addressing proposals for improvement in two of the four areas, notably to strengthen scrutiny and self-evaluation, we are of the view that the Council's assessment of progress was premature specifically in relation to Internal Audit. The Council's Corporate Governance Panel is continuing to monitor progress with HR and the Democratic Services Committee has been involved in monitoring progress with the Council's scrutiny improvement action plan. However, it is unclear how the Council will monitor progress against the Council's Internal Audit action plan and evaluate its impact. We set out our evaluation of the Council's progress in addressing our proposal for improvement relating to Internal Audit in paragraphs 41-54.
  21. Most people interviewed as part of this review felt that most of the Council's actions to improve its governance arrangements had now become business as usual. However, concerning Internal Audit and HR, the focus has been primarily on completing the process rather than evaluating the impact of actions, and the Council acknowledges that it has not sufficiently progressed our HR-related proposal for improvement. Conversely, it is evident that the Council has taken a mature approach

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to strengthening its self-evaluation and scrutiny arrangements, refining actions and building in time to evaluate the impact of these actions. There has been senior officer and member commitment to the Council's improving governance programme with strong programme management support.

## The Council has strengthened its approach to self-evaluation although there is scope to ensure critical workforce issues are consistently identified and addressed through service plans

22. In our Special Inspection follow-up report published in January 2015 we concluded that 'The Council has taken a measured approach to implementing self-evaluation but it has yet to agree the purpose of self-evaluation, and how it will be used to inform corporate, service and financial planning remain unclear.' In that report, we made a proposal for improvement that 'the Council needs to agree the purpose of self-evaluation and how this will be used to inform corporate, service and financial planning and to ensure that the process it adopts enables it to do this effectively.'
23. The Council has responded positively to this proposal for improvement. Services now undertake the self-evaluation and service planning processes together rather than separately, as was the case previously. Incorporating self-evaluation into service planning has helped to improve the clarity of the purpose of self-evaluation and strengthened service planning with greater consideration of benchmarking and customer feedback than previously. The Council is currently finishing its third cycle of self-evaluation and it has continued to refine the process each time. There is greater understanding of the benefits of self-evaluation and officers are more comfortable with the process now it is in its third year.
24. The Council has put in place a process for challenging the robustness of the self-evaluations. A panel, which includes the Interim Chief Executive, the Head of Performance and Cabinet Member for Performance, challenges each service area on its self-evaluation. Another director challenges services falling within the Interim Chief Executive's remit. It was evident that the challenge process has been beneficial facilitating learning and encouraging consistency. The Interim Chief Executive has communicated the key themes emerging from the challenge sessions to the Senior Managers' forum.
25. Our review of a small sample of the Council's self-evaluations found that they were now more evaluative than in the past. As the Council's challenge process has already identified, there is scope to strengthen the evaluations further through better analysis of performance and customer data, and to consider value for money.
26. The self-evaluation template includes a section on workforce planning and our review of a sample of completed self-evaluations found that services were completing this section in detail. Actions to address workforce issues were also identified in the self-evaluations. However, the Council's service plans do not consistently draw out any workforce issues identified through the self-evaluation process. There are some

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examples where this does happen and we were made aware of examples of some services that have workforce issues and are working with HR to address these issues. We also understand that the Interim Head of Human Resources has previously requested copies of all self-evaluations in order to assess workforce issues.

27. The Council's self-evaluation and service planning guidance recommends that services identify issues within their service plans where these are critical to the delivery of the service. However, the Council's service plan template does not have a specific workforce section to ensure services consistently reflect their workforce issues. The Council needs to assure itself that workforce issues are drawn from the self-evaluation and articulated in the service plans where necessary, particularly as it monitors the progress against the service plans. This would help strengthen accountability that action is being taken to address workforce issues consistently across the Council.
28. The Council's senior officer and Cabinet Member commitment to self-evaluation has served to strengthen the process and Heads of Service interviewed as part of this review were positive about the benefits of self-evaluation. It is positive that Cabinet members have been engaged in the self-evaluation process but there has been no involvement of scrutiny to date. As the Council continues to improve its self-evaluation and service planning process, greater engagement of scrutiny would help to strengthen the process further.

**The Council now has an agreed Human Resources strategy and workforce planning activities are taking place but as the Council develops its vision and considers the future shape of the organisation, it would benefit from identifying its workforce requirements more strategically to implement this vision**

29. We originally raised the need for the Council to improve its strategic HR and workforce planning in the summer of 2012 following a review of the Council's HR arrangements. In our Special Inspection report published in January 2014, we concluded that 'the Council has been slow to implement actions to improve the HR function and to develop its workforce planning arrangements'. We subsequently made the related statutory recommendation that the Council 'ensures that the actions identified to improve the HR function and workforce planning are implemented'.
30. Our Follow-up of the Special Inspection report of January 2015 concluded that the Council 'is not yet realising the benefits of the strategic aspects of human resources and workforce planning although significant progress has been made in developing human-resources-related policies to facilitate the implementation of the Council's medium-term financial plan'. We made a proposal for improvement in our Follow-up of the Special Inspection report that the Council 'should prioritise the development of an

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HR strategy and workforce plan. These should form key elements of the Council's strategic planning framework.'

31. At the time of our fieldwork, the Council had a draft one year 2016-17 Human Resources Strategy. We were concerned about the ambitious timescales within the draft strategy but it is positive to report that since our fieldwork, the Council has updated the strategy to cover a longer timeframe. The Council's 2016-2020 Human Resources Strategy (HR strategy) was considered by the Policy and Resources Scrutiny Committee on 12 July and agreed by Cabinet on 27 July 2016.
32. The HR strategy makes reference to the Well-Being of Future Generations (Wales) Act and underlines the need to have a workforce with the right skills and support in order to achieve the cultural change envisaged by the Act. The HR strategy sets out the role of Human Resources service to help deliver the Council's corporate priorities. The Council has sensibly proposed that the HR strategy be reviewed in 12 months given the ongoing challenges facing the Council and the impact these may have on the HR strategy.
33. The HR strategy contains over 40 improvement actions under the following themes: right people, right skills, right place, right time and employee engagement. Improvement actions have supporting key performance indicators. The HR strategy links to the Council's Corporate Plan 2013-2017, its Medium Term Financial Plan, and the Single Integrated Plan 2013-2017. The Council has not yet developed the HR strategy further into a comprehensive action plan, with named lead officer responsibilities, expected outcomes and individual deadlines. The HR strategy states that the Council will complete all actions by the end of the financial year 2020.
34. The Council has identified the governance mechanisms to monitor progress with delivering the HR strategy. It is the intention that the Corporate Management Team (CMT), Policy and Resources Scrutiny Committee and the HR strategy group will monitor the HR strategy.
35. A separate workforce template exists for services to populate key data regarding their service's workforce and the Council's HR function provides a data set for managers that contains, for example, staff headcount, full-time equivalents, age profile and pay grades. This data is provided via the Council's HR database, iTrent, and the Council deems this as adequate in meeting the Council's current needs for workforce planning activities and information provision. The Council undertook two workforce planning pilots in 2014, but an evaluation of the pilots found that they had been of limited value. It is not clear how the Council learned from this experience to make improvements.
36. The Council's Corporate Management Team (CMT) regularly monitors some key workforce data, such as sickness absence rates and vacancy management and reviews the redeployment pool weekly. One of the improvement actions set out in the draft HR strategy is for HR to report to Corporate Management Team on the outcome and learning of the workforce planning. The Council needs to ensure that this takes place and it uses this information to plan the future use of its workforce effectively.
37. Many councils have developed corporate workforce plans to help them set out their future workforce requirements to deliver their vision and priorities. The Council's senior management and the Cabinet Member with portfolio responsibility for HR told us that

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the overall view is that the Council has not required a corporate workforce plan to date and that such a plan would not be helpful given the diversity of services and occupations within the Council. It is evident that the Council's Heads of Service are comfortable with the existing processes in place, through the self-evaluation process, to raise workforce issues. There is evidence that some services across the Council are working with HR to address specific workforce issues, such as succession planning. The Council has also undertaken action to address specific key workforce issues, such as fast-track recruitment to help meet the Welsh Housing Quality Standard.

- 38.** Unlike many Welsh councils, the Council is not yet in a place where it has had to significantly review the way it delivers its services. It still delivers all of its services in-house and has a relatively stable workforce. It has operated a successful redeployment scheme and the numbers of compulsory redundancies have been low compared to other Welsh councils. The Council's HR strategy does recognise that this position may not be sustainable as the period of austerity continues.
- 39.** The Corporate Management Team has started to consider the future shape of the organisation and the vision for the Council. This work is still very much in the early phase of development and the Corporate Management Team plans to engage with members in the Autumn 2016 to develop this vision. The Council has found that its approach to workforce planning has been effective to date but, as the Council develops its vision, it should also review and identify its workforce requirements to help deliver this vision.
- 40.** Whilst we acknowledge that corporate workforce planning is generally not well-developed amongst Welsh councils, we are currently working with the Welsh Heads of HR forum to look at workforce planning. We strongly encourage the Council to participate fully in this work and to explore and learn from other councils and organisations, which have good HR strategies and workforce plans.

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Whilst there are some signs that the Council is starting to improve the use of its Internal Audit service, progress has been slow until more recently and the Council would benefit from developing a wider assurance framework so that it can be assured that it is addressing its key risks

41. In our Special Inspection follow-up report published in January 2015 we concluded that 'the Council is beginning to address aspects of our recommendations to improve Internal Audit but it lacks a robust action plan to ensure it can keep track of progress.' We made a proposal for improvement that 'the Council should develop a robust action plan for improving Internal Audit. This should take account of the outcome of the self-assessment against the Public Internal Audit Standards. Reporting and monitoring mechanisms need to be agreed to maintain momentum.'
42. The Council's IGPB monitored progress against the Internal Audit related proposal for improvement made in our Special Inspection follow-up report. The Council's Audit Committee also considered the internal audit action plan in March 2015 and a follow-up report by Internal Audit outlining progress was on the Audit Committee's agenda for information in June 2015, but members did not call it forward for discussion.
43. Since our Special Inspection follow-up, the Council has developed an action plan to improve internal audit. However, the Council has not yet completed a self-assessment against the Public Sector Internal Audit Standards (PSIAS) to inform the action plan as we suggested in our proposal for improvement.
44. The Council advised us in the autumn of 2015 that it would undertake the self-assessment in 2015. The action plan states that the Council will undertake the self-assessment in September/October 2015 and this is marked as 'in progress', but as of March 2016, the self-assessment had not been completed. We understand the Council is in discussion with neighbouring councils to undertake a peer review against the PSIAS, but at the time of our fieldwork there were no plans or details in place to do this. It was also not clear how the Council would monitor the progress against the internal audit action plan following the disbandment of the IGPB and as the Council had considered the internal audit action plan to be 'completed', the Corporate Governance Panel was not picking it up and there was potential that there will be insufficient oversight of progress.
45. Since our fieldwork, the Council has informed us that the peer review process is progressing. This process is being led by Newport City Council on behalf of the Welsh Chief Auditors. The timescales for completion of the peer review process are not yet clear but the Council's Corporate Management Team has informed us that progress will be monitored by the Corporate Governance Panel. The Corporate Governance Panel will also consider the outcome of the peer review and determine what actions need to be taken as a result. The Council has also informed us that actions to strengthen Internal Audit have been built into its service plan and within appropriate

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individuals' performance objectives. Progress will be monitored through the Council's performance management framework.

- 46.** The PSIAS outline that the mission of Internal Audit is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. The PSIAS also define internal auditing as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.' For an Internal Audit function to be considered effective, the following 10 core principles set out in the PSIAS should be present and operating effectively:
- Demonstrates integrity
  - Demonstrates competence and due professional care
  - Is objective and free from undue influence (independent)
  - Aligns with the strategies, objectives, and risks of the organisation
  - Is appropriately positioned and adequately resourced
  - Demonstrates quality and continuous improvement
  - Communicates effectively
  - Provides risk-based assurance
  - Is insightful, proactive, and future-focused
  - Promotes organisational improvement
- 47.** Our review has found that, contrary to the Council's own assessment of progress, the Council needs to undertake further work to address fully our statutory recommendation from the Special Inspection and our proposal for improvement made in our Special Inspection follow-up relating to Internal Audit and to ensure that the service operates in accordance with all of the core principles set out above. Whilst the Council has agreed that change would take place over a period of two to three years, we believe the pace of change to date has been slow and the extent of change has been limited.
- 48.** The consensus, consistent across all of our interviewees, is that Internal Audit is slowly moving away from a purely operational and financial model to one with a greater focus on more strategic issues and risks. Internal Audit has undertaken reviews relating to the Welsh Housing Quality Standard, waste management and residential care.
- 49.** However, the 2014-15 outturn Internal Audit report did not identify any key areas of work that were immediately relevant to the Council's key risks or priorities. The 2015-16 Audit Plan included some examples of activity in high-risk areas, such as the Welsh Housing Quality Standard (WHQS) and an audit of waste data. The 2016-17 Internal Audit Plan remains high level and there is a lack of detailed analysis around the rationale for undertaking specific reviews, such as previous assurance levels, assessment of risk and timetabling of activity. The majority of planned work relates to systems reviews and establishment audits, but the plan does not set out how these reviews align with the Council's risks and priorities.

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- 50.** The Council's Internal Audit Plan would benefit from being clearer in what work is planned and the findings from this work. There are no regular progress or summary reports to the Audit Committee summarising the findings from the work of Internal Audit during the year. Internal Audit, therefore, lacks visibility and transparency of its work and this hinders the Audit Committee's ability to perform its role effectively. Internal Audit needs to be valued and sufficiently supported to be a key independent resource and challenge mechanism to ensure good governance across the Council.
  - 51.** Scope remains to improve the quality of working papers and Internal Audit reports. Reports do not always include the scopes of the reviews or opinions on the overall findings. At the time of our fieldwork, Internal Audit had also not prioritised the recommendations. We understand that since our fieldwork, the Council has updated its working papers and reports including the ranking of audit findings to help services prioritise areas for improvement.
  - 52.** The Audit Committee does not routinely consider the overall findings of the work of Internal Audit. We believe it is good practice for the Audit Committee to be provided with a high level, summary report of findings from work undertaken. This does not need to be detailed but should provide the Audit Committee with the key findings so it can be reassured that risks and control weaknesses are being identified and addressed. This often happens quarterly at other public sector bodies.
  - 53.** The Council broadly recognises that it needs to strengthen the capability of the Internal Audit team yet it has taken no action to address this. The team does not include any IT auditors and relies upon the IT general controls work performed by external audit, but there are potential gaps around data management and business continuity as a result. The Council does not use any specialists to undertake reviews to strengthen the capacity and skill mix of the team. The team consists of 8.2 full-time equivalents and half of the team have a professional audit qualification, which requires them to maintain continuing professional development (CPD) in accordance with their professional bodies. We understand that the team received vocational training via the South Wales Chief Auditors training initiative but we would expect the team to hold appropriate qualifications or to be working towards them.
  - 54.** We understand that the Council gets assurance from other teams within the Council including finance, performance management, and programme management but this is not articulated anywhere. The Council would benefit from developing an assurance framework that shows how it obtains assurance in relation to key risks from across the organisation. This is an approach used widely in the NHS.



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## The Council is taking action to improve the effectiveness of scrutiny but the full impact of the changes will not be evident until later this year

55. In our Special Inspection follow-up report published in January 2015, we concluded that ‘the effectiveness and impact of scrutiny are mixed and its role needs to be clarified’. In this report, we made a proposal for improvement that ‘The Council should review the role and effectiveness of its scrutiny committees. There needs to be better prioritisation of agenda items and alternative mechanisms explored for information-only items to enable Scrutiny to focus on those areas where it may have the greatest impact.’
56. The Council has responded positively to this proposal for improvement to strengthen scrutiny. The Council established a project group involving the Cabinet Member for Governance, the Chairs of the Scrutiny Leadership Group and Democratic Services Committee, the Interim Monitoring Officer and Interim Head of Democratic Services to oversee the scrutiny improvement programme. In addition, the Council engaged members and officers in a series of workshops to consider how it could best improve scrutiny.
57. Through this process, the Council has identified a range of improvements, which include: reducing the number of agenda items to four, facilitated by a prioritisation matrix; a review of work programmes at each meeting; calling on expert witnesses more frequently; and the development of a public engagement strategy. The Council agreed the improvements in October 2015 and the Interim Head of Democratic Services in conjunction with the project group has developed a scrutiny improvement action plan.
58. The Council opted to adopt a phased approach to implementing the changes identified in its scrutiny improvement plan, recognising the need to ensure that there is clear ownership and support throughout the process. The changes were implemented by the end of May 2016. Our review found that there was good ownership of the changes, with broad support from scrutiny chairs.
59. The Council’s action plan sensibly includes an action to evaluate progress through peer observations in October 2016. It also allows time for member development in preparation for the changes. The Council’s scrutiny chairs stated that they had received a good level of support and training. They were particularly positive about the support they receive from the Scrutiny Officer, whom the Council has recently appointed as the Interim Head of Democratic Services. The Interim Head is clearly very committed to working with members to improve scrutiny but members recognised she has limited capacity.
60. In our Special Inspection follow-up report published in January 2015, we suggested that the Council consider the use of task and finish groups so that it could undertake more in-depth reviews. It is positive to report that the Council has done this, for example, on topics such as hospital discharge and community centres. However, members and officers agreed that the impact and effectiveness of the task and finish

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groups have been mixed. Our observation of a meeting of the hospital task and finish group found there was a good level of knowledge and questioning by members but the meeting could have been more outcome-focused.

- 61.** Our review has found that the Council's progress is in line with the broad timescales set out in the scrutiny improvement action plan. The Council has taken steps to reduce the remit of the Regeneration Scrutiny Committee. There have been some good examples of bringing in external people/bodies to attend scrutiny committees. For example, there is now a programme of head teacher attendance at the Education for Life scrutiny committee.
- 62.** Pre-meetings are now taking place with involvement of the Council's solicitors to help members shape potential questions. Scrutiny chairs had mixed views about the introduction of pre-meetings. Whilst there was general agreement that the involvement of solicitors in the pre-meetings was helping to improve members' quality of questioning, some scrutiny chairs were concerned about the additional time required for pre-meetings and the impact on spontaneity and follow-up questions. It is positive that the scrutiny improvement plan includes a role for the Scrutiny Leadership Group to share good practice for pre-meetings, including peer observations.
- 63.** The Council has developed a series of guidance and protocol documents for improving its scrutiny function including enabling scrutiny to focus its activity on key risks and issues. These include a protocol for aligning scrutiny forward work programmes to the Cabinet work programme as well as limiting the number of agenda items to four per meeting. Officers have developed a prioritisation matrix to help do this. 'For information' items are now available on the members' portal in order to free up time on agendas to focus on key issues. Together these actions will help to address our concerns about the length of meeting agendas.
- 64.** There has been training on report writing for officers but scrutiny chairs feel this remains an area for improvement citing that many reports are repetitive and too long. They also felt officer presentation of reports is mixed with some officers just reading out the reports rather than drawing out the salient points. The scrutiny improvement action plan includes a role for the Scrutiny Leadership Group to review and monitor the quality of reports six months after the implementation of the new scrutiny arrangements.
- 65.** The scrutiny improvement action plan includes an action to re-establish dedicated performance management meetings. These meetings are part of the normal cycle of scrutiny meetings and are not additional 'special' meetings but are held only once a year rather than bi-annually, as was the case previously. Scrutiny chairs felt this is a retrograde step and they would rather performance be integrated in all their work.
- 66.** We understand that scrutiny chairs have requested more comparative information to be included within reports but currently, reporting of performance information is patchy. The Council has informed us that members are fully involved in agreeing which meeting during the year will be dedicated to performance. A series of workshops was held for each scrutiny committee during March 2016 to discuss the annual work programmes and agree what each committee's priorities should be. We will assess the

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Council's approach to performance management in more detail as part of our 2016-17 work.

- 67.** The relationship between Cabinet and Scrutiny is also key to ensuring scrutiny is effective. However, scrutiny chairs were generally dissatisfied with the Cabinet Member briefings provided at the start of scrutiny meetings. Our observations of scrutiny meetings support this view as we found that the quality of presentations continues to be variable and that they do not focus sufficiently on key issues and risks. The Council has developed a protocol outlining the expectations of Cabinet Members at scrutiny, which includes that Cabinet Members' statements will be circulated in advance of the scrutiny meeting to enable Scrutiny to develop appropriate questions. The Cabinet Members' statements will also be placed on the members' portal.
- 68.** Currently, opportunities for scrutiny to hold Cabinet Members to account are limited. We found that the Council has placed considerable focus over the past 18 months on putting arrangements in place to improve its scrutiny, including the provision of training and support to Scrutiny Members. Since our fieldwork, we understand that in July 2016 the Council has provided training for Cabinet Members on responding to questions at scrutiny committees and that Cabinet Members are now accompanying directors when directors are presenting performance reports to scrutiny. This is a positive step forward towards achieving better accountability.
- 69.** Cabinet Members play a key role in the Council's business and the Council is starting to take steps to facilitate increased Cabinet Member accountability. However, more could be done to ensure Cabinet Members are fully prepared to respond to improving scrutiny arrangements and to be held more robustly to account for their roles and responsibilities. At some other councils, it is not uncommon for Cabinet Members to present reports to committees and to respond to questions about the content of the reports and on matters within their portfolios. This is not yet routinely the case at Caerphilly Council.



