

# Pecyn Dogfennau Cyhoeddus

Penallta House,  
Tredomen Park,  
Ystrad Mynach,  
Hengoed CF82 7PG

Ty Penallta,  
Parc Tredomen,  
Ystrad Mynach,  
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Am unrhyw ymholiad yn ymwneud â'r agenda hwn cysylltwch â Charlotte Evans  
(Rhif Ffôn: 01443 864210 E-bost: EVANSCA1@caerphilly.gov.uk)

**Dyddiad: Dydd Mawrth, 3 Ebrill 2018**

Annwyl Syr/Fadam,

Bydd cyfarfod **Pwyllgor Awdit** yn cael ei gynnal yn **Ystafell Sirhywi, Tŷ Penallta, Tredomen, Ystrad Mynach** ar **Dydd Mawrth, 10fed Ebrill, 2018** am **2.00 pm** i ystyried materion a gynhwysir yn yr agenda canlynol.. Gall cynghorwyr a'r cyhoedd sy'n dymuno siarad am unrhyw eitem wneud hynny drwy wneud cais i'r Cadeirydd. Mae croeso i chi hefyd ddefnyddio'r Gymraeg yn y cyfarfod. Mae'r ddau gais hyn yn gofyn am gyfnod rhybudd o 3 diwrnod gwaith, a bydd cyfieithu ar y pryd yn cael ei ddarparu os gofynnir amdano.

Mae pob cyfarfod Pwyllgor yn agored i'r Wasg a'r Cyhoedd. Gofynnir i arsylwyr a chyfranogwyr ymddwyn gyda pharch ac ystyriaeth at eraill. Sylwer y bydd methu â gwneud hynny yn golygu y gofynnir i chi adael y cyfarfodydd ac efallai y cewch eich hebrwng o'r safle.

Yr eiddoch yn gywir,

**Christina Harrhy**  
PRIF WEITHREDWR DROS DRO

## AGENDA

Tudalennau

- 1 I dderbyn ymddiheuriadau am absenoldeb
- 2 Datganiadau o Ddiddordeb.

A greener place Man gwyrddach



Atgoffi'r Cynghorwyr a Swyddogion o'u cyfrifoldeb personol i ddatgan unrhyw fuddiannau personol a/neu niweidiol mewn perthynas ag unrhyw eitem o fusnes ar yr agenda hwn yn unol â Deddf Llywodraeth Leol 2000, Cyfansoddiad y Cyngor a'r Cod Ymddygiad ar gyfer Cynghorwyr a Swyddogion.

I gymeradwyo a llofnodi'r cofnodion canlynol: -

3 Pwllgor Archwilio a gynhaliwyd ar 30ain Ionawr 2018. 1 - 6

I dderbyn ac ystyried yr adroddiad(au) canlynol: -

4 Ardystio Grantiau a Datganiadau 2016-17 - Cyngor Bwrdeistref Sirol Caerffili. 7 - 20

5 Monitro Cofrestr Risg Gorfforaethol (C3 - 2017/18). 21 - 30

6 Canlyniad o Adolygiad Cyfoedion Allanol ar Gydymffurfiad â Safonau Archwilio Mewnol y Sector Gyhoeddus. 31 - 50

7 Cynllun Blynnyddol Gwasanaethau Archwilio Mewnol 51 - 60

8 Cynllun Archwilio 2018 - Cyngor Bwrdeistref Sirol Caerffili 61 - 90

9 Blaenraglen Waith y Pwyllgor Archwilio. 91 - 94

I dderbyn a nodi yr eitem(au) gwybodaeth ganlynol:-

10 Datganiadau Swyddogion o Roddion a Lletygarwch Hydref - Rhagfyr 2017. 95 - 98

11 Deddf Rheoleiddio Pwerau Ymchwilio 2000. 99 - 100

*\*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 Monday 9th April 2018.*

#### **Cylchrediad:**

Cynghorwyr Mrs E.M. Aldworth, J. Bevan, D.T. Davies, C. Elsbury, A. Gair, Ms J. Gale, D.T. Hardacre, B. Miles, Mrs T. Parry, Mrs M.E. Sargent (Cadeirydd), G. Simmonds a J. Simmonds

Aelod Lleyg – Mr N.D. Yates (Is Gadeirydd)

Archwilwyr – Ms S.J. Byrne (Wales Audit Office), Ms N. Jenkins (Wales Audit Office), Ms L. Brown (Grant Thornton UK LLP) and Mr B. Morris (Grant Thornton UK LLP)

A Swyddogion Priodol.

Gadewir y dudalen hon yn wag yn fwriadol



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON TUESDAY 30TH JANUARY 2018 AT 2.00 PM

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#### PRESENT:

Councillor M.E. Sargent – Chair  
N. Yates – Vice Chair

#### Councillors:

Mrs E. Aldworth, D.T. Davies, C. Elsbury, Mrs B. Miles, Ms T. Parry and G. Simmonds.

#### Together with:

B. Morris and G. Hawkins (Grant Thornton)

S. Harris (Interim Head of Corporate Finance), R. Harris (Internal Audit Manager), R. Roberts (Performance Manager) and C. Evans (Committee Services Officer).

#### 1. APOLOGIES

Apologies for absence were received from Councillors Mrs A. Gair, Ms J. Gale, J. Simmonds and A. Whitcombe.

#### 2. DECLARATIONS OF INTEREST

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

#### 3. MINUTES – 17TH OCTOBER 2017

RESOLVED that the minutes of the meeting of the Audit Committee held on 17th October 2017 (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. CERTIFICATION OF GRANTS AND RETURNS 2016-17 – CAERPHILLY COUNTY BOROUGH COUNCIL**

The report, which was presented by G. Hawkins, Grant Thornton provided the Audit Committee with a summary of the results of work on the certification of the Council's 2016-17 Grants and Returns. For 2016-17, Grant Thornton certified 18 grants and returns with a total value of £152,520,828, and produced a report in order to provide feedback collectively to those officers having responsibility for grant management, so that we can work together to identify areas where improvements can be made to the processes in place.

The Committee noted that 94% of grants received during the year were received for audit by the Council's submission deadline. (100% in 2015-16 audit year), with only the Housing Benefit and Authority Tax Subsidy Return not being submitted by the deadline, despite being completed on time by the Authority.

It was noted that overall, 18 grants and returns were certified. 14 were unqualified with no amendment, 3 were unqualified but required some amendment to the final figures and 1 was qualified and required some amendment to the final figures.

The Committee were assured that the Authority has adequate arrangements for preparing its grants and returns and supporting the certification work but improvements are required in some areas, which were detailed in the body of the report.

Finally the Committee were asked to note that the total fee for the certification of grants and returns was £52,745, which is lower than the fees for 2015-16.

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

#### **5. STATUTORY DATA PROTECTION OFFICER**

The report, which was considered by the Audit Committee provided Members with details of the requirement to create a new statutory role of Data Protection Officer as prescribed by the forthcoming EU General Data Protection Regulation (GDPR).

The GDPR will come into force on 25th May 2018. The GDPR will enhance existing protections for personal data, introducing new requirements and increasing the maximum monetary penalty for data breaches from £500,000 to €20 million or 4% of global annual turnover.

In addition, there is a requirement to introduce a new statutory role of Data Protection Officer (DPO) for the Council. Currently the Data Controller responsible for data protection compliance is the Council as a corporate body and not a specific employee within the Council. However, responsibility for data protection has been delegated to the Corporate Information Governance Unit (CIGU) which is overseen by the Senior Information Risk Owner (SIRO) and the new statutory role will build on this existing sound foundation.

To assure the Council as Data Controller that information is managed consistently and risks are minimised across every Council service, the SIRO and information governance expertise provision are currently a corporate function. As this is the case, it would seem appropriate that the DPO is located within the corporate function also.

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 Audit Committee support the proposal to add the DPO role to the responsibilities associated with the Corporate Information Governance Manager and recommended to Cabinet to be endorsed.

## **6. REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE**

The report provided the Committee with an update on progress against proposals or recommendations made by all regulators since the last Audit Committee update. It was noted that since June 2017 there have been 3 proposals addressed and 6 new ones added onto the register. In addition, four new reports have been received since the last report, 2 were presented to Cabinet on 5th July 2017 and 2 were reported to Cabinet on 1st November 2017. Proposals and recommendations for improvement from these reviews were detailed within the report.

The Committee noted that currently there are 4 recommendations and 10 proposals on the register totalling 14 altogether. There are 3 proposals which are completed, which would leave 11 outstanding, should the closures be agreed by the Audit Committee.

For clarity, the Committee were reminded that the Wales Audit Office issue Proposals and Recommendations. The difference between the two is that a proposal is a 'suggestion for improvement'. This means the authority does not have to act on it, however, if they appear on the register, it is as a result of the authority agreeing to action the proposal. A Recommendation has a statutory element to it which means that there is a 'statutory duty' to act on the recommendation.

As of the June 2017 Audit Committee, there were 8 proposals/ recommendations outstanding, which has increased to 14 in total due to the addition of 6 new recommendations. The report recommended that 3 be closed down as completed, which would leave 11 outstanding.

The Committee thanked the Officer for the report and discussion ensued.

A Member raised a query in relation to the WHQS Programme and it was noted that there has been significant progress made since the review. A Working Group has been set up in order to consider the findings. Officers agreed to determine the reporting process and feedback to the Committee.

A Member raised a query in relation to the Leisure review and the length of time it has taken to complete. It was noted that the review was conducted and completed in January 2017, however, due to the format in which the report was received, Officers have been working to provide a more suitable format and evidence and it is anticipated that the report will be presented to Cabinet in the coming weeks.

The Committee discussed the Customer Services Review and Members requested a presentation on the broader role of Customer Services.

Following consideration of the Customer Services review and in noting that there appears to be ongoing work, the Audit Committee agreed that the Customer Services Review remain on the register, but the Financial Resilience 2015/2016 and Review of arrangements to address external audit, inspection and regulation and proposals for improvement.

## **7. INTERNAL AUDIT SERVICES PSIAS PEER REVIEW UPDATE**

The report provided Members with an update on progress made in respect of the peer review being undertaken, as required by the Public Sector Internal Auditing Standards (PSIAS).

The PSIAS external peer review has now been undertaken and a draft report has been received. The findings of the independent review has validated the results of the internal assessment undertaken towards the end of 2016/17 and the Internal Audit Manager will now review the previously drafted action plan in light of the peer review findings and build the improvement actions into the audit work plan.

The findings of the peer review are very similar to those identified within the internal assessment reported to the committee in December 2016. Within the nationally agreed checklist there are approximately 300 best practice elements with less than 30 non-conformances identified. The similarities between the two assessments does indicate that the in house review undertaken by the audit team was fair, honest and robust.

The conclusion within the draft report is that “the impact of the non conformance is not considered to be significant and the Internal Audit of Caerphilly CBC complies with the standards in all significant areas and operates independently and objectively”.

Arrangements have been made to meet and finalise the assessment report with the Chief Internal Auditor from Monmouthshire County Council following which an exercise will be undertaken to cross match both the internal and external review findings to inform the ongoing improvement process and to ensure that all relevant actions are captured and included within the future work plan.