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## Management response

## APPENDIX 2

**Report title:** Review of arrangements to address external audit, inspection and regulation recommendations and proposals for improvement

**Issued:** August 2016

Ref	Proposal for Improvement	Intended outcome/ benefit	High priority (✓)	Accepted	Management response	Completion date	Responsible officer
P1	As the Council develops its vision and considers the future shape of the organisation, it should identify and plan for the workforce requirements to implement its vision.	The Council has a clear assessment and understanding of its future workforce needs to deliver its priorities.		Yes	The Council's workforce requirements are based on operational need. The Council will review these requirements if / when any fundamental changes to service delivery are agreed.	October 2017	Lynne Donovan
P2	The Council should develop an assurance framework that sets out how it obtains assurance in relation to key risks from across the organisation.	The Council has a system and framework in place which articulates how it will gain assurance about the effectiveness of controls to mitigate its key risks.	✓	Yes	A report is currently being drafted which will set out all elements of the assurance framework. This report will be presented to the Corporate Management Team in late November and the Audit Committee on the 14 <sup>th</sup> December 2016.	14 <sup>th</sup> December 2016	Steve Harris

Ref	Proposal for Improvement	Intended outcome/ benefit	High priority (✓)	Accepted	Management response	Completion date	Responsible officer
P3	<p>To address fully the recommendation made in our Special Inspection and the proposal for improvement made in our Special Inspection Follow-up relating to Internal Audit, the Council needs to:</p> <ul style="list-style-type: none"> <li>• Demonstrate more clearly how the work planned as set out in the Internal Audit Plan is linked to the Council's key risks;</li> </ul>	<p>The Council has a strong, high quality Internal Audit service, which is focused on the Council's key risks and priorities and enables Audit Committee to be assured of the controls to manage the risks.</p>		Yes	<p>As part of the preparatory work on formulating the annual Internal Audit Plan Directorate Risk Registers will be reviewed. A Panel will be established to undertake this review and will be chaired by the Interim Head of Corporate Finance.</p>	April 2017	Steve Harris
	<ul style="list-style-type: none"> <li>• Improve the quality of working papers;</li> </ul>			Yes	<p>Current processes will be reviewed by Dec 2016 and the Interim Head of Corporate Finance will periodically undertake a sample check. This will be reported to the Audit Committee in the Internal Audit Outturn reports.</p>	Dec 2016	Steve Harris

Ref	Proposal for Improvement	Intended outcome/ benefit	High priority (✓)	Accepted	Management response	Completion date	Responsible officer
	<ul style="list-style-type: none"> <li>• Provide summary reports to the Audit Committee highlighting the findings from the work of Internal Audit during the year;</li> </ul>			Yes	In addition to the annual outturn report a mid-year progress report will also be presented to the Audit Committee in future. Both reports will include a summary of themes and issues arising from the audit work undertaken.	March 2017	Steve Harris
	<ul style="list-style-type: none"> <li>• Ensure the Internal Audit outturn report fully reflects the work undertaken during the year and progress against the planned programme of work;</li> </ul>			Yes	The 2015/16 outturn report presented to the Audit Committee on the 14 <sup>th</sup> September 2016 included more detail on the range of work undertaken by Internal Audit during the year. Future reports will be enhanced to include details of themes and issues arising.	September 2017	Steve Harris
	<ul style="list-style-type: none"> <li>• Confirm the timetable for the peer review of its Internal Audit service and complete its self-assessment against the Public Sector Internal Audit Standards (PSIAS);</li> </ul>			Yes	The self-assessment is underway and the outcome will be presented to the Audit Committee at its meeting on the 14 <sup>th</sup> December 2016.	December 2016	Steve Harris



Ref	Proposal for Improvement	Intended outcome/ benefit	High priority (✓)	Accepted	Management response	Completion date	Responsible officer
	<ul style="list-style-type: none"> <li>Monitor the progress of undertaking the peer review of Internal Audit and consider how the outcome of the peer review will be used to strengthen Internal Audit.</li> </ul>			Yes	<p>This report will also include an update on the peer review process being followed for the Public Sector Internal Audit Standards (PSIAS). Monmouthshire County Council will be undertaking the peer review of Caerphilly's Internal Audit Service during March 2017.</p> <p>A report will be presented to the Audit Committee at the end of the peer review process outlining the key findings and proposals for improvement.</p>	June 2017	Steve Harris
P4	The Council should strengthen arrangements to enable Scrutiny to hold Cabinet to account more effectively and to take action to ensure its Cabinet Members are equipped and prepared to be held accountable for the roles they fulfil.	Cabinet Members are held to account for the roles they perform and have the necessary skills and support to do so.		Yes	The Council's new approach to its scrutiny arrangements as approved by Full Council in October 2015 requires cabinet members to provide a regular formal statement to the appropriate Scrutiny Committee, which will be published in advance of the scrutiny meeting.	These arrangements commenced after the summer recess and are now in place.	Gail Williams

Ref	Proposal for Improvement	Intended outcome/ benefit	High priority (✓)	Accepted	Management response	Completion date	Responsible officer
					<p>This will provide an opportunity for Scrutiny members to question Cabinet members on their portfolios. It is intended that the Statements will be focussed on key strategic issues many of which will be contained in the published Forward Work Programme.</p> <p>In addition the annual performance scrutiny meetings will give scrutiny members an opportunity to raise questions about the performance of their portfolio area (s). Finally in order to ensure accountability for their portfolios, cabinet members are required to participate in PDR's and One to One meetings with the Leader of Council.</p>	<p>The final stage of the review of the new Scrutiny arrangements includes a Self Evaluation of the scrutiny changes which will commence in the Autumn 2016 with outcomes reported to members early in the new year 2017.</p>	



## AUDIT COMMITTEE – 14TH DECEMBER 2016

**SUBJECT: REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER**

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### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to update members on progress against the proposals made by all regulators since the last Audit Committee update (May 2016).

### **2. SUMMARY**

- 2.1 Since May 2016 there have been 9 proposals addressed and 6 new proposals added onto the register.
- 2.2 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.
- 2.3 There have been 2 new reviews received from the Wales Audit Office, 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 pre-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.
- 2.4 Currently we have 20 proposals on the register at this time. There are 9 recommended for closure which would leave 11 outstanding if the closures are agreed by the Audit Committee.

### **3. LINKS TO STRATEGY**

- 3.1 Although the Well-being of Future Generations (Wales) Act 2015 has been introduced and replaces Part 1 of the 2009 Local Government Measure, Part 2 is still a legal requirement and this part puts a duty on an authority to 'make arrangements to continuously improve'. The reporting of progress against regulator proposals and recommendations for improvement are part of those arrangements.
- 3.2 Improvements as part of the Leisure Review or the CSSIW annual review would contribute towards: A healthier Wales and a more equal Wales.

### **4. THE REPORT**

- 4.1 There have been five regulator outputs received since the last update, which are noted in paragraph 4.9. One of the four is the Waste Review. The outcome was not finalised as a report but as 'a letter'. The letter provides more of fact find or a position statement and had no suggestions for improvement and therefore has no content to include on the attached register

(appendix A). The WAO's Annual Improvement Report (15/16) did not make any additional recommendations or propose any improvements other than to endorse the proposals made within the CSSIW annual review, so these are noted in the appendix.

- 4.2 At June 16 Audit Committee there were 11 proposals outstanding, now as at Nov 2016 there are 20 proposals on the register with 9 coming onto the register and these are shown below against individual review categories, however as 9 have been addressed this still leaves 11 outstanding.

	Customer Services Review	Assets (Land and property)	Financial Position	Improving Governance	Financial Resilience (new)	Leisure Review (new)	CSSIW	Total
How many	6	3	1	1	5	1	3	20
Completed	2	1	-	1	2	-	3	9
How many left	4	2	1	0	3	1	0	11

- 4.3 In summary as at November 2016 there are;

Outstanding	New proposals added	Subtotal outstanding	Those completed	Current Total Outstanding	Total outstanding last time reported
11 (from last time)	9	20	9	<b>11</b>	<b>11</b>

- 4.4 At this time last year there were 22 proposals outstanding, so the numbers are reducing despite the additional proposals. Of the 11 outstanding, 6 have been on the register for more than 3 years (these are in para 4.6 and 4.7). There have been 98 proposals or recommendations since the register began (this does not include most of the improving governance actions as they were monitored by the Improving Governance Board).
- 4.5 The numbers of the proposals or recommendations only tell part of a story and some of the proposals have had many actions and have been more complex, making them not easily resolved within a year, however progress is being made and specific updates are given below;
- 4.6 There were seven proposals from the WAO Customer Services Review and now there are four outstanding, following the development of the Customer Services Strategy. These proposals were delayed on several occasions due to the decisions around the medium term financial plan and how this would affect what the **Customer Service** strategy would deliver. The strategy went to Policy and Resources Scrutiny in January 2016 and Cabinet in April 2016 where this strategy was approved. Although the Strategy is available on the intranet it still needs to be publicised as part of an awareness raising process. Currently an action plan has been drafted to deliver the strategy to be progressed through the Business Improvement Programme. As the action plan is still being finalised we have reduced the percentage completed to a lower percentage of completion.
- 4.7 **Asset Management** now has two proposals outstanding as the Asset Strategy was approved by Council in November 2016, five proposals having been addressed in total. We will move into the last two proposals which are developing individual service asset plans and an overall plan for implementing the strategy. A 'State of the Estate Report' was presented to members and will be a regular feature in updating members and staff on the progress of Land and Building Asset management.

- 4.8 **HR strategy** (Improving Governance). The HR Strategy is now completed and is available via the intranet. The strategy will be reviewed by members in 12 months' time. As the proposal is complete it is recommended for closure on this occasion.
- 4.9 There are two new reports that are now in the system and two that entered the system but are not included on the register. These are available to read on the Members Portal and are:

Name of Report	Where will the report be presented to?	Comment
Financial Resilience	CMT 2 <sup>nd</sup> June, Cabinet July 16. This was delayed in part due to purdah. This had 6 proposals for improvement.	Proposals reported in this December update
Leisure Review	Report presented to Regeneration and Environment Scrutiny 28 June 16 and Cabinet 27 <sup>th</sup> July 16.	Proposals are reported in this December update
Waste Review	Fact Finding Letter	No proposals for improvement, not included on register.
Annual Improvement Report	Council 22 <sup>nd</sup> November 16	No separate proposals to include.

- 4.10 The Education Service advises there are no ESTYN reports or recommendations to report on this occasion. CSSIW carried out a national study called the 'National Review of care planning for children and young people subject to the Public Care Outline pre proceedings' and this is due out next month. In the meantime we have received a positive local output which has minor areas for consideration. When the report is final we may include these on the register for the next Audit report.
- 4.11 Wales Audit Office has stated that the decision on whether a proposal is completed is an internal matter and is for the organisation to decide, (although it is within their remit to make more proposals if they do not believe it has been addressed). We will forward the register onto the Wales Audit Office for their information and update once seen and agreed by Audit Committee.
- 4.12 We recommend 6 proposals be closed down as completed and encourage members to view the specific proposals attached within Appendix A and judge if they concur that the proposal is now completed.
- 4.13 When monitoring progress against the proposals, members are advised to consider what value the proposals are making and what difference the activity in addressing them has made for our citizens.

## 5. EQUALITIES IMPLICATIONS

- 5.1 No specific Equalities Impact Assessment has been undertaken on this report; however the Local Government Measure 2009 cites fairness and accessibility as part of the definition of what 'Improvement' means.

## 6. WELL-BEING OF FUTURE GENERATIONS

- 6.1 Improvements in developing a Leisure Strategy would maximise contribution towards: A healthier Wales and Corporate Parenting and a new quality framework would help to maximise contribution towards a more equal Wales.
- 6.2 Some of the proposals impact change of planning for example developing a longer term MTFP, from three years to five years.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 There are no financial implications arising from this report although it is worth noting that external audit fees could be reduced, if regulators are assured and place reliance on the organisation's own ability to monitor and challenge itself to improve.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 There are no personnel implications arising from this report.

## **9. CONSULTATIONS**

- 9.1 There have been no consultations that have not been included in this report.

## **10. RECOMMENDATIONS**

- 10.1 It is recommended that Audit Committee note the contents of this report and give their agreement (where appropriate) to close the proposals that are noted as 'recommended to be closed' within the Appendix.

## **11. REASONS FOR THE RECOMMENDATIONS**

- 11.1 To ensure members are aware of progress the Council's action plan for progressing regulator recommendations and proposals and have an opportunity to monitor and challenge its content.

## **12. STATUTORY POWER**

- 12.1 Local Government Measure (Wales) 2009.

Author: Ros Roberts Corporate Performance Manager [roberr@caerphilly.gov.uk](mailto:roberr@caerphilly.gov.uk)

Consultees: Nicole Scammell, Acting Director of Corporate Services

Colin Jones, Head of Property Services

Chris Burns, Interim Chief Executive

Dave Street, Corporate Director of Social Services

Gareth Jenkins, Assistant Director Children's services

Christina Harray, Corporate Director, Communities

Stephen Harris, Interim Head of Finance

Dave Titley, Customer Services Manager

Liz Lucas, Head of Procurement

Lynn Donovan, Interim Head of Human Resources

David Hardacre, Cabinet Member, Performance, Property and Policy

Mark S. Williams, Head of Community and Leisure Services

Rob Hartshorn, Head of Public Protection

Kathryn Peters, Policy Manager

Appendices:

Appendix A: Update of proposal register November 2016.

## Action Plan 2016 Response to Regulator Proposals

Number and reference of action	Original Document	Regulator Proposal	Action	Previous Update May 2016	Service Officer Responsible	By When	Update Nov 2016	Status	Percentage completed	Result from Dec 16 Audit committee
32	Customer Services Review (August 2013)	<b>P1: Governance and performance management.</b> Develop a more co-ordinated strategic approach to customer services. This should include developing and implementing a customer service strategy that supports the Council's strategic vision and improvement priorities.	To develop and implement a Customer Services Strategy.	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement.  This is one of the projects sponsored and monitored by the Business Improvement Board	Dave Tittley Customer Services	Report to P&R Scrutiny Committee in March 2014 explaining delayed till June.	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement and is one of the projects within the Business Improvement Programme.  The % completion has been reviewed based on timescales and indicative workload in the draft implementation plan	In progress	50%	
33	Customer Services Review (August 2013)	<b>P1: Governance and performance management.</b> Develop a more co-ordinated strategic approach to customer services. This should include establishing clear links between the customer service strategy document, Improvement Objectives and departmental service improvement plans.	To develop and implement a strategy.	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement.  This is one of the projects sponsored and monitored by the Business Improvement Board.  It is not yet clear how the Strategy will link to Service Plans	Dave Tittley Customer Services	Report to P&R Scrutiny Committee in March delayed till June 2014.	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement and is one of the projects within the Business Improvement Programme.  The % completion has been reviewed based on timescales and indicative workload in the draft implementation plan	In progress	50%	
34	Customer Services Review (August 2013)	<b>P1: Governance and performance management.</b> Develop a more co-ordinated strategic approach to customer services. This should include ensuring the customer service strategy clearly sets out appropriate performance measures that enable the Council to manage, monitor, report and evaluate its strategy and other related strategies including its customer charter.	To develop and implement a strategy that includes performance management information.	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement.  This is one of the projects sponsored and monitored by the Business Improvement Board.  The performance measures and the mechanism for reporting to the Council have not yet been agreed.	Dave Tittley Customer Services	Report to P&R Scrutiny Committee in March delayed till June 2014.	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement.  The performance measures and the mechanism for reporting to the Council have not yet been agreed.  The % completion has been reviewed based on timescales and indicative workload in the draft Customer Service Strategy implementation plan	In progress	50%	
35	Customer Services Review (August 2013)	<b>P1: Governance and performance management.</b> Develop a more co-ordinated strategic approach to customer services. Including customer services' performance measures in the Council's corporate performance reporting arrangements and ensuring they are subject to effective self-evaluation, challenge and scrutiny.	Review customer service standards then develop suite of performance managers based on the objectives of the strategy 10 links to 12	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement. This is one of the projects sponsored and monitored by the Business Improvement Board.  Arrangements for monitoring performance still require clarification as responsibility for delivering the strategy has moved from CITSG to the Business Improvement Board.	Dave Tittley Customer Services	Sept 14 (to go into performance report Oct 14)	The new customer service strategy has been approved by Cabinet and is published on the intranet. The strategy is being implemented by a Project Team, managed by the Head of Procurement. one of the projects sponsored and monitored by the Business Improvement Board. Performance is measured and reported via the Ffynnon scorecard to senior management team, corporate management team and the relevant cabinet member. The Head of Service meets with the Cabinet Member responsible for the Customer Service in their meetings to discuss performance data. Arrangements are in place and we suggest this recommendation is now closed down.	Complete	100%	Recommend Closure.
37	Customer Services Review (August 2013)	<b>P1: Governance and performance management.</b> Develop a more co-ordinated strategic approach to customer services. This should include ensuring that the lead Cabinet Member for customer services has clearly documented responsibilities and is provided with regular performance information.	Proposal to set up Customer Services Customer service programme board with cabinet member as lead.	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement. This is one of the projects sponsored and monitored by the Business Improvement Board.  The role of the Cabinet Member still needs to be clarified as do mechanisms to ensure that they are provided with regular performance information.	Dave Tittley Customer Services	Nov-14	The Cabinet Member for Customer Service meets routinely to discuss performance and performance information. Cabinet Members have PDR which relate to their role and responsibilities. This aspect has been strengthened since the Scrutiny Review in the summer. Each Service in Corporate Services meets with their Cabinet Member to discuss. We consider this to be complete now as this is routine business.	Complete	100%	Recommend Closure.
39	Customer Services Review (August 2013)	<b>P2: Information and data.</b> Strengthen the approach to evaluating and improving customer services in a proactive way. This should include collecting and analysing customer views and satisfaction data for e-mail and telephone correspondence.	1) Review the Customer Service standards and measures. 2) Implement survey forms for one-stop-shops and survey of contact centre 3) Broaden to other contact e.g Housing repairs to find out what they do 4) add performance data to Ffynnon CMT scorecard	Now that the strategy has been agreed work can commence on reviewing customer service standards and performance measures.	Dave Tittley	Nov-14	The new customer service strategy has been approved by Cabinet. The strategy is being implemented by a Project Team, managed by the Head of Procurement. This is one of the projects sponsored and monitored by the Business Improvement Board.  As the development is closely tied to the implementation of the strategy the % completion has been reviewed based on timescales and indicative workload in the draft implementation plan	In progress	40%	

## Action Plan 2016 Response to Regulator Proposals

Number and reference of action	Original Document	Regulator Proposal	Action	Previous Update May 2016	Service Officer Responsible	By When	Update Nov 2016	Status	Percentage completed	Result from Dec 16 Audit committee
42	Asset Management (Land and Property) Strategy Review (September 2013)	<b>P1: Develop a robust Asset Management Strategy for its property and associated infrastructure.</b> The strategy should set out a vision for each type of asset that shows how it contributes to the delivery of the Council's priorities. The strategy should describe an overall plan for implementing the Strategy. The strategy should be approved by members.	Further develop the existing draft strategy	Although clear explanations for not proceeding were given and accepted by P & R Scrutiny, Audit Committee were not comfortable to close this proposal as discussed in Dec 16 meeting, Following Committee, Corporate Director and Head of Property met with the Auditors and agreed to develop an Asset Management Strategy using a suggested good practise model as a reference document. The strategy is being developed and a "first draft" is almost complete. It is at the stage of consulting with the Corporate Asset Management Group before going into the member arena for their approval. The current Asset Management Strategy (Land & Buildings) will be reviewed and amended as appropriate to ensure it aligns with the Corporate Asset. The current Land & Buildings Strategy compares well with the draft Corporate AMP and is likely to require further improvement. Management Strategy	Colin Jones (RCJ)	Apr-14	A draft Corporate Asset Management Strategy has been presented to both P & R Scrutiny (4th October 2016) and Cabinet (19th October 2016) and was Council endorsed the Strategy at its meeting on 22nd November 2016.	Complete	100%	Recommended for closure
46	Asset Management (Land and Property) Strategy Review (September 2013)	<b>P2:</b> Ensure that the individual service asset management plans are developed as soon as possible and are used to inform the Council's financial planning process.	Develop Service Asset Management Plan (SAMP) and consider impact on the Medium Term Financial Plan (MTFP)	Current MTFP issues gives priority to service savings so services are unable to set definitive plan on their property requirements - this action is <b>delayed until Oct / Nov. The completion date has been changed</b> from Jan-March 14	Colin Jones	Jan-Mar '14	The draft Corporate AMP has identified the importance of effective Service Asset Management planning and identified where such plans exist and where they do not. Where they do exist then those plans will need to be reviewed to strengthen links with the Corporate AMP. Where they do not exist the question to be answered is "is there a need for a service AMP?".	Partially Complete, further service discussions to be held.	50%	
Page 44	Asset Management (Land and Property) Strategy Review (September 2013)	<b>P4:</b> Develop and implement arrangements to monitor the delivery of the strategy.	Agenda updates on progress to Asset Management Group (AMG)	Current MTFP issues gives priority to service savings so services are unable to set definitive plan on their property requirements - this action is <b>delayed until Oct / Nov. The completion date has been changed</b> from Jan-March 14	AMG	Nov-14	The draft Strategy includes recommendations for future monitoring and these recommendations will be put in place when/if the corporate AMP is accepted by council	In progress	70%	
FPA2015/1	Financial Position Assessment Issued May 2015	<b>P1</b> The Council should ensure that its priorities and improvement objectives are explicitly taken into account when determining its savings plans	Continue to develop linkages between Council priorities and the Medium-Term Financial Plan (MTFP).	In developing the draft savings proposals for 2016/17 the Council has agreed a number of core principles, one of which is to focus on priorities. The Corporate Plan includes details of the resources available to support each Improvement Objective. CMT is currently working with Heads of Service to develop a "Future Vision & Direction" document. This will need to consider the financial resources available.	Stephen Harris	Ongoing	Draft savings proposals 17/18 are to be presented to Cabinet on 30/11/16. The Authority continues to adhere to the principles previously agreed. In light of Local Government Reform by the Cabinet Secretary of Local Government, the authority vision will need to be reviewed following publication of the white paper in 2017	In progress	80%	
WAO follow up inspection to the Corporate Governance inspection	Improving Governance-transferred from the Improving Governance Action Plan Oct 2015	<b>P8</b> The Council should prioritise the development of a HR Strategy and Workforce Plan. These should form key elements of the Council's strategic planning framework.	Develop a relevant HR strategy	Draft HR Strategy document discussed at CMT on 15/10/2015 and has been circulated to HR Strategy Group for comments. This will now be subject to wider consultation	Lynne Donovan	Jan-15	The HR strategy went to P&R scrutiny 12th July 2016 and was unanimously endorsed. The document was agreed at Cabinet on 27th July 2016 and will be reviewed 12 months after implementation to ensure that it is current and fit for purpose.	Complete	100%	Recommend for closure
New 181A2016	Financial Resilience 2015/2016 issued April 2016	<b>P1</b> The council should strengthen its financial resilience by: developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities	The Acting Director of Corporate Services & Section 151 Officer will maintain a dialogue with the WAO regarding the most effective way to demonstrate a link between the MTFP and corporate priorities	New as at April 2016	Stephen Harris	Ongoing	Please see comment regarding draft saving proposals above in the Financial Position Assessment. The Acting Director of Corporate Services meets with the WAO every quarter to continue dialogue on a range of topics.	In progress	50%	
New 181A2016	Financial Resilience 2015/2016 issued April 2016	Developing a longer term MTFP with comprehensive multi-year savings plans to cover the period of the MTFP;	In February 2016 Council approved an updated Medium-Term Financial Plan covering the period 2016/17 to 2020/21	New as at April 2016	Stephen Harris	Feb-17	Welsh Government have indicated that an indicative 5 year Financial settlement will be provided in January 17. In light of this an updated 5 year MTFP will be presented to Council after that time.	In Progress	80%	



## Action Plan 2016 Response to Regulator Proposals

Number and reference of action	Original Document	Regulator Proposal	Action	Previous Update May 2016	Service Officer Responsible	By When	Update Nov 2016	Status	Percentage completed	Result from Dec 16 Audit committee
New 181A2016	Financial Resilience 2015/2016 issued April 2016	Continuing to develop a more strategic asset management plan which is aligned to its MTFP;	Asset management will continue to be dealt with through the Corporate Asset Management Group.	New as at April 2016 - See Action referenced 45. An Asset Management Strategy is due to be discussed at P&R Scrutiny in October 2016	Stephen Harris & Colin Jones		The Asset Management Strategy is aligned to the MTFP. For example the Building Maintenance Budget has now been centralised into Property Management and this has resulted in more efficient use of our buildings. The 'State of the Estate' Report was presented to Council in June and members approved future publications. Capital finding has been identified in the Capital Strategy Funding Programme as part of the MTFP. We recommend this proposal be closed as it has moved into day to day management and will be monitored by the Asset Management Group as referred to above.	Complete	100%	
New 181A2016	Financial Resilience 2015/2016 issued April 2016	Reporting 'Whole Council' financial and savings progress reports to Members on a regular basis;	A 2016/17 'Whole-Authority' mid-year budget monitoring report will be presented to Cabinet outlining projected expenditure for the year and details of progress in achieving savings targets.	New as at April 2016	Stephen Harris	Dec-16	A mid year (16/17) revenue budget monitoring report was presented to Cabinet 16th Nov 2016	Complete	100%	
New 181A2016	Financial Resilience 2015/2016 issued April 2016	Developing income generation/charging policies.	A corporate policy on income generation/charging will be progressed once the WAO produces a final national report on its "All Wales Local Government Improvement Study: Strategic approach to income generation and charging".	New as at April 2016. WAO are scheduled to produce their National approach to income generation and charging July 2016	Rob Hartshorn	Apr-17	The national WAO report has now been published. This has formed part of the Business Improvement Programme (BIP) as a specific workstream to establish and explore income generation options. Fact finding and scoping progressing with the Action Plan to be drawn up by April 2017.	In progress	50%	
New 181A2016	Leisure Review	The Council needs to urgently develop and agree a vision and strategy for its sports and leisure services, and set out how it will achieve this. In doing so, the Council should ensure that: 1. there is effective involvement of, and engagement between, politicians and officers to strengthen corporate oversight of process 2. relevant expertise is involved across the Council at an early stage 3. there is a clear plan for public and stakeholder engagement 4. There are clear links to corporate plans, priorities and the MTFP 5. Options appraisals are undertaken based on robust information base, (costs, benefits, risk etc) each option is assessed. 6. Appropriate consideration is given to the impact by applying the principles of the Well-being of Future Generations Act 7. Governance and accountability mechanisms are identified to report and monitor progress in developing the vision 8. Consideration is given to capacity of the service to develop and implement an integrated sports and leisure strategy	Following member approval the authority has engaged a consultant to: i) To establish a clear purpose for its business and other activities in Sport & Leisure. (ii) Analyse and recommend "placement" of the service into the future taking into account existing practice alongside exploring opportunities for development based on current and projected demand in the Sport & Leisure Industry. (iii) Establish a set of recommendations that is appropriate to the needs of the County Borough's communities and is affordable going forward. (iv) An assessment of the most appropriate operating model(s) for the Authority. (v) The preparation of a new, over-arching strategy, and delivery plan that:- Fully takes into account national strategies/priorities as well as local needs and issues set in the context of financial constraints; • Places the future rationale, and appropriate operational models for Sports & Leisure in Caerphilly in accord with the "direction" being supported by Welsh Government; • Delivers a bespoke approach appropriate to the needs and demands of the communities in the County Borough. (vi) To suggest next steps (eg: user engagement, etc.) that the Authority may need to take.	New at time of May update	Mark.S.Williams	May-17	The WAO report has been presented to the relevant Scrutiny Committee and to Cabinet and has been accepted. The Leisure strategy is one of the projects within the authority's new business improvement programme and a BIP project team has been set up accordingly. After receiving scrutiny support and cabinet approval the authority has engaged a consultant. The appointed consultant has just completed the initial phase of work and has recently presented findings to the Chief executive, Corporate director (communities), head of community and leisure services and Head of property. The authority is now awaiting a formal report and a future menu (with costs) for bringing the "strategy" to life with various stakeholders. A progress update is scheduled for Scrutiny in February 2017.	In progress	50%	
New - AF11	CSSIW Annual review 14-15 (AIR 15/16)	The Council is aware that there is a need to progress the joint commissioning of service for older people and this should be prioritised with health partners	We are refocusing our efforts on a regional approach so will not be talking this forward as an individual body. See progress update column	N/A - New	J. Williams & D. Street	Nov-16	The Council progress joint commissioning of services for older people with health partners was recommended however we will be refocusing this objective to a regional approach with health and other Local Authorities. This is far more sensible approach because of the establishment of a pan Gwent commissioning group, which links to the national commissioning group, and we are at the stage of prioritising the work plan of this group we have advised CSSIW of this therefore we recommend this proposal is closed.	Recommend closed as moving to regional working	100%	Recommend Closing as being taken forward in a regional capacity. CSSIW notified of closure of this suggestion
New - AF12	CSSIW Annual review 14-15 (AIR 15/16)	Ensure the new quality assurance framework reflects methods of monitoring progress of the childrens strategy	The new QA Framework will be piloted within Children's Services before being adopted by the Directorate.	N/A - New	Gareth Jenkins	Ongoing	Thematic Audits have been undertaken including: Quality of Care Planning, IAA Screening Checks, Cancelled/Declined Assessments and annual Supervision File Audits. Framework now needs to be considered in Adults Services.	Complete	100%	Recommend for closure

## Action Plan 2016 Response to Regulator Proposals

Number and reference of action	Original Document	Regulator Proposal	Action	Previous Update May 2016	Service Officer Responsible	By When	Update Nov 2016	Status	Percentage completed	Result from Dec 16 Audit committee
New AF13	CSSIW Annual review 14-15 (AIR 15/16)	Corporate parenting board to demonstrate clear methods for consulting with children and young people	Ensure the views of Looked After Children and young people are represented at the Board.	N/A - New	Gareth Jenkins	Complete	2 young people now attend the Corporate Parenting Board and raise issues pertaining to LAC and Care Leavers. Dedicated time allocated on the agenda to hear from the young people. The Chair of the Board has periodic meetings with the 'Shout Out' Group which is a forum for all LAC and Care Leavers. NYAS, the commissioned independent Advocacy Service for LAC are members of the Board and routinely represent the views of LAC and Care Leavers	Complete	100%	Recommend for closure



## AUDIT COMMITTEE – 14TH DECEMBER 2016

**SUBJECT: ASSURANCE FRAMEWORK**

**REPORT BY: INTERNAL AUDIT MANAGER**

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### 1. PURPOSE OF REPORT

- 1.1 To present the Audit Committee with a draft assurance framework and to provide details of the purpose and structure of the framework.
- 1.2 To invite comments from Members of the Audit Committee on the draft framework.

### 2. SUMMARY

2.1 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.

2.2 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.*

2.3 A draft assurance framework has now been prepared and is appended to this report for the Audit Committee to consider and comment upon.

### 3. LINKS TO STRATEGY

3.1 Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered and this in turn contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

### 4. THE REPORT

4.1 The development of an assurance framework for the Authority was identified as a proposal for improvement within the recent WAO report "Review of Arrangements to Address External Audit, Inspection and Regulation Recommendations and Proposals for Improvement – Caerphilly CBC".

- 4.2 The draft assurance framework attached as Appendix 1 is a diagrammatical representation of the various sources of assurance which the Audit Committee can draw upon when considering the strength and appropriateness of the Council's governance or assurance arrangements.
- 4.3 The draft framework has been shared with the Corporate Governance Panel and the Corporate Management Team and is based on a concept called the Three Lines of Defence. This is an auditing and risk management model which sets out the responsibilities of the various parties in respect of risk mitigation and assurance.
- 4.4 The model is designed on two levels with Level 1 being the main summary diagram showing the headline areas that make up the three Lines of Defence. Level 2 provides further details of the specific contribution that the individual components at Level 1 provide to the overall assurance landscape.
- 4.5 The Level 1 summary diagram depicts the lines of defence working out from the centre. The first line of defence incorporates the functions that own and manage risk. The second line of defence covers the various risk management and compliance oversight functions established by management, with independent assurance being the third line of defence.
- 4.6 Although the model indicates a distinct separation between the functions, in reality there has to be co-ordination and an appropriate sharing of knowledge and information to assist all the functions in better accomplishing their roles in an efficient manner.
- 4.7 The detail provided at Level 2 is to give Members of the Audit Committee a fuller understanding of the types of assurance that can be obtained and the wide range of sources of assurance that contribute to the corporate governance process.
- 4.8 As mentioned earlier, the Corporate Governance Panel has been consulted on the structure and content of the assurance framework. The framework needs to be a live document that is adaptable to changing circumstances and with this in mind it is intended that the Corporate Governance Panel will keep the framework under regular review to ensure that it remains relevant and up-to-date. The Audit Committee will be updated in respect of any changes to the Assurance Framework

## **5. WELL-BEING OF FUTURE GENERATIONS**

- 5.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

## **6. EQUALITIES IMPLICATIONS**

- 6.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 There are no direct financial implications arising from this report.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 There are no direct personnel implications arising from this report.

## **9. CONSULTATIONS**

9.1 There are no consultation responses that have not been included in this report.

## **10. RECOMMENDATIONS**

10.1 The Audit Committee is asked: -

10.1.1 To consider and comment upon the draft assurance framework.

10.1.2 To agree that the Corporate Governance Panel will be responsible for keeping the assurance framework under regular review to ensure that it remains relevant and up-to-date.

10.1.3 To note that the Audit Committee will be updated in respect of any changes to the Assurance Framework.

## **11. REASONS FOR THE RECOMMENDATIONS**

11.1 To ensure that the Audit Committee is provided with an opportunity to consider the draft assurance framework and the proposed arrangements for keeping the framework under review.

## **12. STATUTORY POWER**

12.1 The Local Government Act 1972.

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Consultees: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer  
Stephen Harris, Interim Head of Corporate Finance  
Corporate Governance Panel  
Corporate Management Team

Background Papers:

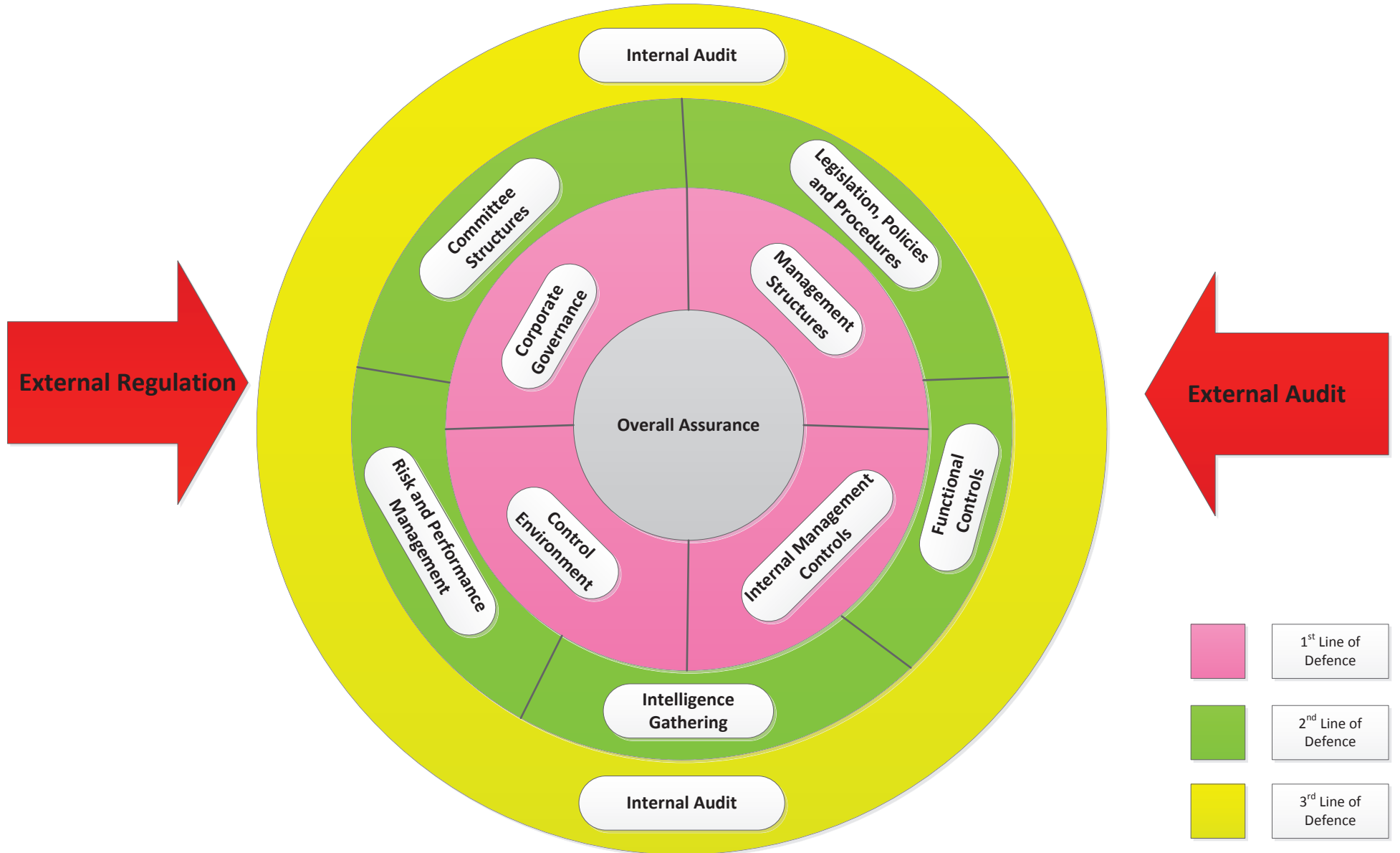
Cabinet Report (19/10/16) – WAO Review of Arrangements to Address External Audit, Inspection and Regulation Recommendations and Proposals for Improvement – Caerphilly CBC.

Appendices:

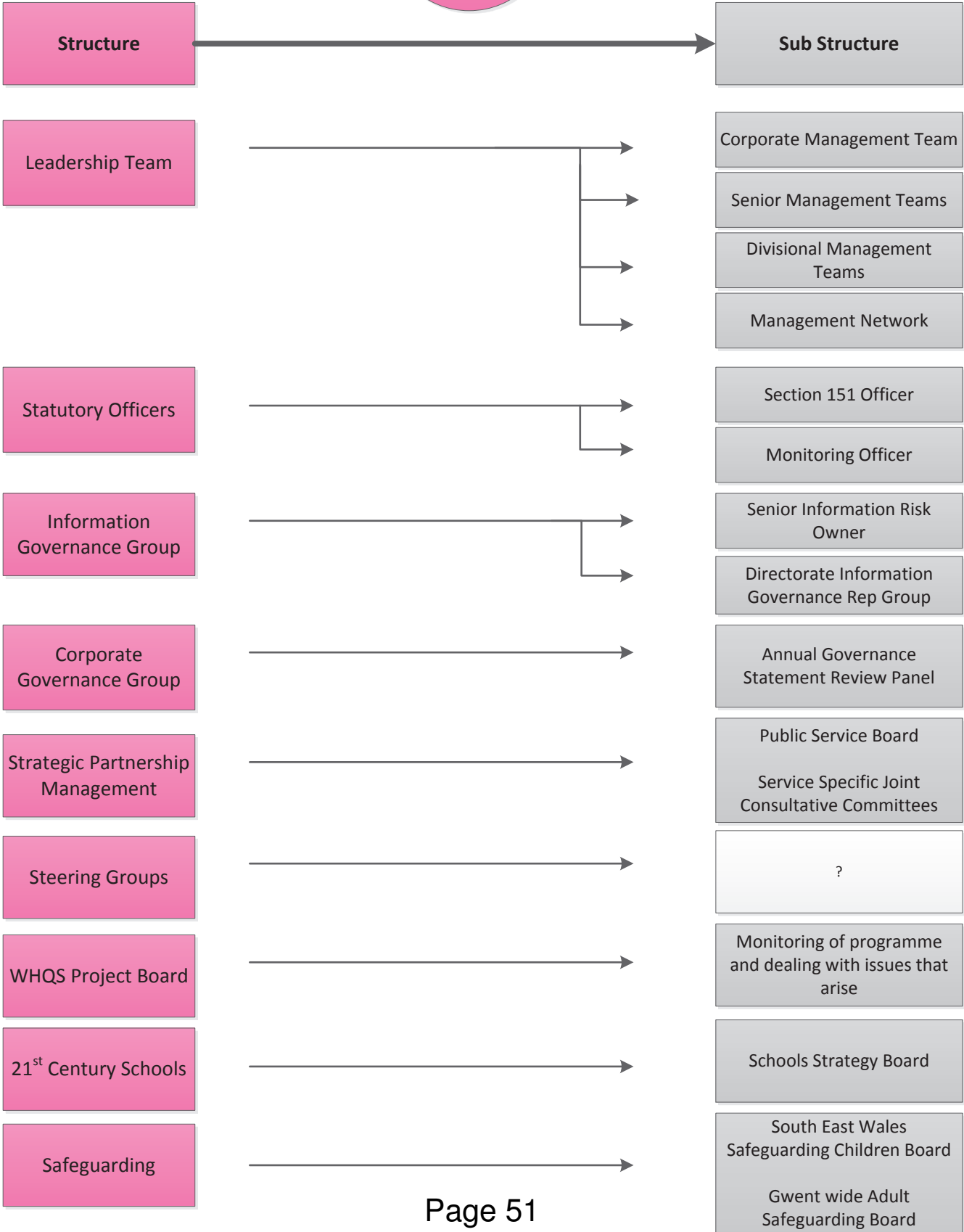
Appendix 1 Draft Assurance Framework

# Corporate Governance and Assurance Framework

Page 50

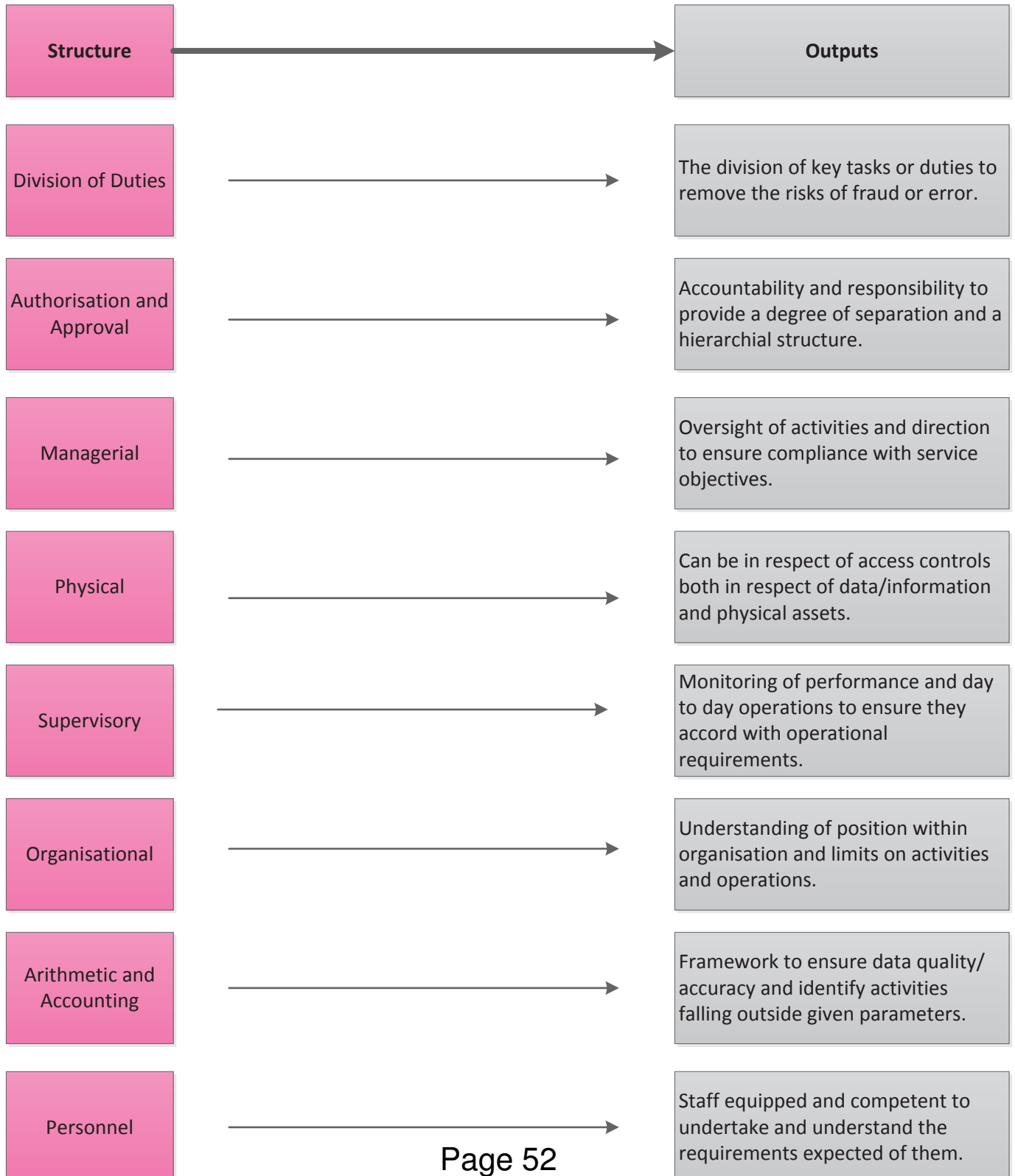


# Corporate Governance and Assurance Framework



# Corporate Governance and Assurance Framework

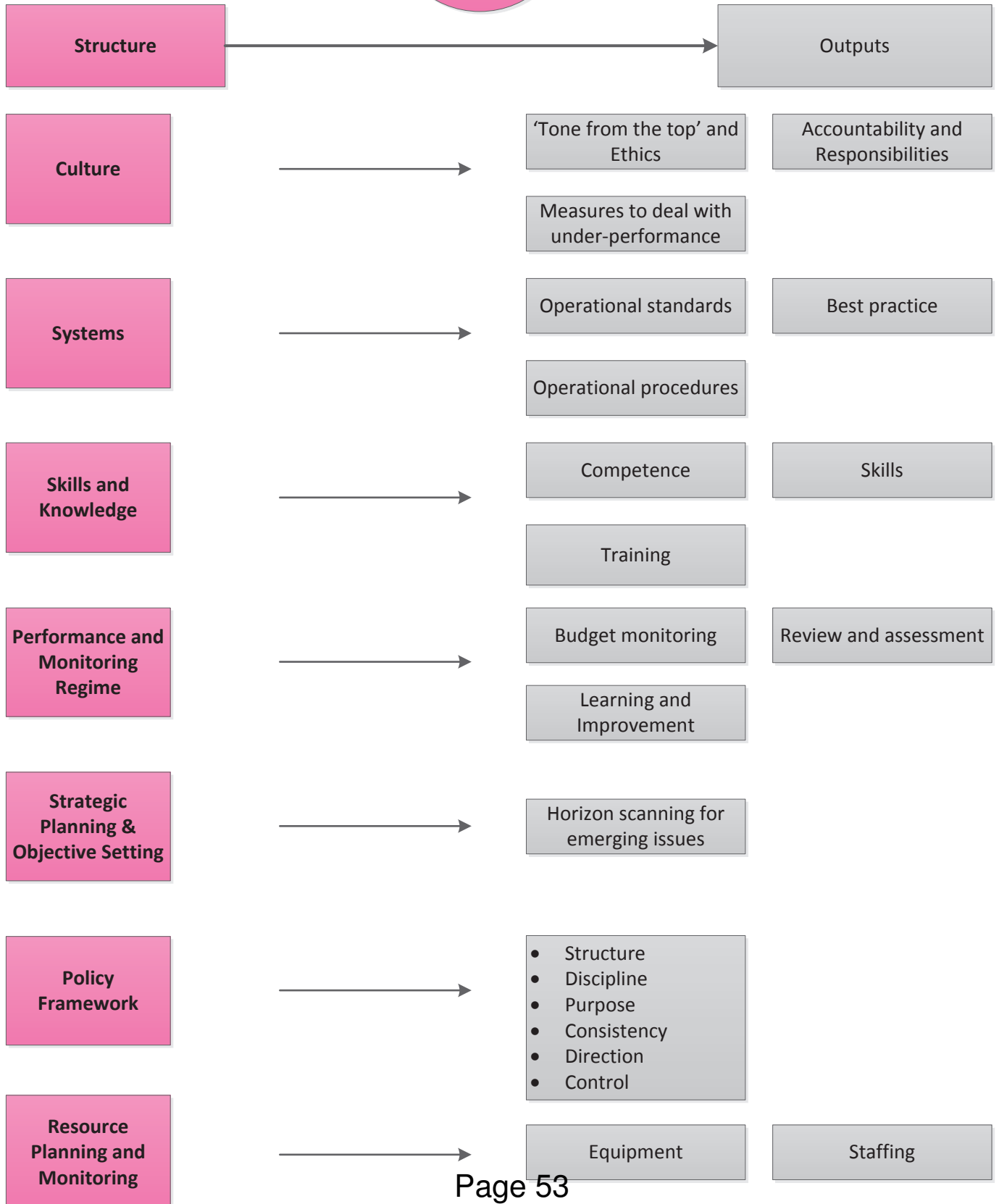
## Internal Management Controls





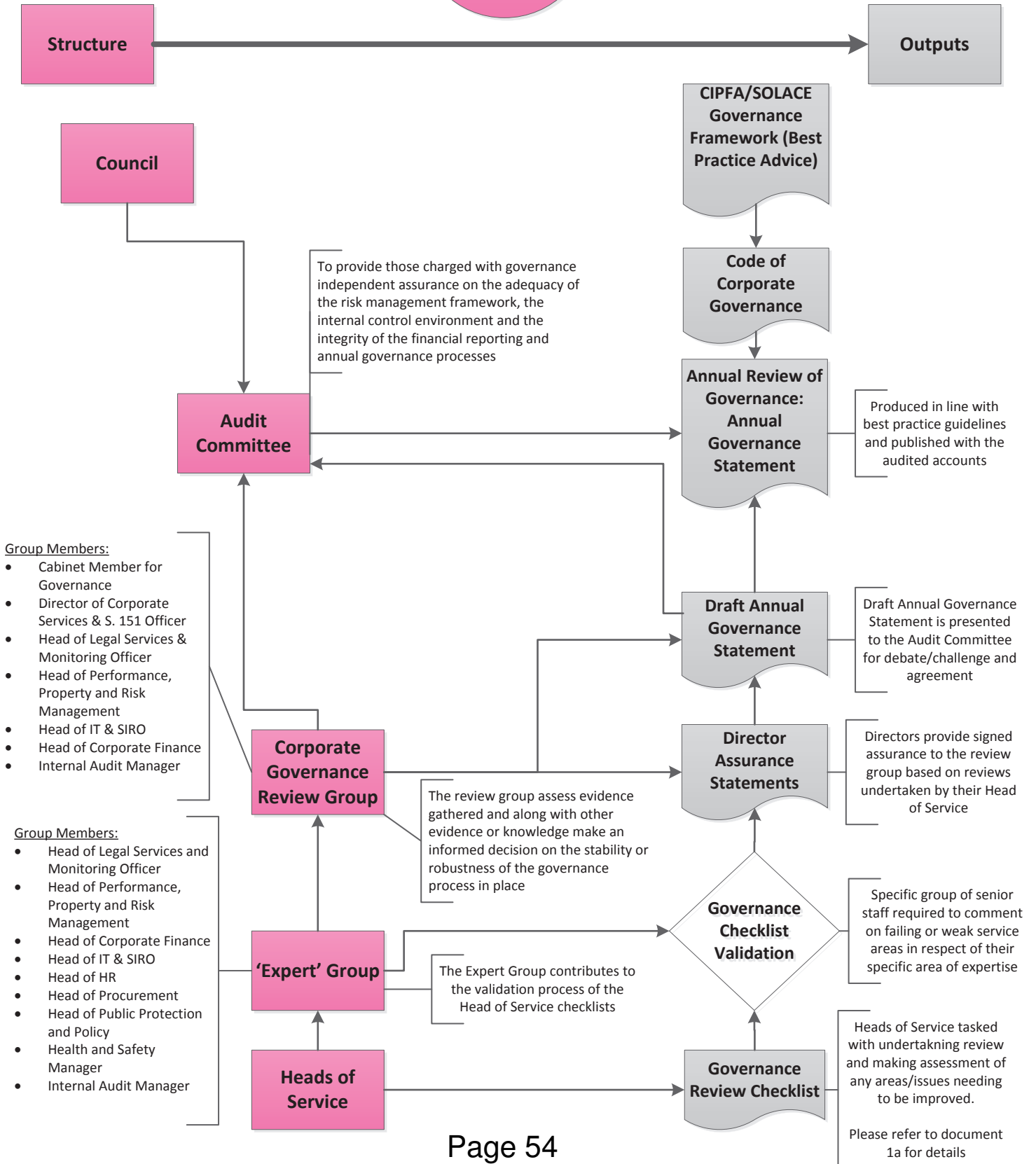
# Corporate Governance and Assurance Framework

Control Environment



# Corporate Governance and Assurance Framework

## Corporate Governance



## Governance Review Checklists (Document 1a)

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Subject Area	Area of Review
Information Management	Freedom of Information Data Protection Information Security Record Management
Asset Management	Asset Registers Inventory
Financial Management	Budget Controls Income and Expenditure Controls
Business Planning and Performance Improvement	Service Improvement Planning Performance Development Project Management Partnership and Collaboration
Data Quality	Financial and Performance Data Collection and Reporting Data Security
Communications	Customer Care Customer Feedback Team Briefing
External Review	Implementation of Review Recommendations
Internal Control	Delegated Powers and Decision Making Financial Regulations Standing Orders
Risk Management	Risk Assessment Business Continuity Planning Health and Safety Safeguarding
Value for Money	Procurement HR Resources Value for Money Strategy
Probity	Codes of Conduct Whistleblowing Anti-fraud and Corruption Money Laundering Regulation of Investigatory Powers Act

**Corporate Governance and Assurance Framework**

**Legislation,  
Policies and  
Procedures**

**Structure**

**Outputs**

**Legislation**

Overarching framework for delivery of national aims and objectives

**Corporate Strategies**

High Level prioritisation of objectives and direction of travel

**Internal Policy Framework  
(Document 1b)**

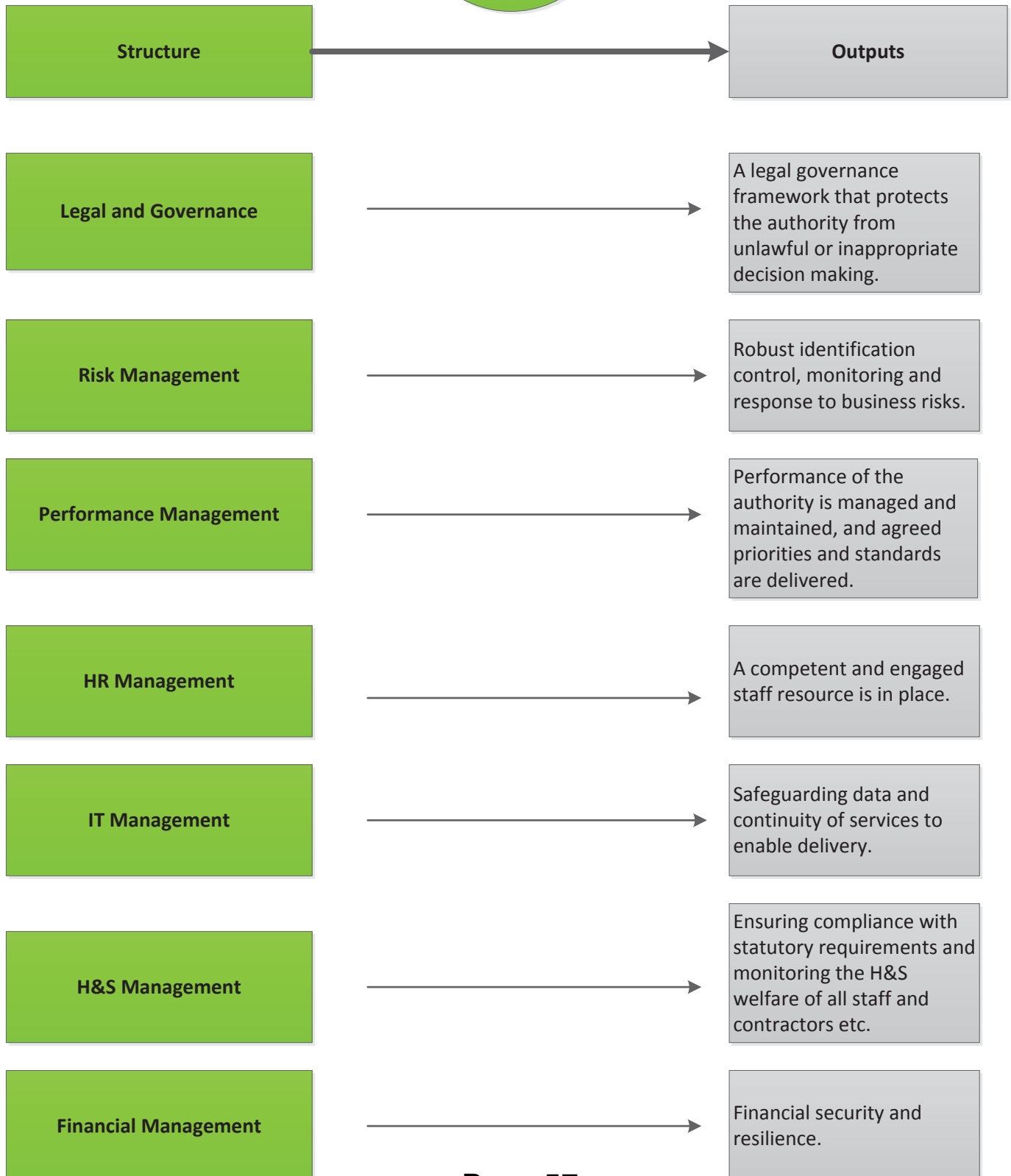
- Structure
- Discipline
- Purpose
- Consistency
- Direction
- Control

**Procedures**

Drivers for continuous improvement and resilience to continue to deliver services

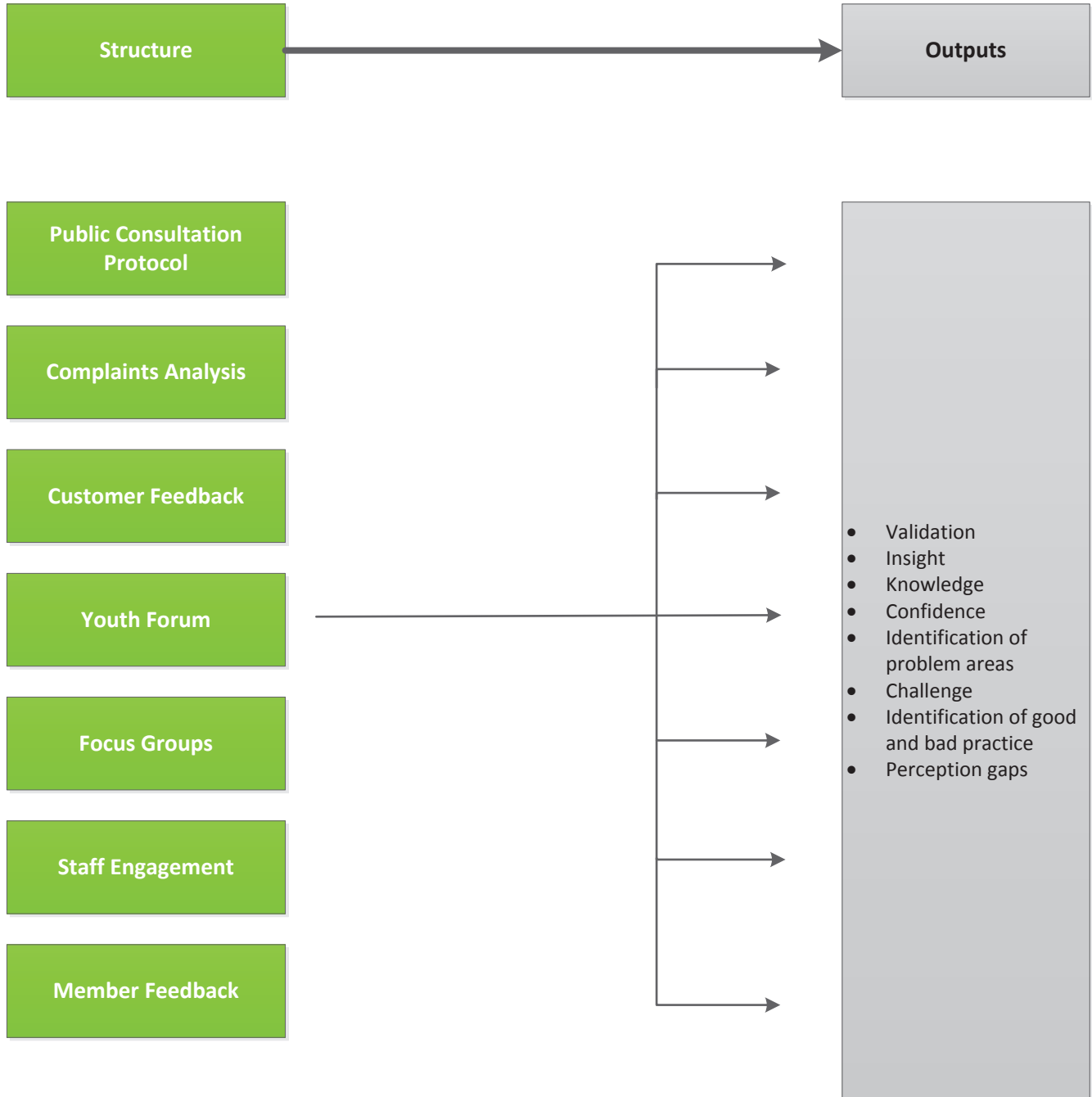
# Corporate Governance and Assurance Framework

## Functional Controls

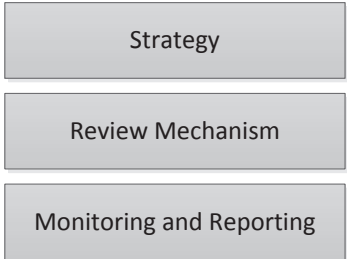
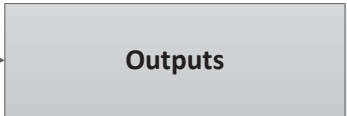


# Corporate Governance and Assurance Framework

## Intelligence Gathering



**Corporate Governance and Assurance Framework**



**Corporate Governance and Assurance Framework**



**Structure**

**Sub Structure**

Full Council

Cabinet

Scrutiny Committees

Regulatory Committees

Advisory Committees

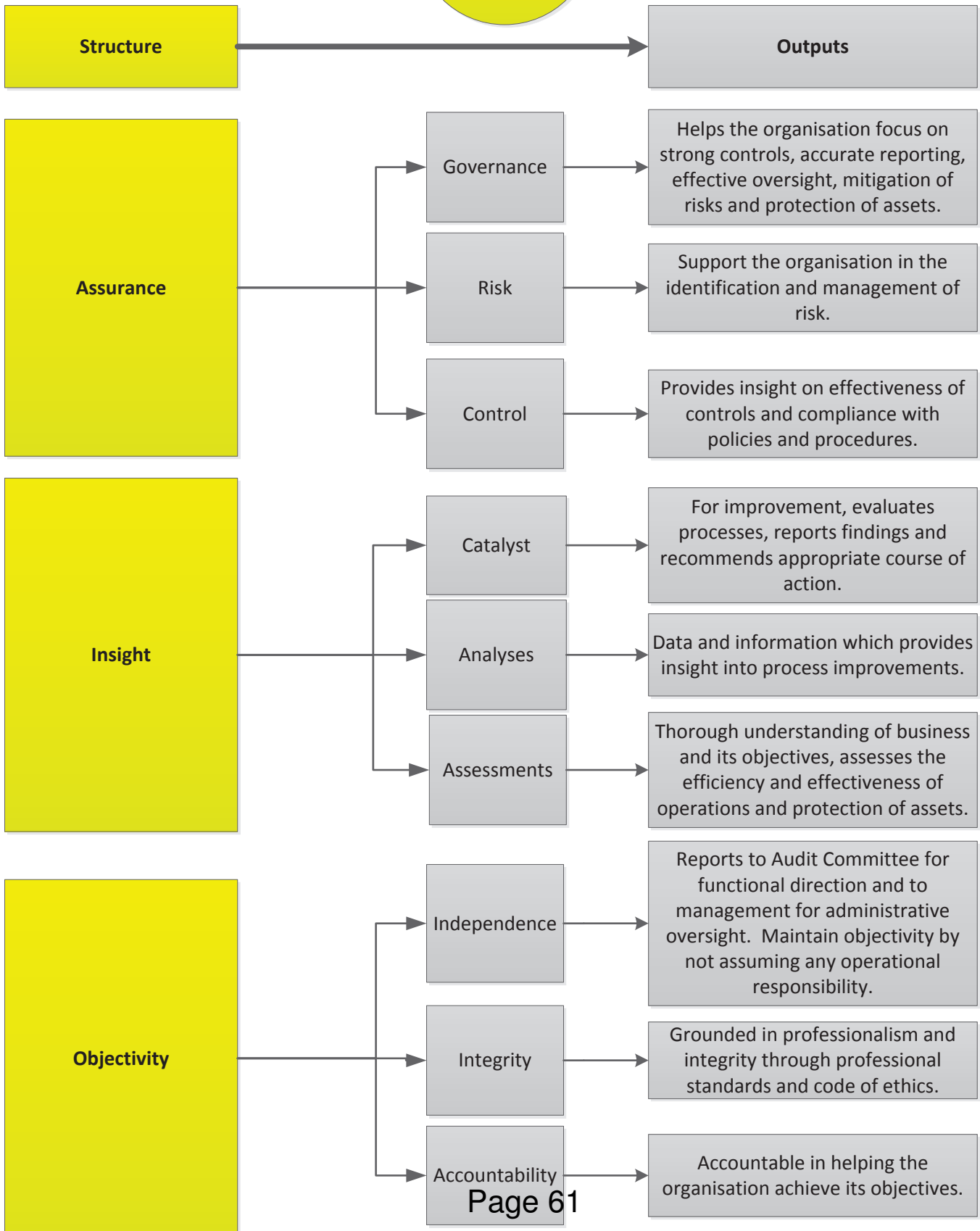


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# Corporate Governance and Assurance Framework

## Internal Audit



**Corporate Governance and Assurance Framework**



**Structure**

**Outputs**



**Other Assurance Providers**

**Welsh Government**

**Information Commissioner**

**Wales Audit Office**

**IT Resilience Testing**

**Ombudsman**

**VOSA**

**External Audit**

**BSI**

**Grant Funders**

**PCI**

**CSSIW**

**Estyn**

**Regulation of Investigatory Powers Act**

Provides an element of assurance/confidence by report on compliance, performance and best practice

**Advisory Services**

**Financial Advisors**

**Insurance Advisors**

**Specialist Consultants**

**Networking and Benchmarking**

Advisory Reports

**Health and Safety**

**H&S Executive**

Reports on performance and compliance

**Quality Audits**

**BSI**

**Catering**

Reports on performance and compliance



## AUDIT COMMITTEE – 14TH DECEMBER 2016

**SUBJECT: PUBLIC SECTOR INTERNAL AUDIT STANDARDS - UPDATE ON INTERNAL AND EXTERNAL ASSESSMENT OF INTERNAL AUDIT SERVICES**

**REPORT BY: INTERNAL AUDIT MANAGER**

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### 1. PURPOSE OF REPORT

- 1.1 To present the 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).
- 1.2 To provide an update on the arrangements for the external validation exercise that will be undertaken in March 2017.