The Committee thanked the Officer for the report and discussion ensued.

A Member sought clarification on when the report will be presented to the Audit Committee and it was confirmed that the report will be provided at the next meeting in April.

It was noted that the review was conducted by a peer authority and a Member queried whether the review was to undergo any further validation or be audited by external auditors such as the Wales Audit Office or Grant Thornton. Officers explained that the Standards required an independent assessment and Authorities in Wales agreed to a reciprocal arrangement where an internal assessment would be validated on a Peer Review basis., ensuring there are no conflicts of interest etc.

In noting that the Review is conducted within the nationally agreed checklist in which approx.. 300 areas of best practice have been identified, 30 non conformances were identified and Members raised concerns due to the volume. Officers assured the Committee that the template is standard and not all of the best practice elements apply to all authorities.

The Committee thanked the Officers for the detailed report and noted its content.

## **8. INTERNAL AUDIT SERVICES – MID-YEAR PROGRESS REPORT**

The report provided the Audit Committee with an overview of the work undertaken by Internal Audit Services in the first six months of the current financial year.

It was noted that 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.

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.

This is the second such report and provides an overview of the work undertaken by Internal Audit Services in the first six months of the current financial year.

The Audit Committee noted that 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 8 March 2017. Sickness levels have remained low with an overall absence level of less than 1% during the first 6 months.

The report detailed that 8 establishment audit visits were undertaken in the previous financial year and have now been finalised. Of the 8 audits, 6 were rated as 'satisfactory' and the remaining 2 were rated as 'in need of improvement'. These have since been revisited and provided with onsite support in order to assist the schools to reach 'satisfactory' in a follow-up audit.

The Committee noted that 7 system audit reviews were brought forward from the previous year. 3 of which have since been issued with final reports that have been agreed. These audits provided 6 opinions of which 2 were 'satisfactory' and 4 were 'in need of improvement', which were flexi compliance and Inventory records and revisits will be undertaken to ensure that improvements have been made.

The report outlined that 13 establishment audit visits have been undertaken in the first 6 months of the current financial year with 9 being finalised and the remaining 4 are in the draft report stage.

In respect of the 9 finalised audits, 4 have been rated as 'good', 4 as 'satisfactory' and 1 as 'in need for improvement'. The 4 audits that are in the draft report stage, 3 are provisionally rated as 'satisfactory' and 1 as 'good'.

In respect of the finalised reports, 1 is rated as 'in need of improvement', and training sessions have been undertaken with staff to assist in the improvement process.

It was noted that, along with other audits, 3 new systems audits, 9 grant audits, and 15 NFI data matching reviews were started within the period. In addition audit staff have continued to assist on working parties in relation to primary school meals income and creditor account set up processes, as well as one member of staff taking on the role of information governance steward for Corporate Finance. The 9 completed grant audits were found to be satisfactory and the grant certificates were signed accordingly.

The Committee noted that 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 42 anonymous communications have been received and logged by Internal Audit which, where appropriate, were passed to the relevant departments for action. These communications cover a wide range of issues from possible benefit frauds, neighbour disputes, anti-social behaviour and other potential illegal behaviours. However, Internal Audit Services focus on system control failures and staff related issues and only four such issues were raised in the period. Additionally, cheques returned to the Council are also scrutinised within Internal Audit Services to identify system and control issues. 55 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.

The report also detailed that 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). The authority has also taken part in a pilot match of additional data (Credit Industry Fraud Avoidance system [CIFAS] fraud data to Housing Benefit data) due to the recognised historical good compliance shown in regard to NFI.

Members thanked the Officer for the report and discussion ensued.

A Member sought further information on the audits undertaken within schools. It was noted that the Internal Audit team conduct audits of the financial systems and processes and administration. In respect of audits around attainment, audits are conducted by EAS and Estyn.

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

## **9. AUDIT COMMITTEE FORWARD WORK PROGRAMME**

The Forward Work Programme, up to October 2018 was presented to the Audit Committee for Member consideration. It was noted that the document is a working document and is regularly updated when additional reports are identified.

Members discussed the programme and requested that items be presented to the Committee on Customer Services, Procurement and Corporate Property.

The Audit Committee noted the current Forward Work Programme.

## **10. INFORMATION ITEMS**

The Committee received and noted the following information items:-

- (1) Audit of Caerphilly County Borough Council's Assessment of 2016-17 Performance;
- (2) Officers Declarations of Gifts and Hospitality July to September 2017;
- (3) Regulation of Investigatory Powers Act 2000;
- (4) Update on the Number of Complaints Received Under the Council's Corporate Complaints Policy;
- (5) WAO Local Risk Based Review: Asset Management and Information Management and Technology – Caerphilly County Borough Council;
- (6) Wales Audit Office Review of the WHQS Delivery Programme;
- (7) Annual Audit Letter – Caerphilly County Borough Council 2016/17;
- (8) Corporate Governance Panel Minutes held on 4th August 2017.

The meeting closed at 3.02pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 10th April 2018, they were signed by the Chair.

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CHAIR



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2016-17 – **Caerphilly County Borough Council**

Audit year: 2016-17

Issued: January 2018

Document reference: CCBCCERT201617

Page 7

Eitem Ar Yr Agenda 4

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# Contents

## Summary report

Summary

4

Headlines

5

Summary of certification work outcomes

6

Recommendations

11

Fees

13

Page 3

# Summary report

- 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 with the aim of certifying individual claims and to answer the question:  
'Does Caerphilly County Borough Council (the Council) 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 the for 2016-17 the authority had adequate arrangements in place for the submission of its 2016-17 grant claims, there is scope for improvement. We are continuing to work with the authority to support these improvements in 2017-18.
- 4 For 2016-17 we certified 18 grant claims and returns (17 in 2015-16).
- 5 The Council submitted 17 out 18 of its 2016-17 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of some £54,070 (£57,230 for 2015-16). Overall, our work resulted in adjustments amounting to £14,848.48 to claims on a total grant value of £153,079,428 (0.001 % of total grant value). The actual breakdown is shown in [Exhibit 1: Breakdown of claims](#)

Page 10

	£	Additional comments
Additional Grant to CCBC	0	
Grant to be Clawed Back from CCBC	£14,848.48	See exhibit 5 for details.
Disclosure Adjustments	0	See exhibit 5 for details.
<b>Total</b>	<b>£14,848.48</b>	

6. 1:18 of the claims were qualified; this is below the Welsh average of 1:4 for 2015-16, the most recent years for which all-Wales data is available.

# Headlines

## Exhibit 2: report headlines

<b>Introduction and background</b>	<p><b>This report summarises the results of work on the certification of the Council's 2016-17</b></p> <ul style="list-style-type: none"> <li>• As contractors to the Wales Audit Office we are asked, on behalf of the Auditor General, to certify grant claims made by the Council.</li> <li>• For 2016-17, we certified 18 grants and returns with a total value of £153,079,428.</li> <li>• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management, so that we can work together to identify areas where improvements can be made to the processes in place.</li> </ul>
<b>Timely receipt of claims</b>	<p><b>Our analysis shows that 94% of grants received during the year were received for audit by the Council's submission deadline. (100% in 2015-16 audit year), with only the Housing Benefit and Authority Tax Subsidy Return not being submitted to us by the deadline, despite it being completed in time by the Authority.</b></p>
<b>Certification results</b>	<p><b>We issued unqualified certificates for 17 grants and returns. A qualification and amendment was necessary on only the Housing Benefit and Authority Tax Subsidy return, representing one claim (6%).</b></p>
<b>Audit adjustments</b>	<p><b>Adjustments were necessary to a further three of the Council's grants and returns as a result of our auditor certification work this year. These are detailed below.</b></p>
<b>The Council's arrangements</b>	<p><b>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas, as detailed in the body of this report.</b></p>
<b>Fees</b>	<p><b>Our overall fee for certification of grants and returns for 2016-17 is £54,070 (£4,485 less than 2015-16).</b></p>

# Summary of certification work outcomes

- 6 Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2016-17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our auditor certificate.
- 7 A qualification means that issues were identified concerning the Council'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 Council to satisfy itself that the full amounts of grant claimed are appropriate.

## Exhibit 3: key information for 2016-17

### Key information for 2016-17

#### Overall, we certified 18 grants and returns:

- 14 were unqualified with no amendment
- 3 were unqualified but required some amendment to the final figures
- 1 was qualified and required some amendment to the final figures

Exhibit 4: summary of key outcomes

Ref – Para 9	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate with no adjustments
1	Housing Benefit and Authority Tax Subsidy (BEN01)	30/4/17	6/7/17	Yes				
2	Teachers' Pension (PEN05)	30/5/17	10/5/17	No				
3	Free Concessionary Travel (TRA23)	30/9/17	26/9/17	No				
4	Section 28a Annual Voucher – Wanless (HLG03)	30/9/17	18/9/17	No				
5	Section 28a Annual Voucher – Learning and Disability (HLG03)	30/9/17	18/9/17	No				
6	Flying Start – Capital (EYC02)	30/9/17	20/9/17	No				
7	Flying Start – Revenue (EYC01)	30/9/17	20/9/17	No				
8	21 <sup>st</sup> Century Schools (EDU18)	30/9/17	20/9/17	No				
9	Families First (EYC14)	30/9/17	24/8/17	No				
10	Communities First – Caerphilly Basin (RG03)	31/7/17	26/7/17	No				
11	Communities First – Upper Rhymney Valley (RG03)	31/7/17	26/7/17	No				
12	Communities First – Mid Valley East (RG03)	31/7/17	26/7/17	No				
13	Communities First – Mid Valley West (RG03)	31/7/17	26/7/17	No				
14	Land Drainage – Donkey's Field (LD02)	N/a	9/8/17	No				

15	Land Drainage – Glenview Terrace (LD02)	N/a	9/8/17	No					
16	Non Domestic Rate (LA01)	26/5/17	23/5/17	No					
17	Local Transport Grant (TRA15)	30/9/17	28/9/17	No					
18	Gwent Frailty Partnership (HLG01)	28/4/17	26/4/17	No					
Total					1	1	3	14	

8 This table summarises the key issues behind each of the adjustments or qualifications that were made.

Exhibit 5: summary of key issues

Ref	Summary observations	Actual Amendment
1	<p><b>Housing Benefit and Authority Tax Subsidy</b></p> <p>A number of issues were identified, which resulted in a qualification, including:</p> <p><b>Rent Allowances</b></p> <ul style="list-style-type: none"> <li>• Eligible Overpayments (current year) – this is an error that has also been identified in prior years, where expenditure was misclassified as eligible overpayment rather than LA Error, this led to an extrapolated overstatement in cell 114 of £297.</li> <li>• Total Expenditure (Benefit Granted) – this is an error that has also been identified in prior years, where the average weekly income was calculated incorrectly, this led to an extrapolated understatement in cell 113 of £3,792.</li> </ul> <p><b>Rent Rebates (HRA)</b></p> <ul style="list-style-type: none"> <li>• Eligible Overpayments – expenditure misclassified as eligible overpayments when it should have been LA error, this led to an extrapolated overstatement in cell 67 of £4,933.</li> </ul> <p><b>Rent Rebates (Non – HRA)</b></p> <ul style="list-style-type: none"> <li>• Expenditure up to the lower of one bedroom self-contained LHA Rate and upper limit – the expenditure was not correctly capped at the LHA rate. This led to an extrapolated overstatement of cell 12 of £16.</li> </ul> <p>An amendment was also made to the claim as Overpaid (Non-HRA) Rent Rebates had been incorrectly classified as eligible overpayments instead of technical overpayments. 100% testing was completed which led to an adjustment of £984 to cells 27 and 28. This led to a reduction of subsidy in cell 028s of £394.</p>	-£394.00
2	<p><b>Teacher’s Pension</b></p> <p>The Employer Contributions in section 3 of the claim form had not been completed correctly based on payroll records. This was a transposition error between the tiers and had no impact on the total contributions paid and disclosed on the claim form. This was amended by officers.</p>	Amendment – disclosure only
3	<p><b>Flying Start Revenue</b></p> <p>Recoverable Value Added Tax was incorrectly included within the eligible expenditure amount claimed which in contrary to the Terms and Conditions of the grant. A further sample of expenditure was tested and the error extrapolated over the population subject to VAT to determine the potential error. As the potential error was over the Welsh Government threshold of £10,000, the claim form was amended. This reduced the grant claimed by the council by £14,454.48.</p>	-£14,454.48

4	<p><b>Communities First – Mid Valley West</b>  A transposition error occurred when completing the claim form, this had no impact on the grant amount claimed by the authority and was amended by officers for accuracy.</p>	Amendment – disclosure only
	<b>Total effect of amendments to the Council</b>	<b>-£14,848.48</b>

# Recommendations

- 9 We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

## Exhibit 6: recommendations' risk rating

Priority 1	Priority 2	Priority 3
<p>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.</p>	<p>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.</p>	<p>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.</p>

Exhibit 7: issues

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
VAT incorrectly included within eligible expenditure	This could lead to a partial loss of grant monies if the total error made exceeds a permitted threshold set by the Welsh Government.	We recommend that the council implement procedures to ensure that all recoverable VAT on invoices paid by the council is excluded from the grant claim.	1	The findings of the audit will be discussed in the Accountancy Management Group and the correct treatment of VAT will be reinforced in all finance teams.	Finance Manager  With immediate effect.
Unapproved/ineligible expenditure included – Housing Benefit	The Authority's subsidy claim may be qualified. This will lead to a partial loss of subsidy if the total error made exceeds a permitted threshold set by the Department for Work and Pensions. If overpayments are not classified correctly, the Authority will not realise the level of its total error. Some claimants will be overpaid and the Authority may have to request a repayment.	<p>Three issues identified within the qualification letter have been recurring for a number of years.</p> <p>We recommend that the council implement training to address the following issues prior to the next certification process:</p> <ul style="list-style-type: none"> <li>• the correct classification between claimant and local authority error.</li> <li>• correctly calculate the weekly income of a clamant with a focus on what pay elements are included and excluded.</li> </ul>	1	<p>The Authority is developing training material to deliver to staff based on the findings outlined in the audit report, this will delivered before April 2018. In addition to this, there will be more in depth quality control checks on overpayments classification in order to mitigate this problem occurring again in the future.</p> <p>Staff have been issued guidance on the pay elements that are to be included and excluded in weekly income. They have also been advised to seek advice if they come across any unusual pay elements before assessing the claim.</p>	Housing & Council Tax Benefits Manager  April 2018

# Fees

10 Our overall fee for the certification of grants and returns was £54,070.

## Exhibit 8: fees

Breakdown of fee by grant/return	2016-17	2015-16
Housing Benefit and Authority Tax Subsidy (BEN01)	£20,945	£25,697
Teachers' Pension (PEN05)	£3,287	£3,354
Free Concessionary Travel (TRA23)	£2,927	£2,500
Section 28a Annual Voucher – Wanless (HLG03)	£1,732	£1,673
Section 28a Annual Voucher – Learning and Disability (HLG03)	£1,732	£1,673
Flying Start – Capital (EYC02)	£1,680	£1,225
Flying Start – Revenue (EYC01)	£2,706	£1,524
21 <sup>st</sup> Century Schools (EDU18)	£1,409	£1,300
Families First (EYC14)	£1,680	£1,412
Communities First – Caerphilly Basin (RG03)	£1,133	£1,152
Communities First – Upper Rhymney Valley (RG03)	£1,133	£1,171
Communities First – Mid Valley East (RG03)	£1,133	£1,208
Communities First – Mid Valley West (RG03)	£1,133	£1,264
Land Drainage – Donkey's Field (LD02)	£1,335	£2,327
Land Drainage – Glenview Terrace (LD02)	£1,335	-
Non Domestic Rate (LA01)	£2,596	£3,520
Local Transport Grant (TRA15)	£1,250	£1,766
Gwent Frailty Partnership (HLG01)	£2,500	£2,211
Planning, admin & reporting	£2,424	£2,253
<b>Total</b>	<b>£54,070</b>	<b>£57,230</b>

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## AUDIT COMMITTEE – 10TH APRIL 2018

**SUBJECT: CORPORATE RISK REGISTER MONITORING (Q3 – 2017/18)**

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

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- 1.1 The report, which was considered by Cabinet on 14th February 2018 provide Members with an update on the Corporate Risk Management Strategy and sought Cabinet approval prior to the presentation to Audit Committee on 3rd April 2018.
  - 1.2 The report outlined that 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.
  - 1.3 Under the Council's Risk Management Strategy, the Corporate Management Team (CMT) monitors the Council's Corporate Risks and Audit Committee have the role of reviewing and challenging the risk register and where relevant, resultant action plans, for the Council's key strategic and corporate risks. The role of Cabinet has been formalised and moving forward, Cabinet receive six monthly progress reports in the Corporate Risk Register. The Risk Register has been reviewed and updated by CMT on the 7th December 2017 and the changes made summarised in the table in 4.4 of the report.
  - 1.4 Cabinet discussed the report and raised concern for the Risk Rating of High, which was assigned to the WHQS Programme. It was noted that significant work has been underway within the programme, which has included the introduction of a new procurement process and the use of the internal workforce to complete works on properties, in response to concerns raised by the Wales Audit Office. It was therefore felt that the risk rating should be reduced. Officers explained that the review if the Corporate Risk Register was undertaken in December, and the rating was appropriate at the time, however, when the Register is next presented to CMT this will be reviewed.
  - 1.5 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 and as outlined at the meeting, the Corporate Risk Register be endorsed and presented to Audit Committee for their consideration.

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

Appendices:  
Appendix 1 Cabinet Report – 14th February 2018.

## **CABINET - 14TH FEBRUARY 2018**

**SUBJECT: CORPORATE RISK REGISTER MONITORING (Q3 - 2017/18)**

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

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

- 1.1 To provide an update of the Corporate Risk Register in accordance with the Council's Risk Management Strategy.
- 1.2 The Corporate Risk Register update seeks the views and approval of Cabinet prior to its presentation to Audit Committee on the 3<sup>rd</sup> April 2018.
- 1.3 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.

### **2. SUMMARY**

- 2.1 Under the Council's Risk Management Strategy, the Corporate Management Team (CMT) monitors the Council's Corporate Risks, and Audit Committee have the role of reviewing and challenging the risk register and where relevant, resultant action plans, for the Council's key strategic and corporate risks. The role of Cabinet has been formalised and moving forward, Cabinet will receive six monthly progress reports on the Corporate Risk Register. The Risk Register has been reviewed and updated by CMT on the 7<sup>th</sup> December 2017 and the changes made summarised in the table in 4.4.

Attached at Appendix 1 is the updated version of the Council's Corporate Risk Register.

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

- 3.1 Management of risk is a crucial element in delivering Council priorities and ensuring contribution to, the Well-being Goals as set out in the Well-being of Future Generations (Wales) Act 2015 [WBFGA]:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture & thriving Welsh language
- A globally responsible Wales

**4. THE REPORT**

4.1 Part of Cabinet’s role (as noted in the Council Risk Management Strategy 2017) is to:

- Approve the “risk appetite” of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk as recommended by the Corporate Management Team.
- Approve the risk “appetite” in light of the new way to view risk through the lens of the sustainable development principles, the short/medium/long term, and the 7 Well-being Goals - Well-being of Future Generations (Wales) Act 2015.
- Hold the Corporate Management Team accountable for the effective management of risk.
- Monitor the arrangements for managing the Council’s Corporate (Whole Authority) Risks, through six-monthly progress reports.
- Receive and review the risk register and resultant action plans for the top corporate risks.
- Make an appropriate allocation of resources to address identified risks and risk management framework.
- Ensure that appropriate and effective communication reporting lines are in place in the context of risk management.

4.2 The Corporate Risk Register is compiled generally in the following ways:

- Corporate Management Team (CMT) collectively identify organisational risks that arise from such sources; as national/regional agendas, changing legislation, budget settlements, partnership risks, project risks.
- CMT collectively identify whole authority operational risks that could result from regulatory inspections/reviews, political influences, work-force planning, performance management and from risks escalating from Directorate Risk Registers.
- Directors escalate operational risks that, in their opinion, require a corporate approach to their management.
- Strategic risks suggested by members.

4.3 The Corporate Risk Register (CRR) is a ‘living document’ and may change when periodically reviewed and assessed. New risks introduced, existing risks closed, risk levels change (RAG-red/amber/green), mitigating actions and progress comments updated. See Appendix 1.

4.4 The Risk Management Strategy has been updated and approved (June 2017) and moving forward, Cabinet will receive six monthly progress reports on the Corporate Risk Register. A summary of the main changes in the Risk Register since the last report is provided in the table below:

Risks Removed	Risks Added	Risks Amended
CMT18 – School Rationalisation		CMT01 – Mitigating Actions and Comment.  CMT29 - Risk Narrative, Risk Level. Mitigating Actions & Comment.  CMT12/37 – Risk Narrative. Mitigating Actions & Comment.  CMT39 – Risk Level & Comment.  CMT44 – Risk Level & Comment.

4.5 The attached register has been updated to reflect changes in the way risk is identified and assessed in light of the 'duty' to act sustainably (paragraph 5.2) which emphasises a long term and prevention aspect in the way we view risk, particularly its affects on citizens or their communities. The WBFGA legislation states in its guidance that a public body will need to change the way it manages risk. Under section 3 of 'where change needs to happen' of the Welsh Government Guidance, it states that:

*"There will be long term risks that will affect both the delivery of your services but also the communities you are enabling to improve. Use the well-being goals and five ways of working to frame what risks you may be subject to in the short, medium and long term and together with the steps you will take to ensure they are well managed".*

4.6 Looking to the long term, does not mean short term risks go away, or that operational risks for example, are less important. It means we have to broaden our scope to include risks to the public, risks to services for those with protected characteristics and recognising strengths of communities as opportunities. The register template (Appendix 1) reflects this.