### 2. SUMMARY

- 2.1 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.
- 2.2 This report provides the Audit Committee with details of the key issues arising from the recently completed self-assessment and an update on arrangements for a peer review approach to external assessment.

### 3. LINKS TO STRATEGY

- 3.1 The work of Internal Audit Services provides assurance on the robustness of internal controls and the corporate governance arrangements operating within the Authority and identifies areas for improvement. Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered and this in turn contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -
  - A prosperous Wales.
  - A resilient Wales.
  - A healthier Wales.
  - A more equal Wales.
  - A Wales of cohesive communities.
  - A Wales of vibrant culture and thriving Welsh Language.
  - A globally responsible Wales.

#### **4. THE REPORT**

- 4.1 The Public Sector Internal Audit Standards (PSIAS) came into force on the 1<sup>st</sup> April 2013 and require that both internal and external assessments are undertaken periodically to evaluate compliance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The external assessment must be undertaken at least once every five years.
- 4.2 In order to keep costs to a minimum, an approach to external assessment has been adopted by Welsh Chief Internal Auditors whereby all participating Local Authorities have agreed to undertake a peer review of one other Authority. As part of this process Caerphilly CBC's Internal Audit Section will be reviewed by Monmouthshire County Council's Internal Audit Manager in March 2017. Caerphilly CBC's Internal Audit Manager will undertake a review of Rhondda Cynon Taff CBC. This approach has been accepted by the Wales Audit Office (WAO) and by our current external auditor, Grant Thornton.
- 4.3 The review itself is intended to be an independent external validation of a comprehensive internal self-assessment undertaken against the requirements of the Standards. In preparation for the scheduled external assessment a formal detailed internal assessment has been completed using the Chartered Institute of Public Finance & Accountancy (CIPFA) recommended checklist. The completed checklist along with an evidence file will be used to form the main element of the external review.
- 4.4 The process of undertaking the internal review has highlighted a number of actions for consideration as summarised in Appendix 1. However, the overall outcome is that the main areas in the Standards are well covered and no fundamental issues remain outstanding. Arriving at this position is partly due to the changes made as a result of the previous Corporate Governance Inspections and the self-evaluation/business planning process adopted throughout the Authority.
- 4.5 The completed self-assessment documentation has been reviewed by the Interim Head of Corporate Finance and actions agreed as requiring attention will be addressed in the period leading up to the external assessment.
- 4.6 The Audit Committee will receive a further report once the external peer review process has been completed.

#### **5. WELL-BEING OF FUTURE GENERATIONS**

- 5.1 An effective Internal Audit Service supports strong corporate governance arrangements which are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

#### **6. EQUALITIES IMPLICATIONS**

- 6.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

#### **7. FINANCIAL IMPLICATIONS**

- 7.1 There are no direct financial implications arising from this report.

#### **8. PERSONNEL IMPLICATIONS**

- 8.1 There are no direct personnel implications arising from this report.

## **9. CONSULTATIONS**

9.1 There are no consultation responses that have not been included in this report.

## **10. RECOMMENDATIONS**

10.1 The Audit Committee is asked: -

10.1.1 To note the actions arising from the internal self-assessment against the Public Sector Internal Audit Standards (PSIAS) as detailed in Appendix 1.

10.1.2 To note the arrangements for the external peer review of compliance with the Standards.

10.1.3 To note that a further report will be prepared for the Audit Committee once the external peer review process has been completed.

## **11. REASONS FOR THE RECOMMENDATIONS**

11.1 To ensure that the Audit Committee is briefed on progress with both the internal and external assessments of compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

## **12. STATUTORY POWER**

12.1 The Local Government Act 1972.

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Consultees: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer  
Stephen Harris, Interim Head of Corporate Finance

Appendices:  
Appendix 1 PSIAS Self-Assessment - Summary of Outcome

## APPENDIX 1 - PSIAS SELF-ASSESSMENT - SUMMARY OF OUTCOME

ATTRIBUTE STANDARDS			
Requirement	Assessment		Actions for Consideration
<p><b>1000 Purpose, authority and responsibility</b> The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the definition of internal auditing, the code of ethics and the standards. The charter must be reviewed periodically and approved by the Audit Committee.</p> <p style="text-align: center; font-size: 2em;">Page 66</p>	<p>Internal audit arrangements are derived from the Council's constitution and specifically the Financial Regulations. These arrangements are reinforced within the Internal Audit Charter approved and adopted by the Audit Committee in September 2014.</p>		<ul style="list-style-type: none"> <li>• Add an explanation to the Charter that references the PSIAS use of the term board and senior management and then interpret this as meaning the Audit Committee and the S151 Officer.</li> <li>• Add additional wording into the Audit Charter to explain the notification requirement in respect of suspected fraud or irregularities. May also need to be included in Financial Regulations to reach a wider audience.</li> <li>• Add wording into the Audit Charter relating to arrangements to avoid conflicts of interest arising in respect of non-audit duties.</li> <li>• Strengthen the Audit Charter by specifying a requirement to review the charter at an agreed interval.</li> </ul>
<p><b>1100 Independence and objectivity</b> The internal audit activity must be independent and internal auditors must be objective in performing their work.</p>	<p>Appropriate structures and reporting arrangements are in place. The Internal Audit Manager has direct access to the Section 151 Officer, the Chief Executive and the Chair of the Audit Committee. Internal Audit independence is maintained and no operational responsibilities are undertaken. Internal Audit staff comply with the Council's Code of Conduct and declare any conflicts of interest that could impinge on the work of the service. Any threats to auditor's objectivity are raised as identified and appropriate avoidance measures taken.</p>		<ul style="list-style-type: none"> <li>• Add references to the organisational independence of the Internal Audit Service in the Annual Audit Plan and outturn report.</li> <li>• Involve the Audit Committee in any proposed structural reviews of the Internal Audit Service.</li> </ul>

## APPENDIX 1 - PSIAS SELF-ASSESSMENT - SUMMARY OF OUTCOME

			<ul style="list-style-type: none"> <li>• Invite feedback from the CEO in the performance appraisal of the Internal Audit Manager.</li> <li>• Obtain feedback from the Chair of the Audit Committee as part of the performance appraisal of the Internal Audit Manager.</li> <li>• Staff to complete a declaration confirming that they understand the independent role of Internal Audit and disclose any potential conflicts of interest.</li> </ul>
<p><b>1200 Proficiency and due professional care</b> Engagements must be performed with proficiency and due professional care.</p>	<p>Staff are aware of the Public Sector Internal Audit Standards (PSIAS) and the Code of Ethics. Staff are appropriately allocated assignments based on knowledge, experience and personal attributes. Ongoing training and support is provided to continually develop the skills and competencies of audit staff and the current Internal Audit Team is knowledgeable and experienced. The Internal Audit Manager is professionally qualified and suitably experienced.</p>		<ul style="list-style-type: none"> <li>• The Internal Audit Manager needs to ensure that all job descriptions are up-to-date and in the agreed corporate format.</li> <li>• Performance Development Reviews (PDRs) must be undertaken for all staff on an annual basis.</li> </ul>
<p><b>1300 Quality assurance and improvement programme</b> The Head of Audit must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p>	<p>Internal Audit Services undertakes a self-evaluation which feeds into the service improvement planning process. Performance measurement and benchmarking is undertaken to inform the improvement process. Individual audit assignments are monitored throughout the process with reports reviewed for quality and consistency purposes prior to being issued to clients. A post-audit evaluation process is in place to inform the annual self-evaluation.</p>		<ul style="list-style-type: none"> <li>• The constituent parts of the quality and improvement programme should be formalised and written into the audit manual.</li> </ul>

## APPENDIX 1 - PSIAS SELF-ASSESSMENT - SUMMARY OF OUTCOME

PERFORMANCE STANDARDS			
Requirement	Assessment		Actions for Consideration
<p><b>2000 Managing the internal audit activity</b> The Head of Audit must effectively manage the internal audit activity to ensure it adds value to the organisation</p>	<p>The service has a good understanding of the needs and objectives of the whole organisation and understands its position in the assurance framework. It aspires to be innovative and challenging as well as being a catalyst for change. A risk based operational plan is developed in consultation with Members, Directors, Heads of Service and staff. The plan is reported to and approved by the Audit Committee prior to the start of the financial year. Processes and procedures to guide internal audit activity in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) are set out in an Audit Manual which is available to all staff.</p>		<ul style="list-style-type: none"> <li>The annual audit plan report needs to clearly show links to organisational objectives and priorities.</li> <li>Future audit planning work needs to include a review of the Council's assurance framework to determine what assurances can be gained from other sources.</li> </ul>
<p><b>2100 Nature of work</b> Internal audit must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach</p>	<p>The internal audit service is a key player in promoting risk management, governance and internal control throughout the authority and the Head of Audit is a key contributor and facilitator of the Authority's corporate governance review process. The risk based plan is developed and assignments performed in a way that allows for evaluation and improvement of governance, risk management and control processes, using a systematic and disciplined approach. Implementation of recommendations made is monitored.</p>		<ul style="list-style-type: none"> <li>As part of the response to the WAO report on its review of arrangements within Caerphilly CBC to address external audit, inspection and regulation recommendations and proposals for improvement, a Panel will be established to review Directorate Risk Registers to inform the annual audit planning process.</li> </ul>
<p><b>2200 Engagement planning</b> Internal auditors must develop and document a plan for each assignment, including the engagement's objectives, scope, timing and resource allocations</p>	<p>The Audit Manual provides guidance on the planning of audit assignments to ensure audit briefs covering objectives; scope, format etc. are consistently included.</p>		
<p><b>2300 Performing the engagement</b> Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives</p>	<p>The Audit Manual provides guidance on the requirements for performing each audit assignment which assists with consistency and quality. Each audit assignment is monitored via supervision and reports are quality reviewed before issue.</p>		



## APPENDIX 1 - PSIAS SELF-ASSESSMENT - SUMMARY OF OUTCOME

<p><b>2400 Communicating results</b> Internal auditors must communicate the results of engagements</p>	<p>Audit reports are initially issued at draft stage for factual accuracy purposes and to obtain agreement of the recommendations and an action plan. This is facilitated through the use of clearance meetings which guide the client through the findings and recommendations and help to resolve any misunderstandings or misconceptions. A final report is always issued to management. An annual report and opinion is produced for the Audit Committee which provides a summarised update of the audit coverage and the overall findings from the periods work.</p>		<ul style="list-style-type: none"> <li>Internal audit reports and the annual outturn report to the Audit Committee could be amended to include a statement on conformance with the PSIAS.</li> </ul>
<p><b>2500 Monitoring progress</b> The Head of Audit must establish and maintain a system to monitor the disposition of results communicated to management</p>	<p>An internal follow-up process is maintained to monitor that key recommendations agreed by management are actioned. For educational establishments a follow-up review is undertaken where reports have an overall opinion of 'in need of improvement'.</p>		
<p><b>2600 Communication of the acceptance of risks</b> When the Head of Audit concludes that management has accepted a level of risk that may be unacceptable to the organisation, the Head of Audit must discuss the matter with senior management. If the Head of Audit determines that the matter has not been resolved the Head of Audit must communicate the matter to the Audit Committee</p>	<p>If Internal Audit considers that a level of inappropriate risk is being accepted by management it would be discussed with the Section 151 Officer and where appropriate escalated to the Audit Committee. In respect of schools when there is deemed to be a lack of progress in addressing agreed recommendations the Head of Audit is able to attend a governing body meeting to discuss the risks identified and need for improvement.</p>		

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## AUDIT COMMITTEE – 14TH DECEMBER 2016

**SUBJECT: INTERNAL AUDIT SERVICES – MID-YEAR PROGRESS REPORT**

**REPORT BY: INTERNAL AUDIT MANAGER**

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### **1. PURPOSE OF REPORT**

- 1.1 To provide the Audit Committee with an overview of the work undertaken by Internal Audit Services in the first six months of the current financial year.

### **2. SUMMARY**

- 2.1 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.
- 2.2 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.
- 2.3 This report provides an overview of the work undertaken by Internal Audit Services in the first six months of the current financial year.

### **3. LINKS TO STRATEGY**

- 3.1 The work of Internal Audit Services provides assurance on the robustness of internal controls and the corporate governance arrangements operating within the Authority and identifies areas for improvement. Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered and this in turn contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

### **4. THE REPORT**

- 4.1 The provision of summary reports to the Audit Committee highlighting the findings from the work of Internal Audit during the year was a proposal for improvement in the WAO report "Review of Arrangements to Address External Audit, Inspection and Regulation"

Recommendations and Proposals for Improvement – Caerphilly CBC”. In response to this proposal for improvement it has been agreed that in addition to the annual outturn report, a mid-year progress report will also be presented to the Audit Committee.

- 4.2 This report provides Members of the Audit Committee with an overview of the work undertaken by the Internal Audit Service during the first six months of the current financial year. The report provides an insight into the range of issues that the service is involved with in addition to the core audit work undertaken.
- 4.3 Due to the diversity of the work undertaken reports and opinions are tailored to suit each situation. This approach has evolved over time based on experience and knowledge of the organisation. Reports arising from audit reviews of the Council’s establishments use a three tier assessment consisting of (1) good (2) satisfactory and (3) in need of improvement. Audit reviews of systems (e.g. payroll) can include an assessment of both the system controls in place and the compliance with those controls, thus producing two opinions per review. A new category of ‘unsatisfactory’ is being considered for both establishment and systems audits from the 2017/18 financial year.
- 4.4 During the first six months of the financial year the audit resource has remained stable at 8.2 full-time equivalents, which is the level identified within the Internal Audit Services Annual Audit Plan agreed by the Audit Committee on the 9<sup>th</sup> March 2016. Sickness levels have remained low with an overall absence level of less than 1% during the first 6 months.
- 4.5 **Work carried forward from the previous year**
- 4.5.1 Eleven establishment audits that were undertaken in the previous financial year have now been finalised with the final reports being agreed and issued.
- 4.5.2 Of these eleven audits one was rated as ‘good’, eight were rated as ‘satisfactory’ and the remaining two were rated as ‘in need of improvement’. The ‘in need of improvement’ establishments are both schools and these will be visited again in January 2017 to establish if satisfactory improvements have been made. In both schools attention has been drawn to the accuracy and completeness of the school meals records, expenditure control and documentation, and the administration of the school private funds. There are also some specific issues for each school which have been highlighted for the school management to focus upon.
- 4.5.3 Fifteen system audit reviews were brought forward from the previous year. Twelve of these have since been finalised with final reports being agreed and issued. These audits produced twenty opinions of which four were ‘good’, six were ‘satisfactory’ and ten were ‘in need of improvement’. The five audits generating the ten ‘in need of improvement’ opinions were Customer First cash offices, purchase ledger, purchase ledger feeders, Supporting People and school meal income and arrears. Actions plans have been agreed with management and the audit follow-up process will revisit these areas to ensure that agreed improvements have been made.
- 4.6 **Work started within the period**
- 4.6.1 Twelve establishment audits have been undertaken in the first six months of the new financial year with eight being finalised and reports agreed and issued. The remaining four are at the draft report stage awaiting final agreement from clients prior to the issue of the final reports.
- 4.6.2 In respect of the eight finalised audits two were rated as ‘good’, four as ‘satisfactory’ and two as ‘in need of improvement’. In respect of the four audits at the draft report stage three are provisionally rated as ‘satisfactory’ and one as ‘in need of improvement’.
- 4.6.3 In respect of the finalised reports the two rated as ‘in need of improvement’ are again both schools. The themes identified for attention are school meals administration and records, income records and banking, payroll documentation, ordering procedures and the administration of school private funds.

- 4.6.4 At the request of one of our comprehensive schools an exercise has been undertaken to look into a potential irregularity within the school's financial administration. A draft report has been issued for the Headteacher to consider.
- 4.6.5 Two thematic reviews are underway looking at the administrative processes and controls in respect of outdoor education and school minibuses. Both are at the draft report stage with the fieldwork having been completed. A further thematic review has also been undertaken in relation to a contractual arrangement in the Welsh Housing Quality Standard (WHQS) programme. This review has identified a proposal for improvement which is being considered by management.
- 4.6.6 Thirteen new systems audits, six grant audits and three action plan reviews were started within the period. Five systems audits, four grant audits and the three action plan reviews have all been completed. The five completed systems audits resulted in six opinions which were all satisfactory or above. The four completed grant audits were found to be satisfactory and the grant certificates were signed accordingly. The action plan reviews were all signed-off in response to management assurances that improvements have been actioned.
- 4.6.7 Thirty six contractor final accounts have been reviewed with a total value of £21m. Apart from two minor overpayments and two procedural reporting issues the discipline of having to submit accounts for auditing is working well and is minimising the incidence of errors or procedural issues being overlooked.
- 4.6.8 A review of tendering documentation across all areas has been undertaken and is currently at draft report stage.
- 4.6.9 Two reviews are underway within the WHQS area, one looking at data accuracy and completeness and the other looking at the payment procedures. Both reviews are following-up on work previously undertaken and are part of an ongoing watching brief that was agreed with the previous Programme Manager.
- 4.6.10 As part of an ongoing rolling review process, two reviews have been undertaken within the IT department which contribute to ongoing BSI 27001 accreditation in respect of the security arrangements within the service area. Both reviews undertaken were determined to be satisfactory.
- 4.6.11 A review of the Authority's counter fraud framework was undertaken using a Chartered Institute of Public Finance (CIPFA) checklist to assess its potential for future reviews. The document has been completed in draft form and its future use is still being considered.
- 4.6.12 Internal Audit Services receives and assesses all anonymous communications received by the Authority to ensure that they are properly considered. During the six month period covered by this report 61 anonymous communications have been received and processed. Additionally, cheques returned to the Council are also scrutinised within Internal Audit Services to identify system and control issues. 45 cheques have been returned during the reporting period. Both these operations act as a barometer in respect of underlying issues and are used to inform the internal audit planning process in respect of identifying areas that require future coverage.
- 4.7 **Other advisory or miscellaneous work undertaken**
- 4.7.1 In addition to core internal audit reviews, the service has been involved in a range of other work during the first six months of the financial year: -
- An assurance framework has been drafted which is included separately on today's agenda.
  - Internal Audit Services has led on the co-ordination of the Authority's response to the latest data collection exercise to support the National Fraud Initiative (NFI).

- Internal Audit Services staff have attended the Learning from Complaints Group which compliments the work undertaken within Internal Audit in respect of anonymous referrals.
- Attendance at the Payment Card Industry (PCI) compliance forum contributing to the maintenance of the Authority's compliance with the PCI Standards.
- Advisory involvement in early discussions around cashless catering systems and procedures in relation to primary schools.
- Facilitation and preparatory work on the Annual Governance Review and production of the Draft Annual Governance Statement prior to consideration by the Audit Committee.
- A self-assessment of the Internal Audit Service has been undertaken and a report on this is included separately on today's agenda. The Internal Audit Manager has also been involved in a number of meetings to prepare for the external peer review process agreed for measuring compliance with the Public Sector Internal Audit Standards (PSIAS).
- The Internal Audit Manager has met with the Head of Internal Audit in Bridgend CBC to share best practice and explore lessons learned from Bridgend's roll-out of a formal governance review process in respect of educational establishments.
- Audit staff attended a WAO seminar considering the type of involvement and role Internal Audit Sections could have in the future in respect of The Well Being of Future Generations Act 2015.
- The Head of Corporate Finance has held an 'Away-Day' with the Internal Audit Team to consider the proposals for improvement relating to Internal Audit in the WAO report "Review of Arrangements to Address External Audit, Inspection and Regulation Recommendations and Proposals for Improvement – Caerphilly CBC".

## **5. WELL-BEING OF FUTURE GENERATIONS**

- 5.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

## **6. EQUALITIES IMPLICATIONS**

- 6.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 There are no direct financial implications arising from this report.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 There are no direct personnel implications arising from this report.

## **9. CONSULTATIONS**

- 9.1 There are no consultation responses that have not been included in this report

## **10. RECOMMENDATIONS**

10.1 The Audit Committee is asked to note the content of this report.

## **11. REASONS FOR THE RECOMMENDATIONS**

11.1 To ensure that the Audit Committee is aware of the work undertaken by Internal Audit Services in the first half of the current financial year.

## **12. STATUTORY POWER**

12.1 The Local Government Act 1972.

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Consultees: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer  
Stephen Harris, Interim Head of Corporate Finance

### Background Papers:

- Audit Committee Report (09/03/16) – Internal Audit Services Annual Audit Plan.
- Cabinet Report (19/10/16) – WAO Review of Arrangements to Address External Audit, Inspection and Regulation Recommendations and Proposals for Improvement – Caerphilly CBC.

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## **AUDIT COMMITTEE – 14TH DECEMBER 2016**

**SUBJECT:       AUDIT COMMITTEE FORWARD WORK PROGRAMME**

**REPORT BY:    ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151  
OFFICER**

- 
1.     The attached report demonstrates the Audit Committee Forward Work Programme.
  2.     Forward Work Programmes are essential to ensure that Audit Committee agendas reflect the strategic issues facing the Council and other priorities raised by Members, the public or stakeholders.
  3.     The Audit Committee Forward Work Programme identifies reports that are due to be presented to the Committee until June 2017. The document is a working document and is regularly updated when additional reports are identified.
  4.     The latest Audit Committee Forward Work Programme is attached at Appendix 1.

Author:         C. Evans, Committee Services Officer, Ext. 4210

Appendices:

Appendix 1    Audit Committee Forward Work Programme

## FORWARD WORK PROGRAMME FOR AUDIT COMMITTEE

Deadline (12 Noon) Reports To Committee Services	Meeting Date	TOPIC	RESPONSIBILITY
20.02.17	08.03.17	Forward Work Programme  Internal Audit Services Annual Audit Plan  Corporate Risk Register  Rehousing Previous Tenants with Arrears  Update in respect of the Area for Improvement in the Annual Governance Statement 2015/16  <i>Regulation of Investigatory Powers Act 2000 (information)</i>  <i>Officers Declarations of Gifts and Hospitality (information)</i>  <i>Corporate Governance Panel Minutes – 11<sup>th</sup> November 2016 (information)</i>	N. Scammell  R. Harris  Kath Peters  S. Couzens  Rob Hartshorn  G. Williams  L. Donovan  Richard Harris
29.05.17	14.06.17	Forward Work Programme  Annual Review of Corporate Complaints  Six Monthly Update on Corporate Complaints  Draft Annual Governance Statement	Lisa Lane  Lisa Lane  Nicole Scammell

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Certification of Grants and Returns 2013/14 and 2014/15

## Caerphilly County Borough Council

**Audit year:** 2013/14 and 2014/15

**Issued:** May 2016

**Document reference:** C16119

# Status of report

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This document has been prepared for the internal use of Caerphilly County Borough Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Auditor General, staff and contractors of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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This document was produced by PricewaterhouseCoopers LLP ('PwC') on behalf of the Appointed Auditor

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# Summary

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1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work in both 2013/14 and 2014/15 with the aim of certifying individual claims and to answer the question: 'Does Caerphilly County Borough Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of both its 2013/14 and 2014/15 grant claims, there is scope for improvement. Our conclusion is based on the following overall findings:
  - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of grants was in place for both financial years; and
  - there is scope to further improve the Authority's arrangements for production of its grant claims.
4. The Authority submitted 88 per cent of its claims to us on time in 2013/14 and 95 per cent in 2014/15. We confirm that we have certified all of the claims, at a total audit cost of £102,628 (2013/14) and £86,321 (2014/15). Overall, the audits resulted in a reduction in the grants and returns claimed of £79,328 by the Authority in respect of 2013/14 and an increase of £6,944 in respect of 2014/15.

# Headlines

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## Introduction and background

### **This report summarises the results of work on the certification of the Authority's 2013/14 and 2014/15 grant claims and returns**

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.
- For 2013-14, we certified 26 grants and returns with a total value of £153,459,761.
- For 2014-15, we certified 21 grants and returns with a total value of £151,063,707.
- The Authority has assigned the responsibility for grants to a key officer within the Finance department (Paula Beaman) who worked closely with us to ensure that an accurate and up to date schedule of grants and returns was in place for both years.
- A joint working protocol was put in place prior to the start of the work.
- We have produced this report so that we can provide feedback to those officers having responsibility for grant management to facilitate the identification of further improvements to the processes in place at the Authority.

Pages 7 - 11

## Timely receipt of claims

- For 2013-14, our analysis shows that 88 per cent of grants received during the year were received by the Authority's deadline. The remaining 12 per cent (3 claims) submitted late for audit had minimal delays (up to one week) in submission.
- For 2014-15, our analysis shows that 95 per cent of grants received during the year were received by the Authority's deadline. The remaining 5 per cent (1 claim) submitted late for audit had minimal delays (up to one week) in submission.
- The grant co-ordinator should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than two working days. We acknowledge that audit queries that relate to third parties' expenditure are likely to take longer to address. But it is imperative that queries are answered in a timely manner in order for the auditor certification deadline to be met.

Pages 8 - 9

<b>Certification results</b>	<ul style="list-style-type: none"> <li>• For 2013-14, we issued unqualified certificates for 14 grants and returns and a further 4 were amended with no qualification. Qualification with amendment was necessary in 4 cases and a further 4 were qualified with no amendment.</li> <li>• For 2014-15, we issued unqualified certificates for 16 grants and returns and a further 3 were amended with no qualification. Qualification with amendment was necessary in two cases and these related to the Housing Benefit Subsidy grant claim and the Structural Funds – Newbridge Regeneration Project.</li> </ul>	Pages 8 - 14
<b>Audit adjustments</b>	<ul style="list-style-type: none"> <li>• For 2013-14, adjustments were necessary to eight of the Authority's grants and returns as a result of our audit certification work. There were 2 significant adjustments (i.e., over £10,000) required and these related to the Flying Start – Capital Expansion Programme, the Gwent Frailty Programme and the Central Valleys Railway Package Structural Fund. The net adjustment for the eight grants is a reduction of £79,328 in funds payable to the Authority. For three of the grants amended, the amendment required had no impact on the funds payable to the Authority.</li> <li>• For 2014-15, adjustments were necessary to five of the Authority's grants and returns as a result of our auditor certification work. There were no significant adjustments (i.e. over £10,000) required. The net adjustment (below £10,000) for the three grants is an increase of £6,944 in funds payable to the Authority. For the remaining two grants amended, the amendment required had no impact on the funds payable to the Authority.</li> </ul>	Pages 8 -14
<b>The Authority's arrangements</b>	<ul style="list-style-type: none"> <li>• The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas.</li> <li>• Extra procedures should be put in place to ensure that individual grant scheme rules, completion requirements and submission deadlines are always adhered to throughout the Authority.</li> </ul>	Pages 12 - 14
<b>Fees</b>	<ul style="list-style-type: none"> <li>• Our overall fee for certification of grants and returns for 2013-14 is £102,628. This is a reduction on our 2012-13 fee (£124,462). Our overall fee has reduced for 2014-15 with a total fee of £86,321 charged for our auditor certification work.</li> </ul>	Pages 15 - 17



# Summary of certification work outcomes

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5. Detailed on the following pages is a summary of the key outcomes from our certification work on the Authority's 2013/14 and 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
6. A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

## Key information for 2013-14

### Overall, we certified 26 grants and returns:

- 14 were unqualified and with no amendment
- 4 were amended with no qualification; the amendments had no impact on the funds payable to the Authority.
- 4 were qualified and required some amendment to the final figures
- 4 were qualified and required no amendment.

## Key information for 2014-15

### Overall, we certified 21 grants and returns:

- 16 were unqualified and with no amendment
- 3 were unqualified but required some amendment to the final figures; 2 of which had no impact on the funds payable to the Authority.
- 2 were qualified and required some amendment to the final figures

**Grants and returns: 2013/14**

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Structural Fund: Bargoed Regeneration Programme	21/04/14	17/04/14	No				
2	Structural Fund: Newbridge Regeneration Programme	21/04/14	17/04/14	No				
3	Structural Fund: Central Valleys Railway Package	21/04/14	17/04/14	No		£16,044		
4	Gwent Frailty Programme: Section 33 Pooled Budget Memorandum Account	09/05/14	14/05/14	Yes		(£65,456)		
5	Structural Fund: SEN Transition to Employment - Annual claim for the year ended 31/05/2014	14/06/14	20/06/14	Yes				
6	Structural Fund: SEN Transition to Employment - Final Claim	21/10/14	21/10/14	No				
7	Section 34/194 NHS (Wales) Act Money Transfer: Learning Disability and Other	30/09/14	27/08/14	No				
8	Section 34/194 NHS (Wales) Act Money Transfer: Wanless	30/09/14	27/08/14	No				
9	Communities First - Cross Cluster Support 2013/14	30/09/14	03/07/14	No				

10	Communities First- Upper Rhymney Valley Cluster 2013/14	30/09/14	03/07/14	No				
11	Communities First - Mid Valleys West Cluster 2013/14	30/09/14	03/07/14	No				
12	Communities First - Mid Valleys East 2013/14	30/09/14	03/07/14	No				
13	Communities First - Caerphilly Basin Cluster 2013/14	30/09/14	03/07/14	No				
14	Housing benefit and council tax benefit	30/04/14	29/04/14	No			£247	
15	NNDR	30/05/14	21/05/14	No			£3,098	
16	Teachers' pensions returns	30/06/14	09/06/14	No				
17	School effectiveness grant	30/09/14	23/09/14	No				
18	21st Century Schools	30/09/14	27/06/14	No				
19	Welsh in Education	30/09/14	19/09/14	No				
20	Flying start - Revenue	30/09/14	19/09/14	No				
21	Flying start - Capital Expansion Programme	30/09/14	20/08/14	No		(£29,916)		
22	Families First (Cymorth)	30/09/14	01/09/14	No			£0	
23	Free Concessionary Travel	30/09/14	26/09/14	No				

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24	Sustainable Waste Management	31/09/14	24/10/14	Yes			£0	
25	HRA subsidy	30/09/14	23/09/14	No			£0	
26	Learning pathways	30/09/14	23/09/14	No				
<b>Total</b>						<b>(£79,328)</b>	<b>£3,345</b>	

**Grants and returns: 2014/15**

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
27	Section 33 Pooled Budget	01/05/15	30/04/15	No				
28	Housing Benefit Subsidy	30/04/15	29/04/15	No			£1,389	
29	HRA Subsidy	30/09/15	28/09/15	No			£7,644	
30	National Non Domestic Rates	29/05/15	22/05/15	No				
31	Teacher's Pension Return	29/05/15	19/05/15	No			£0	
32	Communities First - Cross Cluster Support	31/07/15	15/07/15	No				
33	Communities First - Upper Rymney Valley Cluster	31/07/15	15/07/15	No				
34	Communities First - Mid Valleys West Cluster	31/07/15	15/07/15	No				
35	Communities First - Mid Valleys East	31/07/15	15/07/15	No				
36	Communities First - Caerphilly Basin Cluster	31/07/15	15/07/15	No				
37	21st Century Schools	30/09/15	18/08/15	No			£0	
38	Flying Start – Revenue	30/09/15	18/08/15	No				
39	Flying Start – Capital	30/09/15	15/09/15	No				

40	Families First	30/09/15	07/09/15	No				
41	Section 34 - Learning Disabilities & Others	30/09/15	21/09/15	No				
42	Section 34 – Wanless	30/09/15	21/09/15	No				
43	Sustainable Waste Management	30/09/15	10/09/15	No				
44	Free Concessionary Travel	30/09/15	29/09/15	No				
45	Structural Funds - Central Valleys Railway Package	12/06/15	30/06/15	Yes				
46	Structural Funds - Newbridge Regeneration Project	21/07/15	08/07/15	No			(£2,089 )	
47	Structural Funds - Bargoed Regeneration Programme	08/07/15	08/07/15	No				
<b>Total</b>						<b>£0</b>	<b>£6,944</b>	

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This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 8 to 11.

Ref	Summary observations	Amendment
2	<b>Structural Fund: Newbridge Regeneration Programme</b> A qualification point was raised regarding cumulative expenditure relating to the Institute & Memorial Hall buildings in Newbridge and the percentage apportionment applied to Newbridge library whilst building work was on-going. An audit adjustment could not be calculated on this expenditure as a clear and accurate apportionment percentage had not been determined. <b>(Recommendation 1)</b>	£-

Ref	Summary observations	Amendment
3	<p><b>Structural Fund: Central Valleys Railway Package</b></p> <ul style="list-style-type: none"> <li>• Amendment required due to the inclusion of ineligible interest payments of £1,044 (<b>Recommendation 2</b>)</li> <li>• Qualification point raised regarding an item of expenditure relating to a prepayment that extends beyond the current project completion date was identified. We did not propose an adjustment because the authority informed us that it is currently in discussion with WEFO about an extension to the project completion date, and asked that any adjustment be calculated once any changes to the project dates have been finalised and included in a future claim. (<b>Recommendation 1</b>)</li> <li>• Through its own monitoring and controls, the authority identified an invoice of £15,000 that had been funded by an earlier grant. The authority made an adjustment to reclassify the invoice of £15,000 from eligible to ineligible expenditure. The authority made a corresponding adjustment to income by reclassifying £15,000 of the existing match funding declared in the claim from eligible to ineligible income. However, as the ineligible invoice was funded from an earlier distribution of Transport Grant that was paid in the period of this project, there should be an additional £15,000 of match funding declared in the claim. (<b>Recommendation 2</b>)</li> </ul>	£16,044



Ref	Summary observations	Amendment
4	<p><b>Gwent Frailty Programme: Section 33 Pooled Budget Memorandum Account</b></p> <ul style="list-style-type: none"> <li>Amendment required to the claim form to remove an amount of £65,456 posted twice in error relating to the central costs line in the pooled fund. <b>(Recommendation 2)</b></li> </ul>	(£65,456)
14	<p><b>Housing benefit and council tax benefit</b></p> <ul style="list-style-type: none"> <li>Our detailed letter set out the main points for qualification and amendment arising from the completion of our audit certification work</li> </ul>	£247
15	<p><b>NNDR</b></p> <ul style="list-style-type: none"> <li>Amendment required due to the incorrect relief type awarded to organisations - the Authority included within this grant amounts in relation to two registered charities that were awarded 100% discretionary relief. Due to the charitable purposes of the organisations, mandatory charity relief and discretionary top-up should have been awarded consistently, rather than 100% discretionary relief. <b>(Recommendation 1)</b></li> </ul>	£3,098
16	<p><b>Teachers' pensions returns</b></p> <ul style="list-style-type: none"> <li>A qualification point was raised regarding a difference noted between the Authority's accounting records and the amount recorded on the claim form, relating to Employers' Contributions. The difference was caused by a computer system error and resulted in the Authority's accounting records for Employers' Contributions being understated by £836.00. The correct amount of Employers' Contributions was paid over to Teachers' Pension and recorded on the claim form therefore no amendment to the return was required. <b>(Recommendation 1)</b></li> <li>Section 3 of the claim form has been amended in accordance with Teacher's Pension instructions to the Authority so that the teachers' contributions and employer contributions amounts for each tier equal the total contributory salary multiplied by the appropriate rate. <b>(Recommendation 1)</b></li> </ul>	£0
20	<p><b>Flying start – Revenue</b></p> <ul style="list-style-type: none"> <li>A qualification point was raised relating to the identification of virements of over 10% between different budget headings. The Authority was not able to provide evidence to demonstrate Welsh Government approval. <b>(Recommendation 3)</b></li> </ul>	£0

Ref	Summary observations	Amendment
21	<p><b>Flying start - Capital Expansion Programme</b></p> <ul style="list-style-type: none"> <li>A qualification point was raised regarding two lease agreements entered into for the purposes of the claim. Both agreements are for a period of less than 5 years; however, it is a requirement of the grant that any lease agreements entered into should ensure that Flying Start services can be delivered from the premises for a minimum of 5 years. The Authority has advised that this issue will be addressed in the lease renewal process due in April 2015. <b>(Recommendation 2)</b></li> <li>Amendment was required to exclude expenditure of £29,916.26 which related to a project not included in the approved plan. <b>(Recommendation 2)</b></li> </ul>	(£29,916)
22	<p><b>Families First (Cymorth)</b></p> <ul style="list-style-type: none"> <li>An amendment was required to correct the total approved allocation amount. This had no impact on the amount claimed. <b>(Recommendation 1)</b></li> </ul>	£0
24	<p><b>Sustainable Waste Management</b></p> <ul style="list-style-type: none"> <li>An amendment was required relating to a transposition error. This had no impact on the amount claimed. <b>(Recommendation 1)</b></li> </ul>	£0
25	<p><b>HRA subsidy</b></p> <ul style="list-style-type: none"> <li>An amendment to cell 2500 was required as it did not reconcile to cell 055 from the Authority's Housing Benefit claim. The lower figure should have been used. This impacted the entry in cell 2832 as well. The amendment did not impact the Authority's overall subsidy entitlement. <b>(Recommendation 1)</b></li> </ul>	£0
28	<p><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>Our detailed letter sets out the main points for qualification and amendment arising from the completion of our audit certification work.</li> </ul>	£1,389

Ref	Summary observations	Amendment
29	<b>HRA Subsidy</b> <ul style="list-style-type: none"> <li>An incorrect housing stock figure was used by the Authority. An increase of 21 dwellings was required and this had a consequential impact on cells 0070, 0080, 0140 and 1110.</li> <li>Cell 2500 did not reconcile to cell 055 from the Authority's Housing Benefit claim. The lower figure should have been used. The amendment impacted cell 2932 as well. <b>(Recommendation 1)</b></li> </ul>	£7,644
31	<b>Teacher's Pension Return</b> <ul style="list-style-type: none"> <li>An amendment £10,337.50 was required as the refunds made had been incorrectly classified. The amount actually related to a short term pension therefore needed to be moved to the correct cell on the claim form. This had no impact on the total contributions paid. <b>(Recommendation 1)</b></li> </ul>	£0
37	<b>21st Century Schools</b> <ul style="list-style-type: none"> <li>An amendment was required as line 2 had not been capped to WG grant as required in the notes for completion. This had no impact on the amount claimed. <b>(Recommendation 1)</b></li> </ul>	£0
46	<b>Structural Funds - Newbridge Regeneration Project</b> <ul style="list-style-type: none"> <li>Amendments were required to remove £154.37 of strike pay which was not an eligible item of expenditure; and an amendment of £1,935.00 being a duplicate payment. This amount had been repaid by the supplier but not removed from the transaction listing relating to this final claim. <b>(Recommendation 2)</b></li> </ul>	(£2,089)
	<b>Total effect of amendments to the Authority 2013/14</b>	<b>£75,983</b>
	<b>Total effect of amendments to the Authority 2014/15</b>	<b>£6,944</b>

# Recommendations

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7. We have given each recommendation a risk rating and agreed what action management will need to take.

Priority 1	Priority 2	Priority 3
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Claim not prepared correctly</p> <p>Eg:</p> <ul style="list-style-type: none"> <li>Compliance with notes for completion</li> <li>Apportionment rates used</li> </ul>	<ul style="list-style-type: none"> <li>Claims may be qualified</li> <li>Grant may be reclaimed by the Welsh Government</li> <li>If qualified any over claim will need to be recovered by the Welsh Government</li> <li>The Authority may not have claimed its full entitlement</li> <li>The Authority has not complied with the terms and conditions of grant</li> </ul>	<p>R1 In order to confirm that claim forms are completed in full and in accordance with the guidance, all completed forms should be independently checked to supporting documentation to minimise the risk that an error will remain undetected.</p>	2	We will reinforce with finance managers the requirement to independently review all grant submissions to ensure compliance with the requirements of the funding body and the guidance supplied.	<p>Grants Manager</p> <p>30 June 2016</p>
<p>Unapproved/ ineligible expenditure included</p> <p>Eg:</p> <ul style="list-style-type: none"> <li>Activity outside the claim period</li> </ul>	<ul style="list-style-type: none"> <li>Claims may be qualified</li> <li>Grant may be reclaimed by the Welsh Government</li> <li>The Authority has not complied with the terms and conditions of grant</li> <li>Suspended payment</li> </ul>	<p>R2 Only eligible expenditure, and that incurred within the claim period, should be included within the claim. Welsh Government advice should be sought prior to claim completion if there is any doubt about the eligibility of expenditure.</p>	2	We will inform all finance managers that they are required to review all grant submissions to ensure that only eligible expenditure is included within the claim, seeking clarification from the funding body if required.	<p>Grants Manager</p> <p>30 June 2016</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Welsh Government approval not sought Eg:</p> <ul style="list-style-type: none"> <li>• Virement</li> </ul>	<ul style="list-style-type: none"> <li>• The Authority has not complied with the terms and conditions of grant</li> </ul>	<p>R3 Approval from the grant-paying body is sought prior to audit for all required changes to action plans/proposals.</p>	2	<p>We will communicate the requirement to formally request approval from the funding body to vary any of the terms and conditions of the initial approval to all finance staff involved in the submission of claims for audit.</p>	<p>Grants Manager  30 June 2016</p>
<p>Overall grant claim good practice requirements not met E.g.</p> <ul style="list-style-type: none"> <li>• Delay in receipt of claims</li> </ul>	<ul style="list-style-type: none"> <li>• The Authority has not complied with the submission deadlines specified in the terms and conditions of the grant.</li> </ul>	<p>R4 Claim forms should be submitted on a timely basis to allow claims to be certified within the deadline set.</p>	2	<p>Finance managers will be reminded of submission deadlines and the need to submit in a timely manner to facilitate the audit process and allow certification deadlines to be met.</p>	<p>Grants Manager  30 June 2016</p>

# Fees

8. Our overall fee for the certification of grants and returns is in line with the expectation as stated within the regulatory plans.