## 5. WELL-BEING OF FUTURE GENERATIONS

5.1 The Well-being of Future Generations (Wales) Act 2015 [WBFGA] identifies a core set of activities that are common to the corporate governance of public bodies where change needs to happen:

- Corporate Planning
- Financial Planning
- Workforce Planning
- Procurement
- Assets
- **Risk Management**
- Performance Management

5.2 The Corporate Risk Register incorporates the five ways of working (ICLIP) identified within the sustainable development principle in the WBFGA. These are:

- **Involving** a diversity of the population in the decisions that affect them.
- Working with others in a **Collaborative** way to find shared sustainable solutions.
- Looking to the **Long-term** so that we do not compromise the ability of future generations to meet their-own needs.
- Taking an **Integrated** approach so that public bodies look at all the well-being goals in deciding on their well-being objectives.
- Understanding the root causes of issues to **prevent** them from occurring.

5.3 Risks are assessed in terms of their implications for the wellbeing of future generations.

## 6. EQUALITIES IMPLICATIONS

6.1 The Local Government Measure defines fairness and access as one of the criteria that constitutes 'improvement' within the Wales programme for Improvement 2009.

6.2 Promoting equalities is a fundamental requirement of the Future Generations Legislation, with specific resonance for meeting the Well-being Goals of: *A More Equal Wales*, and *A Wales of Cohesive Communities*.

## 7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications associated with this report.

## **8. PERSONNEL IMPLICATIONS**

8.1 There are no personnel implications associated with this report.

## **9. CONSULTATIONS**

9.1 This report has been sent to the Consultees listed below and all comments received are reflected in this report.

## **10. RECOMMENDATIONS**

10.1 That Cabinet provides their views on the Corporate Risk Register and having done so endorse the update prior to presentation to the Audit Committee.

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

11.1 To be assured that the Council is managing its risks effectively and in compliance with the Council's Risk Management Strategy.

## **12. STATUTORY POWER**

12.1 Local Government Measure 2009. Wales Programme for Improvement 2010. Well-being of Future Generations (Wales) Act 2015.

Author:	Ian Raymond	Performance Officer
Consultees:	Christina Harry	Interim Chief Executive
	Mark S Williams	Acting Director of Corporate Services & Section 151 Officer
	Dave Street	Interim Corporate Director of Communities
	Robert Hartshorn	Corporate Director of Social Services
	Kathryn Peters	Head of Policy and Public Protection
	Ros Roberts	Corporate Policy Manager
	Lisa Lane	Corporate Performance Manager
	Richard Harris	Corporate Solicitor
	Anwen Cullinane	Internal Audit Manager
	David Roberts	Senior Policy Officer- Equalities & Welsh Language
	Shaun Watkins	Principal Group Accountant
	Cllr Barbara Jones	Principal Personnel Officer
		Deputy Leader and Cabinet Member for Finance, Performance and Governance

Appendices:

Appendix 1 Corporate Risk Register (December 2017)

Ref	Area	Background information	Actual Risk	Mitigation actions - what we are doing to reduce the risk and by when. Have we considered the five ways of working to help with a solution? (see ICLIP key)	Additional Resources Required	Risk Level 2017-18 Q1	Risk Level 2017-18 Q3	Comments from latest risk review	Does this effect the Well-being of Future Generations in our Communities?	Long term (20-25 years) / medium / or short-term risk	FGA Risk Level	Risk Owner
CMT01	Medium Term Financial Planning (MTFP):  MTFP Strategy 2017/22  Capital Budget Pressures	Budget pressures will potentially have a negative effect on service delivery across all services.  Inadequate funds to maintain assets. Need to rationalise.	<ol style="list-style-type: none"> <li>1. Workforce Planning: less staff to deliver services.</li> <li>2. Failure to maintain and/or improve service delivery.</li> <li>3. Failure to take early decisions on which services should be cut could limit planning for changes.</li> <li>4. Managing staff morale in light of cuts.</li> <li>5. Revenue Support Grant (RSG) formula change.</li> <li>6. National living wage.</li> <li>7. Member/public expectation levels and reputation risk.</li> <li>8. CCBC priorities moving forward.</li> <li>9. National and Regional change agenda.</li> <li>10. Inability to invest in assets e.g. progress 'Band B' of the 21st Century Schools Programme.</li> </ol>	<ol style="list-style-type: none"> <li>1. Human Resources (HR) have a suite of policies agreed by Cabinet/Council to help downsize the workforce, although these will need to be kept under review.</li> <li>2. Decisions taken so far have aimed to reduce rather than remove services. This will not be possible in the light of future projections. The Cabinet is currently working on revised "savings principles".</li> <li>3. 2018/19 draft savings proposals totalling £7.205m were endorsed by Cabinet on the 15th November 2017. Following an extensive period of consultation, final budget proposals will be presented to Cabinet on the 14th February 2018 and then Council on the 22nd February 2018. An updated Medium-Term Financial Plan (MTFP) will also be presented to Cabinet and Council in February 2018.</li> <li>4. Development of an appropriate communication strategy.</li> <li>5. Consultation with the public, and affected service users.</li> <li>6. Need to pursue an Asset rationalisation programme.</li> <li>7. Savings targets have been allocated to Heads of Service.</li> <li>8. Business Improvement Board has been established and part of its remit will be to oversee major projects focussing on service change.</li> </ol>	1-4 None	High	High	2018/19 final budget proposals to be presented to Cabinet and Council in February 2018. An updated Medium-Term Financial Plan will also be presented covering the period 2018/19 to 2022/23. Once the updated indicative savings requirement has been established for the four-year period 2019/20 to 2022/23, Heads of Service will need to identify further potential savings proposals for consideration.	Yes, the financial resources available will impact on the services we deliver and the way we deliver them. This will affect the community.	Medium-term	High	Corporate Management Team
CMT16	School Attainment	School attainment levels are still below the all Wales average, along with pupil attendance. Low levels of attainment and relative achievement are continual risks for the borough.	<ol style="list-style-type: none"> <li>1. Attainment levels are below the Welsh average.</li> <li>2. There is a gap between the attainment of Free School Meals pupils and Non-Free School Meals pupils which must be addressed.</li> </ol>	<ol style="list-style-type: none"> <li>1. Standards of attainment are monitored and reported to the; Senior Management Team (SMT) / Corporate Management Team (CMT) / Scrutiny Committee, through an annual programme of reporting described in the Directorate Plan Handbook.</li> <li>2. The LA will continue to work closely with the EAS to ensure that schools are challenged and supported effectively.</li> <li>3. Schools most at risk of underperformance will be monitored on the regional Schools Causing Concern process.</li> <li>4. Where schools fail to make the expected programme at the expected rate, in consultation with the EAS, the LA will consider the use of statutory powers.</li> </ol>	1 None	Medium	High	Improvement has been continuous in the majority of key indicators for several years but remains a priority, especially at L2+ KS4. The Chief Executive and Chief Education Officer are working with the Education Achievement Service (EAS) and Head teachers to develop a comprehensive strategy for improvement. To be reviewed in August after the next set of results become available. Performance in 2017 was in line with the national profile and, although there was a decline in most indicators, Caerphilly improved its comparative position, demonstrating a resilience in the face of much change. The Strategy is in development and is scheduled to be completed this summer.	Yes, this limits contribution to 'Prosperous and More Equal Wales'. Standards of attainment and gaps in inequality can result in a low skilled, low paid workforce, and higher levels of unemployment leading to poverty. Over the long-term (25 years) in the life of a young child to adult the potential outcome of the attainment gap makes this a high risk.	Long-term	High	Interim Chief Executive
Page 26	Sustainability of service provision via grant funding	Heads of Service and Directors are aware of all the grant funded schemes within their service areas.	<ol style="list-style-type: none"> <li>1. There is lack of security or sustainability in maintaining grant funded programmes</li> <li>2. Critical workforce levels cannot be maintained as staff are lost.</li> <li>3. Grant funding is sustaining some key areas of work. If this is lost there will be a reduction in service that may impact on customer satisfaction levels.</li> </ol>	<ol style="list-style-type: none"> <li>1. The risk will be closely monitored in light of the expected worsening settlement from Central Government to WG.</li> <li>2. Staff are placed on temporary contracts.</li> <li>3. Officers have prepared detailed transition plans (31.05.17) for Communities First(CF) for submission to Welsh Government (WG). The focus of revised WG programme will be on employment, early years and empowerment.</li> <li>4. Details reported to the Public Services Board 5.9.2017.</li> <li>5. Proposals to address the funding and policy criteria offered by WG presented to Scrutiny 19.9.2017 prior to Cabinet 4.10.2017.</li> </ol>	1-2 None	High	High	This risk is predicted to be HIGH going forward to 2017-20	Yes, grants are usually allocated to support vulnerable communities and improve the prospects of individuals. Cuts affect the ability to contribute to a 'Prosperous and More Equal Wales' .	Medium-term	High	Corporate Management Team
CMT29	Welsh Housing Quality Standard (WHQS) programme	Everyone in Wales should have the opportunity to live in a good quality home within a safe and secure community. To help achieve this, the physical standard and condition of existing housing must be maintained and improved to the Welsh Housing Quality Standard (WHQS).	Failure to meet WHQS for all our social housing stock by 2020.	<p>The WHQS programme has its own specific risk register which is reviewed and updated by the Project Board quarterly.</p> <p>The last update was June 2017. The highest risks are:</p> <ul style="list-style-type: none"> <li>● Failure to achieve programme objectives - the probability level has increased due to one of the main internal works contractors having ceased trading and still high risk in relation to the external works. Contingency arrangements have been implemented as identified below. There is also contingency built into the programme for the final year (2019/20) in relation to the internal works where there is currently no work allocated to the external contractors appointed to the internal works contracts.</li> </ul>	None	Medium	High	<p>A review of the business plan has now taken place using accurate costs based on recent tender submissions and identified work based on in-house surveys, to replace the previous Savill's estimates which were known to be inaccurate. Whilst costs have increased above the estimates, the scope of work has reduced due to previously achieved work, acceptable fails and no accesses, which has resulted in the business plan remaining affordable and the overall programme being achievable.</p> <p>Due to the way the WHQS programme has been structured (phased delivery) i.e. internal and external works being undertaken separately and in different communities, and at different times, the number of fully compliant WHQS properties registered, will not show significant increases, until such time these phased workstreamscombine, which should show a noticeable effect occurring from the end of 2017/18.</p> <p>At the end of Q2 (Sept'17) only ~10.2% of our stock (1,103 properties) had been recorded as being deemed fully WHQS compliant, with ongoing and revised works programmes going into Q3 adding to this.</p> <p>Q3 data is currently being checked,with latest records showing:-</p>		Medium-term	Medium	Corporate Director Communities