Breakdown of fee by grant/return	2014-15	2013-14	2012-13
Structural Fund: Bargoed Regeneration Programme	£6,563	£5,036	£5,190
Structural Fund: Newbridge Regeneration Programme	£7,068	£6,464	£5,018
Structural Fund: Central Valleys Railway Package	£5,343	£4,830	£4,889
Gwent Frailty Programme: Section 33 Pooled Budget Memorandum Account	£3,650	£3,692	£4,208
Structural Fund: SEN Transition to Employment - Annual claim	-	£6,860	£7,809
Structural Fund: SEN Transition to Employment - Final Claim	-	£6,736	-
Land Drainage: Llanfabon Road	-	-	£2,863
Section 34/194 NHS (Wales) Act Money Transfer: Learning Disability and Other	£1,907	£1,212	£1,441
Section 34/194 NHS (Wales) Act Money Transfer: Wanless	£1,570	£1,212	£1,441
Communities First - Cross Cluster Support 2013/14	£1,457	£1,494	£19,951
Communities First - Upper Rhymney Valley Cluster 2013/14	£1,495	£1,474	-
Communities First - Mid Valleys West Cluster 2013/14	£1,026	£1,494	-

<b>Breakdown of fee by grant/return</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>
Communities First - Mid Valleys East 2013/14	£989	£1,494	-
Communities First - Caerphilly Basin Cluster 2013/14	£ 1,457	£1,494	-
Housing benefit and council tax benefit	£29,663	£31,193	£36,778
NNDR	£3,898	£4,670	£3,607
Teachers' pensions returns	£1,977	£3,062	£2,925
School effectiveness grant	-	£502	£6,751
21st Century Schools	£1,907	£2,148	£1,706
Welsh in Education	-	£502	£4,016
Flying start - Revenue	£1,907	£2,521	£2,203
Flying start - Capital Expansion Programme	£2,470	£3,030	-
Families First (Cymorth)	£3,134	£3,328	£3,809
Free Concessionary Travel	£2,290	£2,371	£2,281
Sustainable Waste Management	£1,907	£1,719	£2,202
HRA subsidy	£4,644	£3,591	£3,514



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<b>Breakdown of fee by grant/return</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>
Learning pathways	-	£502	£1,865
<b>Total fee</b>	<b>£86,321</b>	<b>£102,628</b>	<b>£124,462</b>

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# Agenda Item 11

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

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Reference	AAL/15-16/CCBC
Date	22 November 2016
Pages	1 of 2

Mr Chris Burns  
Chief Executive  
Caerphilly County Borough Council  
Penallta House  
Tredomen Park  
Ystrad Mynach  
CF82 7PG

Dear Mr Burns

## **Annual Audit Letter Caerphilly County Borough Council 2015-16**

This letter summarises the key messages arising from our statutory responsibilities under the Public Audit (Wales) Act 2004 and our reporting responsibilities under the Code of Audit Practice.

### **The Council complied with its responsibilities relating to financial reporting and use of resources**

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires us 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 we have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

On 30 September 2016 we issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. Our report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in our Audit of Financial Statements report on the 14 September 2016. The significant items are summarised as follows:

- There were no misstatements identified in the financial statements, which remained uncorrected.
- There were a number of misstatements that were corrected by management. This included an adjustment of £137.8 million to the value of Council Dwellings following a change in the valuation basis to the adjusted vacant possession (using the beacon principle).
- Two high risk recommendations were also made. We recommended that the Council reviews how the Logotech Asset System calculates depreciation for revalued assets as our work identified that revalued assets are being depreciated one year too quickly due to the incorrect 'Useful Economic Life' being used post revaluation. We also recommended that aged debtor and creditor balances should be written off and removed from the brought forward balances.

**We are satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

Our consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

**We issued a certificate confirming that the audit of the accounts has been completed on 30 September 2016.**

**Our work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems.**

A more detailed report on my grant certification work will follow in January 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Grant Thornton LLP

**For and on behalf of the Auditor General for Wales**



## AUDIT COMMITTEE – 14TH DECEMBER 2016

**SUBJECT: IT SECURITY AND GOVERNANCE ACTIVITY UPDATE**

**REPORT BY: ACTING HEAD OF ICT AND CENTRAL SERVICES**

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### 1. PURPOSE OF REPORT

- 1.1 To inform Members of the work carried out by IT Services to assure the security and governance of ICT facilities during the past year.

### 2. SUMMARY

- 2.1 Individuals and organisations are increasingly dependent upon IT solutions that underpin their day-to-day work and leisure activities. This increased reliance is accompanied by an escalating risk of systems being either the subject of criminal and malicious attacks or inadvertent mis-use of information.
- 2.2 IT Services works throughout the year monitoring, maintaining and enhancing the Authority's defences to minimise the risks faced. These activities are independently assessed by external bodies on an annual basis and this report has been compiled to inform Members of the processes involved to certify Caerphilly County Borough Council's approach.
- 2.3 This report will outline three assessments undertaken during the past year.
- ISO27001:2013 IT Security Standard Accreditation – Outcome of Triennial Audit by BSI
  - Public Services Network (PSN) Connection Compliance – Outcome of Annual IT Health Check
  - Grant Thornton External Auditor Report – IT General Controls

### 3. LINKS TO STRATEGY

- 3.1 Effectively monitoring and managing the Council's IT security and governance measures supports the provision of higher quality and more effective services to the public across all service areas.
- 3.2 Minimising the risk to IT facilities and the information contained therein contributes to the following Well-Being Goals within the Well-Being of Future Generations Act (Wales) 2016:
- A prosperous Wales – The citizens' financial and personal records are maintained appropriately and securely.
  - A resilient Wales – Making Wales a more difficult place to perpetrate cyber-crime safeguarding prosperity and avoiding service interruptions.
  - A globally responsible Wales – Setting an example to others that such issues are worthy of the effort involved to minimise the impact of cyber-crime and the highlight the advantages of effective use of information.

## 4. THE REPORT

### 4.1 ISO27001:2013 IT Security Standard Accreditation – Outcome of Triennial Audit by BSI.

4.1.1 ISO 27001 is the de facto international standard for information security management that provides a framework to ensure an organisation fulfils its responsibilities that demonstrate a clear commitment to information security management.

4.1.2 The Council has been accredited since 2004 passing each of its annual audits since this date and every third year a more detailed, in-depth assessment is undertaken.

4.1.3 During the summer of 2016, the Council underwent its fourth triennial audit during which time all aspects of its Information Security Management System were scrutinised. The assessment was successfully completed and identified only two minor non-conformities that were resolved before 30<sup>th</sup> September 2016.

4.1.4 Appendix 1 contains a copy of the Certificate of Registration for the three year period beginning 17<sup>th</sup> September 2016.

### 4.2 Public Services Network (PSN) Connection Compliance – Outcome of Annual IT Health Check

4.2.1 The PSN is the UK Government's high-performance secure IT network created to help public sector organisations work together, reduce duplication and share resources.

4.2.2 The services the Council accesses over PSN are:

- The DWP's Customer Information Service used by Housing Benefits and Social Services Finance staff.
- The Youth Offending Service's Libra database.
- The Blue Badge Information Services BBIS used by Customer Services for disabled parking badges.
- The IER (Individual Electoral Registration) system used in Electoral Services.
- GCSX secure email, used by many staff across the Council for sending personal or sensitive data to other public sector organisations.
- Tell Us Once service used by Registrars and other key areas of the Authority.

4.2.3 The PSN demands stringent measures to control access to these shared services. The PSN compliance process exists to provide the PSN community with the confidence that services will work without problems and ensure that their data is protected.

4.2.4 Access to the PSN is allowed only to those organisations that hold a valid PSN compliance certificate. The award of a PSN compliance certificate demonstrates that the Cabinet Office is satisfied that an organisation's security arrangements, policies and controls are sufficiently rigorous to allow you to interact with the PSN and those connected to it.

4.2.5 During the past few months, the Council's IT facilities have been subjected to the PSN Annual IT Health Check. This is a comprehensive assessment that was successfully completed and a compliance certificate was awarded on 18<sup>th</sup> November 2016.

4.2.6 Appendix 2 contains a copy of the PSN Connection Compliance Certificate for the twelve month period beginning 18<sup>th</sup> November 2016.

### 4.3 Grant Thornton External Auditor Report – IT General Controls

4.3.1 During April 2016, the external auditor undertook an IT General Controls Review Audit associated with user management and access controls applied to major systems.

4.3.2 The outcome of the audit was positive with only three resultant observations categorised as “Deficiency - risk of inconsequential misstatement” two of which have been resolved and one is currently the subject of a current management action plan.

## **5. WELL-BEING OF FUTURE GENERATIONS**

5.1 This report contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in the Act.

- Long Term – The regular and detailed monitoring and maintenance of IT security and governance standards help to prepare the Council for the challenges of the future.
- Prevention – The measures in place are a proactive response to the increasing risks that will be faced by individuals and organisations in the future. Minimising the likelihood of disruption and making it more difficult for malicious activity to be perpetrated against the organisation is a key foundation from which to move forward.
- Integration – Annually re-affirming the Council’s approach to IT security will safeguard our continued access to PSN and other services as confidence is derived from ISO27001 and PSN compliant status.
- Collaboration – Certified secure IT facilities will facilitate collaboration as consistent, effective measures will be in place to foster inter-organisational working.
- Involvement – Many of the measures that impact on IT security and governance are reliant upon the users of the IT facilities provided. Awareness raising and training are critical to ensure that consumers of IT services are conversant with the principles of effective IT security and governance.

## **6. EQUALITIES IMPLICATIONS**

6.1 This report is for information purposes only, therefore the Council’s full equalities impact assessment process has not been applied.

## **7. FINANCIAL IMPLICATIONS**

7.1 There are no direct financial implications arising from this report.

## **8. PERSONNEL IMPLICATIONS**

8.1 There are no direct personnel implications arising from this report.

## **9. CONSULTATIONS**

9.1 All consultation responses have been reflected in this report.

## **10. RECOMMENDATIONS**

10.1 The Audit Committee is asked to note the content of this report.

## **11. REASONS FOR THE RECOMMENDATIONS**

11.1 To ensure that the Audit Committee is aware of the independent scrutiny of the work undertaken associated with IT security and governance over the past year.

## **12. STATUTORY POWER**

### 12.1 Local Government Act 2000.

Author: Paul Lewis - Acting Head of ICT and Central Services  
Consultees: Gwyn Williams – Acting IT Operations Manager  
Alessandra Veronese – Acting IT Development & Support Manager  
Stephen Jordan – Principal ICT Security Officer  
Wesley Colyer – ICT Security Officer  
Joanne Jones – Corporate Information Governance Manager

Appendices:  
Appendix 1 ISO/IEC 27001:2013 Information Security Management System Certificate of Registration  
Appendix 2 PSN Connection Compliance Certificate



# Certificate of Registration

## INFORMATION SECURITY MANAGEMENT SYSTEM - ISO/IEC 27001:2013

This is to certify that:

Caerphilly County Borough Council  
IT Services Department  
Tredomen House  
Tredomen Park  
Ystrad Mynach  
Hengoed  
CF82 7WF  
United Kingdom

Holds Certificate Number:

IS 82432

and operates an Information Security Management System which complies with the requirements of ISO/IEC 27001:2013 for the following scope:

**The Information Security Management System in relation to the provision of IT operations, IT business support and IT development within the Caerphilly County Borough Council in accordance with version 23 of the Statement of Applicability dated 16 November 2015.**

For and on behalf of BSI:



Frank Lee, EMEA Compliance & Risk Director

Original Registration Date: 15/07/2004

Effective Date: 17/09/2016

Latest Revision Date: 31/08/2016

Expiry Date: 16/09/2019

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...making excellence a habit.™

Certificate No: IS 82432

Location	Registered Activities
Caerphilly County Borough Council IT Services Department Tredomen House Tredomen Park Ystrad Mynach Hengoed CF82 7WF United Kingdom	The Information Security Management System in relation to the provision of IT operations, IT business support and IT development within the Caerphilly County Borough Council in accordance with version 23 of the Statement of Applicability dated 16 November 2015.
Caerphilly County Borough Council Penallta House Tredomen Park Ystrad Mynach Hengoed CF82 7PG United Kingdom	The Information Security Management System in relation to the provision of IT operations, IT business support and IT development within the Caerphilly County Borough Council in accordance with version 23 of the Statement of Applicability dated 16 November 2015.
Caerphilly County Borough Council Enterprise House Tir Y Berth Industrial Estate New Road, Tir Y Berth Hengoed CF82 8AU United Kingdom	The Information Security Management System in relation to the provision of IT operations, IT business support and IT development within the Caerphilly County Borough Council in accordance with version 23 of the Statement of Applicability dated 16 November 2015.

Original Registration Date: 15/07/2004

Latest Revision Date: 31/08/2016

Effective Date: 17/09/2016

Expiry Date: 16/09/2019

Page: 2 of 2

This certificate relates to the information security management system, and not to the products or services of the certified organisation. The certificate reference number, the mark of the certification body and/or the accreditation mark may not be shown on products or stated in documents regarding products or services. Promotion material, advertisements or other documents showing or referring to this certificate, the trademark of the certification body, or the accreditation mark, must comply with the intention of the certificate. The certificate does not of itself confer immunity on the certified organisation from legal obligations.

This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract.

An electronic certificate can be authenticated [online](#).

Printed copies can be validated at [www.bsigroup.com/ClientDirectory](http://www.bsigroup.com/ClientDirectory)



# PSN connection compliance certificate

This is to certify that

## Caerphilly County Borough Council

has had its compliance reviewed and has demonstrated that its infrastructure is sufficiently secure to connect to the PSN during the following period

18 November 2016

18 November 2017

date issued

expiry date

For and on behalf of the Public Services Network

Mark Smith  
Head of PSN

This Public Services Network (PSN) connection compliance certificate is issued following completion of the PSN compliance verification process. It shows that your organisation has successfully achieved PSN compliance by demonstrating to the PSN team that your infrastructure is sufficiently secure that your connection to the PSN would not present an unacceptable risk to the security of the network. Your certificate is valid until the expiry date shown above. It may be withdrawn at any time in accordance with the PSN Code of Connection (CoCo) if it is found that you no longer meet the agreed standards.

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## AUDIT COMMITTEE – 14TH DECEMBER 2016

**SUBJECT: REGULATION OF INVESTIGATORY POWERS ACT 2000**

**REPORT BY: INTERIM MONITORING OFFICER**

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### **1. PURPOSE OF REPORT**

- 1.1 To advise Members of the numbers of covert surveillance operations undertaken by the Council in accordance with the provisions of the Regulation of Investigatory Powers Act 2000.

### **2. SUMMARY**

- 2.1 To provide an update on the number of operations undertaken under RIPA.

### **3. LINKS TO STRATEGY**

- 3.1 The Council is under an obligation to comply with legislative requirements - this report helps to achieve that.

### **4. THE REPORT**

- 4.1 The Regulation of Investigatory Powers Act 2000 (RIPA) 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. In addition to the Act, advice and guidance is found within the Codes of Practice issued by the Home Office.
- 4.2 The Authority has a corporate policy, which provides guidance on how surveillance should be used by the relevant officers.
- 4.3 Public Authorities undertaking covert surveillance of individual members of the public are subject to inspection by an Assistant Surveillance Commissioner or by a Surveillance Inspector (or in some cases both).
- 4.4 Members are advised that for the period 1<sup>st</sup> September to 31<sup>st</sup> October 2016 inclusive, there have been no RIPA operations undertaken.

### **5. EQUALITIES IMPLICATIONS**

- 5.1 None, the report is for information only.

### **6. FINANCIAL IMPLICATIONS**

- 6.1 None.

**7. PERSONNEL IMPLICATIONS**

7.1 None.

**8. CONSULTATIONS**

8.1 None. The report is for information only.

**9. RECOMMENDATIONS**

9.1 None. Members note the information provided.

**10. REASONS FOR THE RECOMMENDATIONS**

10.1 To ensure compliance with statutory requirements.

**11. STATUTORY POWER**

11.1 Regulation of Investigatory Powers Act 2000.

Author: Gail Williams, Interim Monitoring Officer ([willige@caerphilly.gov.uk](mailto:willige@caerphilly.gov.uk))

Consultees: Nicole Scammell, Acting Director of Corporate Finance and Section 151 Officer



## **AUDIT COMMITTEE – 14TH DECEMBER 2016**

**SUBJECT: UPDATE ON THE NUMBERS OF COMPLAINTS RECEIVED UNDER THE COUNCIL'S CORPORATE COMPLAINTS POLICY**

**REPORT BY: INTERIM HEAD OF LEGAL SERVICES AND MONITORING OFFICER**

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### **1. PURPOSE OF REPORT**

- 1.1 To provide Members with an update on the number of complaints received under the Corporate Complaints Policy for the period 1st April 2016 to 30th September 2016.
- 1.2 To advise Members whether any trends have been identified and if so the action to be taken.
- 1.3 To update Members on the use of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants.

### **2. SUMMARY**

- 2.1 To provide members with an overview of the corporate complaints, which, is one of the ways in which, the Council gains information on the level of satisfaction or dissatisfaction of the services provided corporately by the Council. 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.
- 2.2 To ensure that corporate complaints are dealt with consistently and fairly across all service areas.
- 2.3 To update members on the implementation of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants.

### **3. LINKS TO STRATEGY**

- 3.1 Monitoring of the Council's corporate complaints and successful resolution of those complaints supports the provision of higher quality and more effective services to the public across all service areas.

### **4. THE REPORT**

- 4.1 Members will be aware that, on 1st April 2013, the Council implemented a new Corporate Complaints Policy (referred to as the Policy in this report) in order to reflect the model policy introduced by the Welsh Government. The Policy was reviewed with minor changes proposed and presented to Audit Committee on 9<sup>th</sup> December 2015. The changes were endorsed and subsequently agreed by Cabinet on 20th January, 2016. The amended Corporate Complaints Policy has been uploaded on the intranet and internet.

- 4.2 The Policy has introduced a two-stage complaints process to be followed within the Council. Stage 1 complaints are intended to be dealt with within 10 working days and Stage 2 within 20 working days. If a complainant remains dissatisfied with the outcome of a Stage 2 response, he/she will have the opportunity to refer the matter to the Public Services Ombudsman for Wales.
- 4.3 Members were advised that a Learning from Complaints Group (referred to throughout this report as “the Group”) had been established, which is chaired by the Interim Monitoring Officer, and includes Complaints Officers from across the Council, the Council’s Senior Policy Officer (Equalities and Welsh Language) and a representative from the Council’s Performance Management Unit.
- 4.4 The Group meet on a quarterly basis in order to consider complaints statistics, identify trends and where appropriate review policies and procedures including the introduction of associated policies and procedures arising from the implementation of the complaints policy.
- 4.5 The result of the monitoring enables each department to focus on main 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. The Group’s findings are then reported to the Audit Committee on a six monthly basis.
- 4.6 In order to assist the compilation of comparative data it has been decided that the reporting period for update reports should be standardised – 1<sup>st</sup> April to 30<sup>th</sup> September and 1<sup>st</sup> October to 31<sup>st</sup> March. This report therefore overlaps with the data provided in the report to Committee in September, which included data for the period February to July.

#### 4.7 **Review of Corporate Complaints**

- 4.7.1 The data referred to below represents the number of complaints received from 1<sup>st</sup> April 2016 to 30<sup>th</sup> September 2016 for each Directorate referred to, together with an overview of the response timescales.
- 4.7.2 In addition, the complaints data captured includes the outcome of each complaint; namely whether a complaint has been upheld, not upheld or partially upheld. An overview of the outcomes in respect of Stage 1 complaints are set out in paragraph 4.7.4 (c) and an overview of the outcomes in respect of Stage 2 Complaints are set out in paragraph 4.7.4 (g) below.
- 4.7.3 Members are reminded that the number of complaints listed for Social Services and Education are significantly lower than those of other Directorates such as Housing and the Environment. The reason for the difference is that this report only includes details of corporate complaints received for those service areas. Social Services operate a separate complaints policy for service users. Within Education the respective schools deal with their own complaints. Members have received separate reports on both issues in the past.
- 4.7.4 The total number of corporate complaints received across the Authority during this period is 108 comprising the following: -

**% of total number of  
complaints received April  
– September 2016**

9	Corporate	8.33
2	Education	1.86
50	Environment	46.3
39	Housing	36.11
3	Social Services	2.8
5	Other (cross Directorate)	4.6



4.7.5 A breakdown of the types of complaints are summarised as follows: -

### Stage 1 Corporate Complaints

- | (a) Title   | Actual |
|---|--------|
| Number of Stage 1 complaints received in Corporate Services     | 9      |
| Number of Stage 1 complaints received in Education              | 2      |
| Number of Stage 1 complaints received in Environment            | 40     |
| Number of Stage 1 complaints received in Housing                | 33     |
| Number of Stage 1 complaints received in Social Services        | 0      |
| Number of Stage 1 complaints received Other (cross directorate) | 0      |
- (b) The total number of complaints received at Stage 1 were 84, of those 78 were responded to within timescale and 4 outside the timescale (4.76%), and 2 did not proceed
- (c) Of the 84 Stage 1 complaints, responded to, 15 have been upheld, 46 were not upheld and 21 have been partially upheld and 2 did not proceed. The breakdown of outcomes for each Directorate is listed below.