Ref	Area	Background information	Actual Risk	Mitigation actions - what we are doing to reduce the risk and by when. Have we considered the five ways of working to help with a solution? (see ICLIP key)	Additional Resources Required	Risk Level 2017-18 Q1	Risk Level 2017-18 Q3	Comments from latest risk review	Does this effect the Well-being of Future Generations in our Communities?	Long term (20-25 years) / medium / or short-term risk	FGA Risk Level	Risk Owner
				<ul style="list-style-type: none"> <li>Capacity -Staff resources, especially amongst front line roles such as Surveyors, Clerk of Works, Quantity Surveyors, etc. are critical to cope with the volume of work within a fixed timetable. The addition of the Sheltered schemes to the programme for 2017/18 has slightly increased the resource requirements in the immediate and short term. However, a business case to increase resources as and when required to deal with peaks and troughs has been approved and is in place to be used when necessary. New contract arrangements for the south of the borough have been put in place for the external works. This Dynamic Purchasing System (DPS) arrangement also provides opportunity to undertake both internal and external works around the authority should the need arise as a further contingency measure. As a result of one of the main internal works contractors having ceased trading, alternative arrangements are in the process of being implemented whereby the in-house workforce will pick up the majority of this workload by moving resources from other contract areas, with additional support being provided by external contractors via the DPS as and when required. A new programme is being developed based on more accurate cost information in place of previous Savill's estimates and the anticipated work that is being projected to 2020. Monthly Project Board meetings will continue to be held to monitor ongoing performance and to assist with the decision making process.</li> </ul>				<p>Internal improvement work completions to date are 70.4% (7,619) of our property stock and External improvement work completions being 32.4% (3,511) properties.</p> <p>The WHQS programme and delivery plan is constantly under review in order to respond to any changing circumstances. There is a significant pipeline of external works on the ground and a further 1,000, at contract award stage or being tendered. Nevertheless, the external works remain a risk area to the programme due to the amount of previous slippage, resource capacity and weather conditions.</p> <p>A procurement process (Dynamic Purchasing System) has been initiated for the LRV to establish a new framework for external and internal works to act as a general contingency. The procurement process will be based on a Bill of Quantities in an attempt to improve value for money. The DPS will be utilised to assist in supporting the internal work in the south area following the loss of one of our main contractors, although the majority of work will be picked up by our in-house team.</p> <p>A significant percentage of work to the sheltered housing schemes will be undertaken by the in house workforce. Good progress has been made during the first quarter with work to five schemes currently ongoing.</p> <p>Staff movement and recruitment issues will be a continuing risk to the delivery of the programme and maintaining sufficient capacity in key areas such as Clerk of Works and Quantity Surveyors.</p> <p>Projected expenditure against the budget continues to be monitored closely and a review of the cost plan has recently been completed as well as a review of work programmes and specifications. This indicates that the programme remains affordable and achievable</p> <p>The findings of the WAO and their key recommendations will need to be addressed without having a detrimental impact on the continued delivery of the programme due to the need for staff to respond to the issues raised. A commitment has also been made to complete 40% of external and 75% of internal works by March 2018 which is challenging.</p> <p>While there are risks that require appropriate mitigation measures there is an increased momentum to achieve the 2020 deadline.</p>				
CMT37 & CMT37	Waste Management Service Continuity & Target Achievement	The Welsh Government (WG) drive for source segregated collections and substantial change to the recycling Material Recovery Facility (MRF) market and restrictions on exporting low grade recyclate could potentially affect service delivery to the public and/or target achievement if mitigation measures are not put in place.	The ability to meet future recycling and landfill diversion targets with our current collection, disposal and treatment framework.  Specific areas that need to be considered are: i. Levels of contamination in our recycling; ii. Loss of food waste within residual waste; iii. Type of collection (WG blueprint or alternative); iv. Contractual arrangements for recycling and organics v. Appropriate levels of budget and staffing structure to support daily front line collection services and our future strategy, and vi. Insufficient community participation in food recycling	A Waste Board has been established, Chaired by the Director and including relevant senior officers. i. WG targets continue to be exceeded (2016/17 outturn was circa 65%) as result of some intervention put in place in the last 2-3 years. ii. Deliver 2nd annual doorstepping communications campaign aimed at targetting contamination (last year's concentrated on food waste participation) iii. Deliver 3rd annual doorstepping communications campaign with every household in the county borough being visited with a focus on reducing contamination levels in the recycling stream and using the food waste service. iii. Continue delivery of Project Gwyrdd to further reduce reliance on landfill. iv. CCP modelling work with WG consultants nearing completion with the result that member decisions will be required on future service strategies over the coming 3-6 mths. The collection modelling is complete but we are awaiting further costed option on an alternative WTS/HWRC site. iv. New 2 year MRF contract commenced in July 2017 and long term organics contract currently out to tender with response due in late october. Corporate director is keen to build up the waste budgets from a zero base and has therefore set up a series of meetings to examine this commencing in September 2017. vi. Slight amendments being made to dry recycling collection service to reduce contamination and black bag issues in light of new MRF contract now being operational		Medium	Medium	Although the Authority is performing well against WG Targets, many of the risks (eg: budget, staffing, etc.) remain going forward.	Yes - the purpose of the landfill directive is to divert biodegradable waste away from landfill to reduce pollution. A diverse natural environment with healthy functioning ecosystems contributes to a 'Resilient Wales'. Failure to deal with waste properly affects future generations.	Long-term	Medium	Corporate Director Communities
CMT39	Fragility of the Social Care market	The independent sector social care market across Wales is in an unprecedented position in terms of its fragility and this is starting to be felt in Caerphilly.	<ol style="list-style-type: none"> <li>Providers unable to sustain existing packages of care.</li> <li>National Minimum Wage and National Living Wage creating additional financial strain which providers are expecting LA's to resolve.</li> <li>Little additional capacity to take on new packages of care.</li> <li>Ongoing Judicial Review across Wales re responsibility for Funded Nursing Care Payments</li> <li>Potential Financial impact on the Directorate &amp; authority</li> </ol>	Fee levels for 2017/18 agreed at 3.1%. This was funded via a mix of core funding and CCBC's element of the Social Care Workforce grant paid by Welsh Government. A further element of workforce funding has recently been released by WG. Discussions are ongoing with commissioned providers to determine how these monies should be allocated.	Yes	High	High	No change in risk level. 2017/18 fees agreed.	Yes - reducing help that can be provided for the most vulnerable in our society will affect our ability to contribute to a 'Healthier Wales' which requires peoples mental and physical well-being to be maximised. Whilst this may be a medium risk operationally from a FGA perspective this would be high as it directly affects those most in need.	Medium-term	High	Corporate Director Social Services

Ref	Area	Background information	Actual Risk	Mitigation actions - what we are doing to reduce the risk and by when. Have we considered the five ways of working to help with a solution? (see ICLIP key)	Additional Resources Required	Risk Level 2017-18 Q1	Risk Level 2017-18 Q3	Comments from latest risk review	Does this effect the Well-being of Future Generations in our Communities?	Long term (20-25 years) / medium / or short-term risk	FGA Risk Level	Risk Owner
CMT41	Local Climate Impacts Profile (July 2015)	Not being prepared for the impacts associated with climate change. For Caerphilly this will manifest as a more volatile weather pattern:	<ol style="list-style-type: none"> <li>1. More severe storms resulting in damage to trees and buildings.</li> <li>2. Increase in winter rainfall resulting in flooding, affecting people, property and infrastructure.</li> <li>3. Extreme Weather Conditions: Difficulty in modifying temperatures in some of our buildings (incl Housing) could lead to increased financial burden, uncomfortable environment conditions (dangerous temperatures) affecting people's health, wellbeing and delivery/receipt of effective services.</li> <li>4. Changes in species including a decline in native species, changes in migration patterns and increases in alien and invasive species, including pests and disease.</li> <li>5. Reduction in summer rainfall resulting in reduced river flows and water availability.</li> <li>6. Increase in levels of extreme weather such as snow/ice which could potentially impact on not only the travelling public but the elderly/frail and those in fuel poverty.</li> <li>7. Non-compliance with the legislation resulting in a poor regulatory report.</li> </ol>	<p>A Local Climate Impact Profile (LCLIP) has been prepared for use by services. It identifies the priority impacts to enable services to develop plans to address the impact. The LCLIP links to other plans including Highways Winter Maintenance Plans, Business Continuity Plans &amp; Emergency Plans etc.</p> <p>Mitigation work being undertaken includes:</p> <ol style="list-style-type: none"> <li>1. Develop a Tree Management Strategy and seek approval for implementation and review resources to manage tree stock (prior to consideration by scrutiny committee and cabinet).</li> <li>1. Assessing the condition of trees.</li> <li>2. Assessing the vulnerability of drainage infrastructure in excessive rainfall</li> <li>2. Installing flood risk measures at priority vulnerable locations</li> <li>3. Considering climate change in the Asset Management Programme</li> <li>3. Plan for improved monitoring, managing and control of the temperature in high risk buildings (e.g. homes for the elderly) in hot/cold weather conditions.</li> <li>3. WHQS - requires housing stock to have heating systems and controls that are suitable for tenants homes and easy to use.</li> </ol>		Medium	Medium	<p>The Local Climate Impact Profile was approved by CMT in July 2015. It's recommendations should now be considered as business as usual and included in Self-Evaluation and Service Plans.</p> <p>Some projects/programmes currently active to address/minimise the effects/impacts are:</p> <ol style="list-style-type: none"> <li>1. Tree Management Strategy has been prepared and has been considered by scrutiny (when?)</li> <li>1. Following a review of resources (both budget and staff) to manage our tree stock, a further report was considered and supported by both scrutiny committee and cabinet. An advert will be placed in the New Year for an additional Arboricultural Officer to assist with tree surveys. In addition, Parks Services are currently reviewing front line staff to form an additional tree maintenance team.</li> <li>2. Local Flood Risk Management Strategy (Engineering) in place.</li> <li>2. Risca flood defences are being considered.</li> <li>3. Ongoing staff training is being delivered by the Corporate Energy Team re: Energy Efficiencies/Carbon Management and Effects of Climate Change.</li> <li>3. Several larger scale projects have been delivered for solar PV installations to Corporate Building (e.g Care Homes).</li> <li>3. Initiated works to install PV systems on 20 schools (4Kw) - Contract to be let for 18 schools before the end of December 2017.</li> <li>3. Heating systems and controls are a key component for considerations in our WHQS improvements programme (see CMT29)</li> <li>4. Biodiversity Work: Supporting 'pollinators' projects including work with Sirhowy Valley Honey Bee Company.</li> <li>6. The Winter Service Plan 2017/18 (Highways) has been reviewed, updated, place on the CCBC internet and effectively delivered to date.</li> </ol> <p>Other innovative piloting and research works include: The installation of electric vehicle (slow) charging stations x6 at Ty Penallta &amp; x5 at Tiryberth Deport. MOWs Service has piloted the use of x1 electric light van, which was also piloted as a pool vehicle for a short period of time. Awaiting further information and the opportunity to pilot of light van for use by Countryside Services (not expected until later in 2018). Also installing x2 fast charging points at Ty Penallta.</p>	Yes - there is an impact to a 'Resilient Wales' by not proactively addressing the operational response to climate change. The contribution to global issues and a 'Globally Responsible Wales' is met through low carbon planning and sustainable development. There is a direct impact to Health also.	Short, medium & Long-term	Medium	Corporate Management Team
CMT42	Exit from the EU		The decision to leave the EU has created a degree of uncertainty. This has caused some turbulence in the short term. Moving forward it is currently difficult to determine whether Brexit will be better, or worse, for the Authority, Wales and the UK.	CMT are continuing to monitor the situation.		Unable to assess due to level of uncertainty	Unable to assess due to level of uncertainty	There remains a great deal of uncertainty around the potential positive or negative impacts of the decision to leave the EU. Officers are continuing to monitor the situation.	Impacts are not yet fully understood, however they will take place over a longer time frame	Long-term	Unable to assess due to level of uncertainty	Corporate Management Team
CMT44	Local Development Plan (LDP)	Not having an up to date Local Development Plan (LDP) in place to address the shortfall on 5 year housing land supply. Following extensive consultation Councillors concluded in a vote 19th July to formally withdraw the draft Local Development Plan following opposition to some development sites.	The adopted LDP proposes a number of houses to be built over a 15 year period and allocates land for that housing development. However, the annual housing land available study conducted with the housebuilding industry and Welsh Government has revealed that many of the allocated sites are not available or viable, and there is therefore a shortfall of housing land on which the remaining number of houses can be built. Housing developers will therefore submit applications to develop land that is not allocated in the LDP. The Council will consider the applications, but the lack of a five-year housing land supply will be a strong material planning consideration that may outweigh other policies in the plan. A refusal of planning permission may lead to an increase in appeals and award of costs if the Council is considered to behave unreasonably, e.g. where a reason for refusal is not based on any sound evidence.	The Adopted LDP remains in force until 2021. In the interim, officers are working closely with Welsh Government officials to agree the appropriate footprint for strategic planning for the Cardiff Capital Region. It is unlikely that the 5 year land supply can be addressed in the short term. In the medium to long term a replacement plan will increase the land supply position.		Medium	High	A number of significant applications have been submitted and approved by Welsh Government on appeal. Resulting in significant cost to the authority. Having regard to the number of potential future developments there are concerns that existing infrastructure such as transport, schools, and other services is inadequate. Due to the number of impending developments being agreed by the WG Planning Inspector we have moved this into a high risk category.	Yes - the lack of an LDP threatens the timely delivery of land for development, particularly housing, making it more difficult to achieve the goal of prosperity.	Medium Term	Medium	Corporate Director of Communities
CMT45	Local Government Reform	Welsh Government White Paper: 'Reforming Local Government: Resilient and Renewed' - Published on 31st January 2017 and draft Local Government (Wales) Bill issued in November 2015.	<ol style="list-style-type: none"> <li>1. Logistics and impact of 'regionalising' certain services could lose sight of localised needs. This could have a negative effect on the well-being of some of our communities. (E.g. perceived priorities/disparities between; Cities v Town v Village v Rural areas).</li> <li>2. Changes to Governance arrangements could initially delay decision making, operational and service delivery and overall performance of the authority.</li> <li>3. Scrutiny may be diluted, creating an exposure and vulnerability to regulatory criticism.</li> <li>4. Staff re-structuring could cause service delivery interruptions at pressing times / there will be cost implications / and, uncertainties about retaining or recruiting appropriately educated and skills workforces throughout the organisation to continue delivery of high levels of performance.</li> <li>5. Current financially stable authority monies may be diverted / used to support the lesser financially stable authorities, reducing opportunities locally</li> </ol>	<ol style="list-style-type: none"> <li>1. Report to Council - 7th March 2017: To seek Council approval for the proposed Caerphilly County Borough Council response to the consultation on the Welsh Government White Paper: 'Reforming Local Government: Resilient and Renewed'. Approved.</li> <li>2. Welsh Government are currently working to a timetable which would see a Local Government Bill introduced in summer 2018, to commence in 2019, with mandated regional working arrangements in place in 2020.</li> </ol>		Low	Low	New risk. Await the result of the Local Government Reform White Paper. The Welsh Local Government Association (WLGA) has submitted a response to the consultation, which does not support mandated regional delivery.	Yes - However, impacts are not yet fully understood.	Medium and Long term	Medium	Corporate Management Team

Ref	Area	Background information	Actual Risk	Mitigation actions - what we are doing to reduce the risk and by when. Have we considered the five ways of working to help with a solution? (see ICLIP key)	Additional Resources Required	Risk Level 2017-18 Q1	Risk Level 2017-18 Q3	Comments from latest risk review	Does this effect the Well-being of Future Generations in our Communities?	Long term (20-25 years) / medium / or short-term risk	FGA Risk Level	Risk Owner
CMT46	Cardiff Capital Region City Deal (CCRCD)	CCRCD signed by all 10 Local Authorities in January 2017	<ol style="list-style-type: none"> <li>1. That the business plan detailing themes &amp; indicative spend is not agreed by all 10 LA's.</li> <li>2. CCRCD is unable to pass scheduled gateway reviews potentially leading to financial liability.</li> <li>3. Challenging timeframes.</li> <li>4. Senior managers ability to lead on CCRCD proposal.</li> </ol>	<ol style="list-style-type: none"> <li>1a. Director working as part of thematic lead team will input into the draft proposals. Working closely with the CEO we will ensure Members fully understand the proposals offered for approval, which will capture the benefits of this regional initiative, and that activities in other county boroughs will benefit the region as a whole, including Caerphilly borough.</li> <li>1b. CCBC Regeneration Strategy/Resilience Strategy to be drafted as soon as possible to identify CCBC regeneration priorities.</li> <li>1c. A project development fund is included within the CCRCD Programme office which can be accessed for bid development.</li> <li>2. The process will be closely monitored so that any potential liabilities are identified well before the gateway reviews.</li> <li>3. Work priorities will be reviewed to accommodate the timeframes.</li> <li>4. Skills amongst senior managers within the constituent authorities will be identified to ensure that the necessary leadership is available.</li> </ol>		Low	Low		The CCRCD is intended to bring significant benefits in terms of greater prosperity for the region and to maximise the ability of the authority to capitalise on training and employment opportunities for the area	Long-term	Low	Corporate Director of Communities
CMT47	Asset Management.	Insufficient budget to manage existing assets or pursue necessary development. The authority has too many buildings and insufficient capital programme allocation to maintain them. Additionally revenue budgets for building maintenance are being diverted to meeting the demands of the necessary legal standards, in particular health and safety legislation and that might well mean that normal building maintenance will suffer.	<ol style="list-style-type: none"> <li>1. Maintenance of existing sites will not be to a required standard</li> <li>2. Disposal of assets must be managed carefully to minimise community and service impacts</li> <li>3. Community Asset Transfer as an option brings risks in relation to continued liability</li> <li>4. Asset disposal may not realise expected returns</li> <li>5. Inability to pursue issues that we would wish, to improve service provision and community outcomes e.g. Band B of 21st Century Schools</li> </ol>	<ol style="list-style-type: none"> <li>1. Development of asset management and rationalisation programmes</li> <li>2. Cost benefit assessment before planned expenditure supported by business case where relevant</li> <li>2. Early stakeholder and community consultation before asset disposal</li> <li>3. Support for recipient organisations accepted for Community Asset Transfer</li> <li>4. Long term view of the needs of local communities balanced against the need to secure budget savings in the short to medium term.</li> <li>5. Services to identify what buildings they can realise as a consequence of Medium Term Financial Plan (MTFP) savings.</li> </ol>		Medium	Medium	Risk added to reflect MTFP pressures on capital decisions and inadequacy of capital funds.	Potentially disposal of assets across the authority may affect some communities disproportionately in the short to medium term. However, this has to be balanced against the need to manage a 'fit for use' portfolio to secure provisions for future generations over a longer timeframe.	Medium-term	Medium	Corporate Management Team

## ICLIP Key:

**Involving** a diversity of the population in the decisions that affect them;

**Working with others** in a **collaborative** way to find shared sustainable solutions;

**Looking to the long term** so that we do not compromise the ability of future generations to meet their own needs;

**Taking an integrated** approach so that public bodies look at all the well-being goals in deciding on their well-being objectives;

**Understanding the root causes** of issues to **prevent** them from occurring.

Gadewir y dudalen hon yn wag yn fwriadol



## AUDIT COMMITTEE – 10TH APRIL 2018

**SUBJECT: OUTCOME OF EXTERNAL PEER REVIEW ON COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**REPORT BY: INTERNAL AUDIT SERVICES MANAGER**

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### 1. PURPOSE OF REPORT

- 1.1 To present the Audit Committee with details of the outcome of the external peer review on compliance with the Public Sector Internal Audit Standards (PSIAS).

### 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 At its meeting on the 14<sup>th</sup> December 2016, the Audit Committee was presented with details of the internal self-assessment against the Standards. The process of undertaking the internal review highlighted a number of actions for consideration but the overall outcome was that the main areas in the Standards were well covered and no fundamental issues were outstanding.
- 2.3 The Audit Committee was advised that the self-assessment would be subject to an external review and that a further report would be presented at a later date providing details of the outcome.

### 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 1<sup>st</sup> April 2013 and introduced a requirement for internal and external assessments to be undertaken periodically to evaluate compliance with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 4.2 External assessments are required to be done every five years by someone with appropriate knowledge and experience and independent of the local authority. To keep costs to a minimum an arrangement was put in place by the Welsh Chief Internal Auditors whereby all participating authorities would undertake a peer review of one other local authority. Under this arrangement Caerphilly's Internal Audit Manager undertook a review of Rhondda Cynon Taff's internal audit function, and Caerphilly's Internal Audit Service has been reviewed by Monmouthshire's Internal Audit Manager. This approach has been accepted by the Wales Audit Office (WAO) and by our current External Auditor, Grant Thornton.
- 4.3 The purpose of the external review is to independently validate the comprehensive internal self-assessment undertaken, the results of which were reported to the Audit Committee on the 14th December 2016.
- 4.4 At its meeting on the 30<sup>th</sup> January 2018, the Audit Committee was advised that the external review has been somewhat delayed due to the limited availability of the Chief Internal Auditor of Monmouthshire. However, the review was completed during the latter part of 2017 and a draft report had recently been received.
- 4.5 The Audit Committee was further advised that the findings of the peer review are very similar to those identified within the internal assessment reported to the Committee in December 2016. Within the nationally agreed checklist there are approximately 300 best practice elements with less than 30 non-conformances identified. The similarities between the two assessments do indicate that the in-house review undertaken by the Internal Audit Team was fair, honest and robust.
- 4.6 The conclusion within the draft peer review report is that "the impact of the non-conformance is not considered to be significant, and the Internal Audit of Caerphilly CBC complies with the Standards in all significant areas and operates independently and objectively".
- 4.7 The Audit Committee was advised that arrangements had been made for the Internal Audit Manager to meet and finalise the assessment report with the Chief Internal Auditor from Monmouthshire. Following this an exercise would be undertaken to cross-match both the internal and external review findings to inform the ongoing improvement process and to ensure that all relevant actions are captured and included within the future work plan for Internal Audit Services.
- 4.8 This cross-matching exercise has now been completed and Appendix 1 of this report provides details of the areas of non-conformance identified from the internal and external assessments along with the actions that will be required to ensure full compliance with the Standards.

#### **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 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan, therefore a full Equalities Impact Assessment has not been carried out.