#### Outcomes of Stage 1 complaints

	Upheld	Not Upheld	Partially Upheld	Ongoing	Not Proceed
Corporate Services	1	3	4	0	1
Education	0	2	0	0	0
Environment	9	22	9	0	0
Housing	5	19	8	0	1
Social Services	0	0	0	0	0
Other (cross directorate)	0	0	0	0	0
	15	46	21	0	2

### Stage 2 Corporate Complaints

- | (d) Title   | Actual |
|---|--------|
| Number of Stage 2 complaints received in Corporate Services     | 0      |
| Number of Stage 2 complaints received in Education              | 2      |
| Number of Stage 2 complaints received in Environment            | 19     |
| Number of Stage 2 complaints received in Housing                | 17     |
| Number of Stage 2 complaints received in Social Services        | 3      |
| Number of Stage 2 complaints received Other (cross directorate) | 5      |
- (e) The total number of complaints received at Stage 2 were 46 of those 39 were responded to within timescale and 2 outside the timescale (4.34%) and 5 are ongoing.
- (f) Of the Stage 2 complaints, 24 were commenced at Stage 2 and 22 were escalated from Stage 1 to Stage 2; 11 within Housing, 9 within Environment and 2 within Education.
- (g) Of the 46 Stage 2 complaints responded to, 7 have been upheld, 24 were not upheld, 10 were partially upheld. There are 5 ongoing complaints. The breakdown of outcomes for each Directorate is listed below.

## **Outcomes of Stage 2 Complaints**

	<b>Upheld</b>	<b>Not Upheld</b>	<b>Partially Upheld</b>	<b>Ongoing</b>
Corporate Services	0	0	0	0
Education	1	1	0	0
Environment	2	12	3	2
Housing	3	9	4	1
Social Services	1	1	0	1
Other (cross directorate)	0	1	3	1
	7	24	10	5

4.7.6 Equalities and Welsh Language complaints dealt with under the Corporate Complaints Policy are monitored and reported to members of this committee as part of the overall figures but detailed information also forms part of the statutory annual reporting framework to the Equality and Human Rights Commission and the Welsh Language Commissioner's Office. The Council's Policy and Resources Committee and Cabinet receives an annual report regarding progress against the targets in the Council's Strategic Equality Plan and Welsh Language Scheme, prior to submission to the relevant commission.

4.7.7 Members will note that 4 stage 1 complaints were not responded to within the required timescale and 2 outside the timescale for stage 2 complaints. Members will recall the update report considered in September advised that this was due to a failure of officers to request an extension of time in accordance with internal guidance and would be raised formally at the next meeting of the Group. This issue has since been raised with the Group and will continue to be monitored.

### **4.8 Review of Trends and types of complaints**

4.8.1 This information is being gathered and an analysis will be provided in the Annual Report.

4.8.2 Again the types of complaints received have been wide ranging for example, planning permission, access to customer first, damage to property, WHQS works, flying start, electoral services, highways, council tax, access to civic amenity sites, housing transfer applications, air quality, noise nuisance, grant works and waste collection. The Group will continue to monitor this data closely at its meetings held quarterly and Members will be kept updated. A brief overview of the types of complaints and lessons learnt dealt with during this period is attached at Appendix 1.

### **4.9 Ombudsman referrals**

4.9.1 Since the last report to Audit Committee, 9 complaints have been referred to the Ombudsman following the issue of the Council's Stage 2 response. The Ombudsman has decided not to investigate any of the complaints.

4.9.2 In addition the Ombudsman has decided to investigate a further complaint. Whilst acknowledging that the complaint may be considered out of time, he decided to exercise his discretion to undertake an investigation on the basis that the complainants had attempted to resolve their concerns via other means and this caused a delay in referring the matter to the Ombudsman. Members will receive an update on the outcome of this complaint in due course.

### **4.10 Update on the Use of a Vexatious Complainants Policy**

4.10.1 Members are advised that there have been no referrals made under this policy although the Group will continue to monitor its use. The Group however acknowledge that it is a useful aide in dealing with potential vexatious complainants.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 Monitoring of complaints via the Corporate Complaints policy addresses the Council's statutory duties under the Equalities Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Welsh Language Measure (Wales) 2011 in two ways. It addresses specific complaints to the Council around alleged discrimination by service areas and also addresses the monitoring of complaints from people who fall under the categories protected by these statutory duties.
- 5.2 The full details of these issues (that cover wider matters than are recorded as Corporate Complaints in this report) are included in the annual reports provided to the Equalities and Human Rights Commission and the Welsh Language Commissioner's Office. Policy and Resources Scrutiny and Cabinet consider these reports prior to being published by the end of June each year.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications associated with this report.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications associated with this report.

## **8. CONSULTATIONS**

- 8.1 The views of the consultees have been incorporated into this report.

## **9. RECOMMENDATIONS**

- 9.1 It is recommended that Members note the contents of the report.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To monitor the complaints process to ensure effective delivery of Council services.

## **11. STATUTORY POWER**

- 11.1 Local Government Act 1972 - 2003.

Author: Gail Williams, Interim Head of Legal Services/Interim Monitoring Officer

Consultees: Nicole Scammell, Acting Director of Corporate Services  
Lisa Lane, Solicitor  
Jan Carter, Senior Housing Officer  
Gemma Hoare, Housing Officer (Customer Services)  
David Titley, Customer Services Manager  
Robert Waggett, Customer Services Development Officer  
Kim Davies, Customer Services/Complaints Officer  
Joanne Winstone, Customer Services/Complaints Officer  
Karen Williams, Support Officer  
Judith Morgans, Customer Services Manager  
Ros Roberts, Performance Manager

Andrea Jones, Corporate Complaints Officer  
Anwen Rees, Policy Officer  
Richard Harries, Internal Audit Manager  
Deborah Gronow, Auditor  
Leigh Brook, Corporate Finance  
Lianne Dallimore, Medium Term Financial Plan Programme Coordinator

Background paper:

Report to Audit Committee 9<sup>th</sup> September 2016 Update on the Numbers of Complaints Received under the Council's Corporate Complaints Policy

Appendices:

Appendix: Brief overview of complaints

## **Appendix 1 Brief overview of complaints**

### Council Tax Enquiry

A complaint was made regarding correspondence received in the form of an e-mail from a member of the council tax section. The complainant alleged it was a rather abusive e mail, written in block capitals. The complainant responded that they found the content and nature of how the email was written to be a form of shouting.

The relevant Manager apologised for the format of the email and provided a full explanation and breakdown of the other element of the complaint.

In reviewing the actual content of the emails, the Manager did not find the content 'abusive' in its tone; in fact, it was noted that member of staff did offer their apologies if the complainant found their initial email abrupt before going on to explain that the reason for their email was the lack of any contact from the management company regarding the particular property under consideration.

### Lessons learnt

It was fully accepted that the format of the email was not acceptable and gave the impression that the sender was 'shouting' their message. This part of the complaint was addressed directly with the member of staff who assured the Manager that in future emails would be in the expected format.

### Housing

Prior to a new tenancy commencing the appropriate Building Surveyor completes a 're-let standard checklist' to ensure the property is ready for the new tenant to move in. However, a new tenant raised concerns regarding the condition of the property he had just been allocated. During the investigation it was noted that some items had been recorded incorrectly by the Building Surveyor. An apology was provided to the complainant.

### Lessons Learned

As a result Building Surveyors have been reminded of the importance of completing the documentation thoroughly and accurately.

### Waste Management

A complaint was received on 28<sup>h</sup> August (non-working day) in relation to a refuse bin not being collected for a week and forwarded to the relevant department on 30<sup>th</sup> August due to bank holiday. The complainant queried this online and was informed that the issue would be resolved in 5 working days. The complainant also contacted the Contact Centre. The Contact Centre advised that the refuse collection would take place on Wednesday but unfortunately this did not take place. The complainant made comments on facebook in relation to the bins for the street not being collected.

An email response was sent to the complainant apologising for the missed collection and inconvenience caused. The missed collection was due to vehicle breakdown and an alternate vehicle and crew was sent to collect several streets in the locality but unfortunately they were unaware of front and rear collection in this street.

The crew were given details of collection that needed to take place unfortunately there had been a delay in receiving the complaint due to bank holiday. A response was sent on 30<sup>th</sup> August from Community & Leisure Services advising that the bins would be emptied the following day.

### Lesson Learnt

Refuse was not collected due to vehicle breakdown – an apology was provided, and crew were spoken to ensure missed collections are reported to the supervisor to prevent the problem from arising again.

## Engineering Services

A complaint was made about the lack of communication from the Engineering Division. The complainant asked for the council to look at the drainage system outside their house and the enquiry was logged on the 12/05/16. The complainant was given a date of 21/06/16 as to when someone from the drainage department would look at the drainage system that week. The complainant sent a further 4 emails chasing this up to no avail.

As a result of the complaint, the Engineering Division carried out an investigation:

- The four e-mails have not been traced
- The inspection on the 21st June was in an adjacent (wrong) location
- A subsequent inspection in the right location took place on the 24th June
- A response was not sent to the complainant once this had happened

An apology was provided to the complainant and the correct location was inspected and the servicing of the drainage system carried out.

Lessons learnt being:

- To improve feedback to the customer/ complainant once the action(s) are concluded. The oversight has been discussed with the relevant officer.
- To confirm the works done to the customer/ complainant, so allowing any correction(s) needed. Accuracy of location to be confirmed by Lead Officer, on each occasion.



## **AUDIT COMMITTEE – 14TH DECEMBER 2016**

**SUBJECT: OFFICERS DECLARATIONS OF GIFTS AND HOSPITALITY  
JULY TO SEPTEMBER 2016**

**REPORT BY: ACTING HEAD OF HUMAN RESOURCES AND ORGANISATIONAL  
DEVELOPMENT**

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### **1. PURPOSE OF REPORT**

- 1.1 The purpose of the report is to provide the Audit Committee with information regarding the Register of Employees' Interests Forms completed by officers of the Council (excluding Schools) regarding Gifts and Hospitality for the period 1 July to 30 September 2016 ie the second quarter of the financial year 2016/17 and a comparison with the previous three quarters.

### **2. SUMMARY**

- 2.1 Enclosed as Appendix 1 is a list of Register of Employees' Interests Forms in respect of Gifts and Hospitality completed by officers of the Council (excluding Schools) for the 3 months 1 July to 30 September 2016.

### **3. LINKS TO STRATEGY**

- 3.1 The Council's Code of Conduct for Employees confirms that in performing their duties, employees must act with integrity, honesty, impartiality and objectivity and that they must act in accordance with the principles set out in this Code, recognising the duty of all public sector employees to discharge public functions reasonably and according to the law. This is a Statutory Code requirement.
- 3.2 The Council acting through the Audit Committee is required to report officer declarations regarding Gifts and Hospitality on a quarterly basis.

### **4. THE REPORT**

- 4.1 The Council's Code of Conduct for Employees sets out guidance for employees on a range of issues, including the completion of a Register of Employee Interests form, which will help maintain and improve the high standards of conduct within local government and protect employees from misunderstandings and confusion.
- 4.2 Completed Register of Employees' Interests forms are submitted to Heads of Service, Directors or the Chief Executive who countersign the forms to show they are aware of the declaration. The form also records details of any controls / action taken to protect the Council's interests in the circumstances outlined on the form. A copy of the countersigned form is given to the employee and a copy sent to Human Resources for filing on the employee's personal file.

- 4.3 The Head of Service, Director or Chief Executive retains the original form and maintains a summary spreadsheet to record the forms. On a monthly basis the summary spreadsheet or a nil return is submitted to Human Resources for collation and monitoring for consistency and compliance.
- 4.4 In accordance with the Council's Code of Conduct for Employees, Gifts / Hospitality of less than £25 may be accepted by the employee but any Gift / Hospitality which could be seen by a third party as placing the employee under an improper obligation such as more than one Gift / Hospitality from the same party must be refused, irrespective of its value.
- 4.5 Employees may accept small offers of Hospitality only where the activity is of a nature where there is a genuine need to impart information or to represent the Council in the community. Offers to attend purely social or sporting functions should be accepted only when these are part of the life of the community or where the Council should be seen to be represented.
- 4.6 The table below details the number of declarations regarding Gifts submitted by Directorate for the period 1 July to 30 September 2016 and the previous three quarters for comparison.

Directorate	Number of declarations received - Gifts			
	July – Sept 2016	April – June 2016	Jan – March 2016	Oct – Dec 2015
<b>Communities</b>	1	2	0	5
<b>Corporate Services</b>	0	0	2	2
<b>Education and Lifelong Learning</b>	0	0	0	0
<b>Social Services</b>	0	0	1	1
<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>8</b>

- 4.7 The table below details the number of declarations regarding Hospitality submitted by Directorate for the period 1 July to 30 September 2016 and the previous three quarters for comparison.

Directorate	Number of declarations received - Hospitality			
	July – Sept 2016	April – June 2016	Jan – March 2016	Oct – Dec 2015
<b>Communities</b>	0	1	4	2
<b>Corporate Services</b>	0	1	1	0
<b>Education and Lifelong Learning</b>	0	0	0	0
<b>Social Services</b>	0	2	0	0
<b>Total</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>2</b>

- 4.8 The Acting Head of Human Resources and Organisational Development will continue to monitor the declarations submitted and work with Heads of Service, Directors and the Chief Executive to improve their understanding, promote best practice and corporate compliance to the Code of Conduct where appropriate.



**5. WELL-BEING OF FUTURE GENERATIONS**

5.1 Having considered the five ways of working, they will not be affected by the contents of this report.

**6. EQUALITIES IMPLICATIONS**

6.1 There are no equalities implications, as the reason for declaring an interest applies equally to all staff, regardless of their individual characteristics.

**7. FINANCIAL IMPLICATIONS**

7.1 None.

**8. PERSONNEL IMPLICATIONS**

8.1 The personnel implications are included in this report.

**9. CONSULTATIONS**

9.1 There are no consultation responses that have not been included in the report.

**10. RECOMMENDATIONS**

10.1 The Audit Committee are asked to note the contents of this report.

**11. REASONS FOR THE RECOMMENDATIONS**

11.1 The recommendations are designed to ensure members of the Audit Committee have an oversight of the position in relation to officers' Gifts and Hospitality.

**12. STATUTORY POWER**

12.1 Local Government Act 2000.

Author: Lynne Donovan, Acting Head of Human Resources and Organisational Development.  
Consultees: Nicole Scammell, Director of Corporate Services and Section 151 Officer (Acting).  
Gail Williams, Interim Head of Legal Services and Monitoring Officer.  
Colin Jones, Head of Property and Performance Management.  
Cllr Christine Forehead, Cabinet Member for Human Resources and Governance.  
Alessandra Veronese, Programme Manager Improving Governance Programme Board.

Appendices:  
Appendix 1 Declarations of Gifts and Hospitality 1 July to 30 September 2016

**Appendix 1**  
**Declarations of Gifts and Hospitality – 1 July to 30 September 2016**

Directorate	Service Area	Post Title of Employee Making the Declaration	Type of Declaration	Details Of Declaration	Post Title of Head of Service, Director or Chief Executive who authorised the Declaration	Outcome
Communities	Housing	Floating Support Officer	Gift	Gift of a candle, from client. Approx value £2.99.	Chief Housing Officer	Accepted

# Agenda Item 16

## CORPORATE GOVERNANCE PANEL MINUTES 15th April 2016 Executive Boardroom 1.30 p.m.

Panel members: Nicole Scammell, Cllr. Forehead, Colin Jones, Gail Williams, Paul Lewis, Joanne Jones, Richard Harris.

### 1. APOLOGIES

Apologies were received from Paul Lewis.

### 2. MINUTES

The minutes of the meeting held on the 19.11.2015 were agreed.

### 3. FEEDBACK FROM WAO ON CORPORATE GOVERNANCE REVIEW

NS confirmed that although verbal feedback has been provided we are still waiting for the final report.

### 4. DRAFT CHECKLISTS

The updated summary of the draft checklists received was discussed with RH indicating that there does not appear to be any significant trends or patterns and although there are some commonalities between submissions they were all considered to be localised follow on work falling out of corporate development work. The panel agreed that the checklists were not throwing out any areas of corporate governance concern.

### 5. OVERVIEW GROUP COMMENTS

The summary of the comments made by the overview group was reviewed with several discussed at length however the panel considered that the issues raised were not appropriate to take forward into the AGS.

### 6. POTENTIAL AREAS FOR IMPROVEMENT

A discussion took place around some of the issues highlighted within the HOS comments and some issues brought forward by the panel members. Before agreeing on any areas for inclusion in the AGS it was agreed that RH should go ahead and meet the Chief Executive to discuss any issues he may wish to add to the debate.

### 7. DRAFT NARRATIVE

It was agreed that all panel members would review the content of the template AGS and specified key officers would also be consulted so that the base template is up to date in respect of structures, initiative and emerging areas. RH to coordinate responses and the target date for the AGS being taken to CMT was going to be the 19<sup>th</sup> May.

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# Agenda Item 17

## CORPORATE GOVERNANCE PANEL MINUTES 19th Sept 2016 Executive Boardroom 1.30 p.m.

Panel Members: Nicole Scammell, Cllr. Forehead, Colin Jones, Gail Williams, Paul Lewis, Richard Harris.

### 1. **APOLOGIES**

Apologies were received from Cllr Forehead.

### 2. **MINUTES**

The minutes of the meeting held on the 15.04.2016 were agreed as accurate. NS updated the group on matters arising which were mostly covered on the agenda of the meeting.

### 3. **UPDATE ON FINAL VERSION OF AGS**

NS confirmed that the version attached to the agenda was the final version that had been approved and although some amendments were requested by the Audit Committee the Area for Improvement identified by the group remained the only one highlighted in the final statement. RH explained that the external auditors had requested two minor amendments to the AGS which were done but these adjustments had not fundamentally altered the content of the statement.

### 4. **COMMENTS MADE BY DONNA JONES ON H&S ISSUES**

DJ attended and gave an update on the individual risks that had been highlighted in the comments provided as part of the 15/16 "expert" group review. DJ pointed out that being able to produce a detailed document on H&S risk issues indicates that our control processes are in place and mature enough for us to properly identify and monitor our improvements. Overall many of the issues identified in the risk statement had improved and are going well however there are some issues that still need to be resolved and work on these issues is ongoing. The ensuing discussion around some of the issues identified that both internal audit and corporate property staff could assist with some visual monitoring in respect of fire hazards and this was agreed to be further explored outside of the meeting.

### 5. **UPDATE ON WORK BEING UNDERTAKEN AND PLANNED IN RESPECT OF WBFV ACT**

Rob Hartshorn gave an update of the current position based upon a report that had been presented to CMT on 8<sup>th</sup> September. RobH outlined the progress being made in undertaking the local well being assessment which is well advanced and the development of a new reporting template that will assist in demonstrating that consideration of the act requirements has taken place as part of the decision making process. RobH also stated that the members advisory panel had been set up and that consideration is now being given to the impact of the Act's requirements on the Risk management processes and the possibility of revisiting risks in the existing registers. As addressing the requirements of the WBFV act is the area of improvement identified in last years review it was agreed that an update report should be put to the next Audit Committee to update members and provide assurances that progress is being made.

## **6. DELIVERING GOOD GOVERNANCE 2016 UPDATE**

RH updated the group that we are still waiting for CIPFA to publish the Welsh guidance. It was due out in September but there has been no indication whether it has been delayed or is still on target.

## **7. LESSONS LEARNED FROM LAST YEARS REVIEW**

RH confirmed that he was not aware of any issues being raised by staff during or after the review process. There were some contributors who needed regular chasing however the process seems to work satisfactorily. The panel members had no issues to raise regarding the working of the process and timings but one suggestion was made to add to the checklist i.e. a question about compliance with legislation to include the WBFG, Welsh Language, Equalities, EIA etc.

## **8. AOB**

**8.1** NS informed to the group that the WAO report on governance will be going to the Audit Committee in December (main Agenda item) after it has been to Cabinet on 19<sup>th</sup> October.

**8.2** RH informed the group that work is progressing on an assurance map/ framework which the intention is to bring to the next panel meeting for discussion / comments before being finalised. Contributions from panel members may be required during the next few weeks and RH will arrange.

**8.3** NS informed the group that RH and Steve Harris are developing an action plan to address the agreed recommendations from the WAO governance review. The action plan will be presented to Cabinet in October and also the Audit Committee in December. The AGS review panel will also monitor progress against the plan going forward.

**8.4** PL queried whether the frequency of information governance monitoring could be reduced due to feedback from the information governance group. Due to the maturity of our process it is felt that the regular quarterly assessment processes in respect of information assets and risks are now deemed to be unnecessary and a move to six monthly would seem appropriate with the added caveat that emerging issues can be appropriately added as they are identified. The panel agreed this to be a reasonable approach and was agreed.