## **7. FINANCIAL IMPLICATIONS**

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

## **8. PERSONNEL IMPLICATIONS**

8.1 There are no personnel implications arising from this report.

## **9. CONSULTATIONS**

9.1 Any comments received have been reflected in the report.

## **10. RECOMMENDATIONS**

10.1 Members of the Audit Committee are asked: -

- to note the actions arising from the internal and external assessments as detailed in Appendix 1 of this report; and
- to agree that a progress report is presented to the Audit Committee in April 2019.

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

11.1 To ensure that the Audit Committee is aware of the actions arising from the assessment process and receives appropriate updates on progress.

## **12. STATUTORY POWER**

12.1 Accounts and Audit (Wales) (Amendment) Regulations 2018.

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Consultees: Stephen Harris, Interim Head of Corporate Finance & Acting S151 Officer

### Background Papers:

Report to Audit Committee (14/12/16) – Public Sector Internal Audit Standards – Update on Internal and External Assessment of Internal Audit Services  
Report to Audit Committee (30/01/18) – Internal Audit Services PSIAS Peer Review Update

### Appendices:

Appendix 1 PSIAS Self-Assessment/External Assessment – Summary of Outcomes and Action Plan

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
<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.	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.	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 Section 151 (S151) Officer.	Agreed	The Audit Charter to be reviewed and updated. The updates to be reported to the Audit Committee and approved.  S151 and Internal Audit Manager  31.3.19
		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.	Agreed. Update to clearly link the Audit Charter with the Councils Anti-fraud, bribery and corruption policy. Also to explain the notification requirement in respect of suspected fraud or irregularities.	The Audit Charter to be reviewed and updated. The updates to be reported to the Audit Committee and approved.  S151 and Internal Audit Manager  31.3.19
		Add wording into the Audit Charter relating to arrangements to avoid conflicts of interest arising in respect of non-audit duties	Agreed	The Audit Charter to be reviewed and updated. The updates to be reported to the Audit Committee and approved.  S151 and Internal Audit Manager  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
Page 35		Strengthen the Audit Charter by specifying a requirement to review the charter at an agreed interval.	Agreed. Any updates to the Audit Charter should be clearly documented and approved by the Audit Committee.	Consider how best to record and evidence the review process.  S151 and Internal Audit Manager  31.3.19
		Not considered an issue in the Self Assessment	Update Charter to demonstrate Internal Audit's contribution to the review of the effectiveness of the controls environment and link with Financial Regulations.	The Audit Charter to be reviewed and updated to include a cross reference to Financial Regulations. The updates to be reported to the Audit Committee and approved.  S151 and Internal Audit Manager  31.3.19
		Not considered an issue in the Self Assessment	The Charter should recognise the mandatory nature of the Chartered Institute of Internal Auditors definition of Internal Auditing and Code of Ethics and PSIAS.	The Audit Charter to be updated to demonstrate compliance with the Standards.  S151 and Internal Audit Manager  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
<b>1100 Independence and objectivity</b> The internal audit activity must be independent and internal auditors must be objective in performing their work.	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	Add references to the organisational independence of the Internal Audit Service in the Annual Audit Plan and outturn report.	Agreed	To be included in the Audit plan and annual out turn report.  S151 and Internal Audit Manager  31.3.19
		Involve the Audit Committee in any proposed structural reviews of the Internal Audit Service.	Audit Committees are not generally involved with these processes but agree that the Committee should be consulted on any proposed structural reviews of the Internal Audit Service	Audit Committee to be consulted on any future reviews or changes to the structure of the service.  S151 and Internal Audit Manager
		Invite feedback from the CEO in the performance appraisal of the Internal Audit Manager.	Not considered necessary. No further action proposed	
		Obtain feedback from the Chair of the Audit Committee as part of the performance appraisal of the Internal Audit Manager.	Not considered necessary. No further action proposed	

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
	as identified and appropriate avoidance measures taken.	Staff to complete a declaration confirming that they understand the independent role of Internal Audit and disclose any potential conflicts of interest.	Declarations have been seen. Consideration be given to staff completing a further declaration confirming that they understand the independent role of Internal Audit and disclose any potential conflicts of interest.	Additional documentation to be considered.  S151 officer  31.3.19
<b>1130 Impairment to Independence or Objectivity</b> Have internal auditors assessed specific operations for which they have been responsible within the previous year?	No this has not occurred and would not occur in future	Not considered an issue in the Self Assessment	More detailed explanation is required. Also detail of how the authority would deal with any internal appointments from other sections or spouses who also work for CCBC should be considered. Consider making an annual declaration, even if it states there is nothing to declare.	Consideration to be given to this if the situation should arise in future.  S151 officer  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team	When circumstances and opportunity allows some rotation of tasks does take place however it is balanced against the knowledge and experience requirements when allocating work	Not considered an issue in the Self Assessment	This should be evidenced in the audit planning records.	The team is relatively small and allocation of audit work must be balanced against the requirements of the task and knowledge and expertise. However consideration will be given to detailing selection of personnel within the audit assignment scoping and planning documents.  Internal Audit Manager  31.3.19
<b>1200 Proficiency and due professional care</b> Engagements must be performed with proficiency and due professional care.	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	The Internal Audit Manager needs to ensure that all job descriptions are up-to-date and in the agreed corporate format.	Agreed.	Job descriptions to be reviewed and updated if necessary.  Internal Audit Manager  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
Page 10	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.	Performance Development Reviews (PDRs) must be undertaken for all staff on an annual basis.	Agreed	PDRs to be undertaken for all staff  Internal Audit Manager  30.9.19
	<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.	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	The constituent parts of the quality and improvement programme should be formalised and written into the audit manual.	Agreed

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
	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.	Not considered an issue in the Self Assessment	The process is not maintained but embedded into the operational processes of the service and should be formalised and written into the audit manual.	Audit Manual to be reviewed and updated.  Internal Audit Manager  31.3.19
<b>1310 Requirements of the Quality Assurance and Improvement Programme (QAIP)</b> Does the QAIP include both internal and external assessments?	In future both processes will be run alongside the corporate self evaluation process to ensure priorities and actions are aligned.	Not considered an issue in the Self Assessment	The constituent parts of the quality and improvement programme should be formalised and written into the audit manual	Audit Manual to be reviewed and updated.  Internal Audit Manager  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
<p><b>1311 Internal Assessments</b> Do internal assessments include ongoing monitoring of the internal audit activity, such as: Routine quality monitoring processes? Periodic assessments for evaluating conformance with the PSIAS?</p>	<p>The corporate self evaluation and performance monitoring processes have been in place for a number of years and are well established. The requirement to conform with the PSIAS is fairly recent and informal assessments have been used to identify improvement areas.</p>	<p>Not considered an issue in the Self Assessment</p>	<p>Processes are needed to ensure the audit review process would pick this up. This should also be evidenced within the process.</p>	<p>Consideration to be given to including this in the review process.  Internal Audit Manager  31.3.19</p>
<p><b>1320 Reporting on the Quality Assurance and Improvement Programme</b> Has the Chief Audit Executive (CAE) reported the results of the QAIP to senior management and the board? Note that: -</p> <ul style="list-style-type: none"> <li>the results of both external and periodic internal assessment must be communicated upon completion</li> <li>the results of ongoing monitoring must be communicated at least annually</li> <li>the results must include the assessor's or assessment team's</li> </ul>	<p>The self assessment exercise was reported to Audit Committee in December 2016. In future results of the internal assessments will be reported in the annual outturn report The results of the external assessment process will be reported to the Audit Committee when received by the</p>	<p>Not considered an issue in the Self Assessment</p>	<p>This will be done in future as part of the normal reporting process</p>	<p>Will be included in the next self evaluation cycle.  Internal Audit Manager  31.3.19</p>

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

ATTRIBUTE STANDARDS				
Requirement	Self Assessment	Actions for Consideration	External Assessor Recommended actions	Agreed Actions/Person Responsible/Timescale
evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	external reviewer			
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	This has not been included in the annual outturn report to date.	Not considered an issue in the Self Assessment	Following the internal & external reviews this will be reported	To be considered in reporting process. Internal Audit Manager 31.3.19
<b>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</b> Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	This has not been included in the annual outturn report to date.	Not considered an issue in the Self Assessment	Following the internal & external reviews this should be reported	To be considered in reporting process. Internal Audit Manager 31.3.19
<b>1322 Disclosure of Non-conformance</b> Has the CAE reported any instances of non- conformance with the PSIAS to the board?	This has not been included in the annual outturn report to date.	Not considered an issue in the Self Assessment	Following the internal & external reviews this should be reported	To be considered in reporting process.  Internal Audit Manager  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

<b>PERFORMANCE STANDARDS</b>				
<b>Requirement</b>	<b>Self Assessment</b>	<b>Actions for Consideration</b>	<b>External Assessor Recommended actions</b>	<b>Agreed Actions/Person Responsible/Timescale</b>
<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</p>	<p>The annual audit plan report needs to clearly show links to organisational objectives and priorities.</p>	<p>Agreed</p>	<p>To be considered in reporting process. Internal Audit Manager 31.3.19</p>

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

<b>PERFORMANCE STANDARDS</b>				
<b>Requirement</b>	<b>Self Assessment</b>	<b>Actions for Consideration</b>	<b>External Assessor Recommended actions</b>	<b>Agreed Actions/Person Responsible/Timescale</b>
	Internal Audit Standards (PSIAS) are set out in an Audit Manual which is available to all staff.	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.	Agreed. This is currently not covered in the Audit Plan.	To be considered in reporting process. Internal Audit Manager 31.3.19
<b>2010 Planning</b> Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?  Page 44	The plan does not specifically cover this however the plan does refer to the need for flexibility in order to address emerging or new areas and to respond to changing priorities or structures etc. Audit Committee members are well aware of the impact of change on the plan. Directors and Heads of Service are consulted during the planning process to identify both national and local issues or areas needing additional assurances.	Not considered an issue in the Self Assessment	Members need to be made aware of impact and changing priorities	To be considered in reporting process. Internal Audit Manager 31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

<b>PERFORMANCE STANDARDS</b>				
<b>Requirement</b>	<b>Self Assessment</b>	<b>Actions for Consideration</b>	<b>External Assessor Recommended actions</b>	<b>Agreed Actions/Person Responsible/Timescale</b>
Does the risk-based plan set out the: <ul style="list-style-type: none"> <li>Audit work to be carried out?</li> <li>Respective priorities of those pieces of audit work?</li> </ul>	At the planning stage there are too many variables to enable this level of detail to be included. Consultation with the client and the scoping process deals with these issues within a flexible framework.	Not considered an issue in the Self Assessment	Consider providing greater detail around the audit work to be undertaken in order to better inform members of any changing priorities / risk profiles.	To be considered in reporting process.  Internal Audit Manager  31.3.19
Does the risk-based plan set out the: <ul style="list-style-type: none"> <li>Estimated resources needed for the work?</li> </ul>	Audit resource input is indicated for staff management purposes	Not considered an issue in the Self Assessment	Additional detail should be supplied to Audit Committee when variations arise.	To be considered in reporting process.  Internal Audit Manager  31.3.19
<b>2050 Coordination</b> Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	An assurance framework is under development which will give members a view of the whole assurance landscape.	Not considered an issue in the Self Assessment	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 and evidence provided	The Assurance Framework was presented to the Audit Committee in December 2016 and will now be kept under review by the Corporate Governance Panel  Internal Audit Manager  Ongoing review
Does the CAE meet regularly with the nominated external audit representative to consult on and	Meetings do take place with the external auditor as	Not considered an issue in the Self Assessment	Agreed	Meetings to be arranged as required

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

<b>PERFORMANCE STANDARDS</b>				
<b>Requirement</b>	<b>Self Assessment</b>	<b>Actions for Consideration</b>	<b>External Assessor Recommended actions</b>	<b>Agreed Actions/Person Responsible/Timescale</b>
coordinate their respective audit plans?	and when required and the external auditors do attend all meetings of the Audit Committee.			
<b>2060 Reporting to Senior Management and the Board</b> Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	The content of the periodic reporting continues to evolve and will in future include comments on issues or themes that are of particular note in relation to issues needed or requested by the Audit Committee or senior management.	Not considered an issue in the Self Assessment	Agreed – these tend to be generalised	To be considered in reporting process.  Internal Audit Manager  31.3.19
<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	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	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.	Agreed	To be considered in the audit planning process.  Internal Audit Manager  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

<b>PERFORMANCE STANDARDS</b>				
<b>Requirement</b>	<b>Self Assessment</b>	<b>Actions for Consideration</b>	<b>External Assessor Recommended actions</b>	<b>Agreed Actions/Person Responsible/Timescale</b>
	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.			
<b>2340 Engagement Supervision</b> Is appropriate evidence of supervision documented and retained for each engagement?	Time recording system would identify time spent against projects but would not specifically identify supervision. Piecemeal time allocations may not be recorded	Not considered an issue in the Self Assessment	Clearer documentation of the review process and evidence of review notes would further enhance this requirement	Consideration to be given to this.  Internal Audit Manager  31.3.19
<b>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</b>	This does not currently feature within the body of internal audit reports.	Not considered an issue in the Self Assessment	Internal audit reports could be amended to include a statement on conformance with the PSIAS	Consideration to be given to an appropriate statement to be included in the Audit report.

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

<b>PERFORMANCE STANDARDS</b>				
<b>Requirement</b>	<b>Self Assessment</b>	<b>Actions for Consideration</b>	<b>External Assessor Recommended actions</b>	<b>Agreed Actions/Person Responsible/Timescale</b>
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?				Internal Audit Manager  31.3.19
<b>2450 Overall Opinion</b> Does the annual report incorporate the following: The annual internal audit opinion? A summary of the work that supports the opinion? A disclosure of any qualifications to the opinion? The reasons for any qualifications to the opinion? A disclosure of any impairments or restriction in scope? A comparison of work actually carried out with the work planned? A statement on conformance with the PSIAS?	Where relevant and appropriate these would all be included within the annual report.		The annual outturn report to the Audit Committee could be amended to include a statement on conformance with the PSIAS	Consideration to be given to an appropriate statement to be included in the report.  Internal Audit Manager  31.3.19
Does the annual report incorporate the following: The results of the QAIP? Progress against any improvement plans resulting from the QAIP? A summary of the performance of the internal audit activity against its performance measures and targets? Any other issues that the CAE	This will be reported to the Audit Committee in future		The summary does not include details of specific audit work undertaken in the period. Therefore a significant reliance on the Internal Audit Manager to determine appropriate assurances	Consideration to be given to how best this is to be reported.  Internal Audit Manager  31.3.19

**PSIAS SELF-ASSESSMENT / EXTERNAL ASSESSMENT - SUMMARY OF OUTCOMES AND ACTION PLAN**

<b>PERFORMANCE STANDARDS</b>				
<b>Requirement</b>	<b>Self Assessment</b>	<b>Actions for Consideration</b>	<b>External Assessor Recommended actions</b>	<b>Agreed Actions/Person Responsible/Timescale</b>
judges is relevant to the preparation of the governance statement				
<b>2500 Monitoring progress</b> Where issues have during the follow-up process, has the CAE considered revising the internal audit opinion?	The review mechanism is focussed on achieving improvement by implementation of agreed actions. If audit is not satisfied with progress on fundamental issues it would be escalated in the first instance to the S151 Officer then Audit Committee	Not considered an issue in the Self Assessment	Consideration should be given to revising the audit opinion post follow up which would give further assurances that improvements have been made	Consideration to be given to the option of revising the audit opinion to reflect direction of travel in respect of improvement.  Internal Audit Manager  31.3.19

Gadewir y dudalen hon yn wag yn fwiadol



## AUDIT COMMITTEE – 10TH APRIL 2018

**SUBJECT: INTERNAL AUDIT SERVICES ANNUAL AUDIT PLAN**

**REPORT BY: INTERNAL AUDIT SERVICES MANAGER**

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### 1. PURPOSE OF REPORT

- 1.1 To seek Audit Committee approval of the Internal Audit Services Annual Audit Plan for the 2018/19 financial year.

### 2. SUMMARY

- 2.1 The report provides details of the planned work programme for Internal Audit Services for 2018/19.

### 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.
- 3.2 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 Internal Audit Services Annual Audit Plan for the 2018/19 financial year is attached as Appendix 1. The approach is broadly similar to previous years but reflects the ongoing development of the Plan in terms of coverage and risk identification.
- 4.2 It should be noted that the resources on which the Plan is based have reduced slightly on previous years due to one member of staff working one day less per week from the 1<sup>st</sup> April 2018 under the Council's flexible working policy.

4.3 Members will note that following a recommendation by the Council's External Auditor, the Plan now shows planned activity on a quarterly basis. This will allow for better control and monitoring of the Plan during the year.

4.4 The Audit Committee will receive a mid-year report highlighting progress against the Plan along with details of any specific issues arising.

## **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 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan, therefore a full Equalities Impact Assessment has not been carried out.

## **7. FINANCIAL IMPLICATIONS**

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

## **8. PERSONNEL IMPLICATIONS**

8.1 There are no personnel implications other than the approved manpower resource.

## **9. CONSULTATIONS**

9.1 Any comments received have been reflected in the report.

## **10. RECOMMENDATIONS**

10.1 The Audit Committee is asked to note and approve the Internal Audit Services Annual Audit Plan for the 2017/18 financial year.

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

11.1 To enable Internal Audit Services to carry out its function.

## **12. STATUTORY POWER**

12.1 Accounts and Audit (Wales) (Amendment) Regulations 2018.

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Consultees: Stephen Harris, Interim Head of Corporate Finance & Acting S151 Officer

Appendices:

Appendix 1 Internal Audit Services Annual Audit Plan 2018/19

**CAERPHILLY COUNTY BOROUGH COUNCIL****INTERNAL AUDIT SERVICES****ANNUAL AUDIT PLAN 2018/19****1. Purpose of the Report**

- 1.1 The purpose of the report is to outline the intended allocation of audit time for the financial year ending 31<sup>st</sup> March 2019.

**2. Introduction**

- 2.1 The Public Sector Internal Audit Standards (PSIAS) and the Council's own Financial Regulations require that an annual Audit Plan should be prepared to ensure that there is an effective and efficient use of audit resources. The 2018/19 Annual Plan is broadly based on an on-going assessment of risk which makes use of data gathered from various sources including senior management, the authority's risk register, Heads of Service and Members. The purpose of an Annual Plan is to outline the resources available and set out the intended allocation of audit time for the forthcoming year. Actual work carried out will be regularly assessed against the Plan and the Audit Committee will receive a mid-year progress report.
- 2.2 Following on from recommendations made by the Authority's External Auditor the Plan has been split on a quarterly basis to show available man days per quarter. This has been based on the full-time equivalent (FTE) head count of staff and current working patterns as some staff have flexible working arrangements.
- 2.3 A larger proportion of annual leave days have been allocated to the traditional summer holiday period (01/07/18 to 30/09/18), but other overheads have been estimated to arise evenly over the period. These include sickness absence which has been estimated at the rate of 1.5% of available days. It also includes other managerial provisions including audit planning, servicing the Audit Committee and corporate governance. Obviously there may be variances in these overheads due to unforeseen events such as long term sickness or other staffing changes which will affect the number of available man days that can be allocated to audit assignments.
- 2.4 A detailed breakdown of planned audit days is provided in Appendix 1 with a summary shown in the table below: -

	<b>01/04/18 to 30/06/18</b>	<b>01/07/18 to 30/09/18</b>	<b>01/10/18 to 31/12/18</b>	<b>01/01/19 to 31/03/19</b>	<b>Totals</b>
Overheads	140	189	143	124	<b>596</b>
Available man days	382	333	379	398	<b>1492</b>
<b>Total</b>	<b>522</b>	<b>522</b>	<b>522</b>	<b>522</b>	<b>2088</b>

- 2.5 It is also inevitable that there will be some audit assignments that will remain unfinished as at 31/03/18 so an estimated allowance of 40 days has been allocated to the completion of these prior to the commencement of new assignments. It is anticipated that these will be prioritised before commencing new projects so all this time is allocated into quarter 1.
- 2.6 The cycle of activities within the Council naturally influences the timing of audit assignments. For example school summer holidays preclude any school audits from taking place during this period, also the year-end processes and subsequent preparation of the financial accounts and external audit means that finance staff and systems are prioritised towards these activities. As a result audit assignments undertaken take account of these together with other work load pressures within Directorates and Service areas.

- 2.7 The plan may also be flexed and audits reprioritised as Directors, Heads of Service and Service Managers become aware of new operational risks or other issues which may arise during the year. Timing of audits tends to be negotiated with the Service area or establishment management to bring forward any new or increased risk areas or to take account of workloads or other priorities within service areas.
- 2.8 Priority will always be given to high risk areas whether known or emerging, as in prior years.
- 2.9 There are also a number of time limited assignments that are required to be undertaken such as grants which have deadlines set by the funding bodies. There is no flexibility over the timing of these audits and this work takes place between the financial year-end and the certification deadline which is September in most cases.
- 2.10 The Plan has also taken account of the transfer of certain service areas within Directorates so that time planned can be accurately aligned to Directorates and their operational activities.
- 2.11 Taking into account those factors noted above the remainder of the Audit Plan can be estimated over the year and the individual Directorates. Audit activity can also be allocated against the types of audit assignments such as establishment audits, systems, IT, contracts and corporate work.
- 2.12 In addition to changes within the Authority, Internal Audit Services continues re-aligning its approach in response to the requirements of the new Public Sector Internal Auditing Standards (PSIAS) and the developing risk management and governance agendas. Additional audit time has been allocated to these areas.

### **3. Staffing**

- 3.1 The establishment level of the Internal Audit Section for 2018/19 is 8 FTE's which a reduction from 2017/18 as a result of an approved flexible working request effective from 01/04/18. However this is a minor change and it is considered that staffing continues to be in line with the Welsh average.

### **4. The Plan**

- 4.1 In preparing the detailed Plan, due consideration has been given to previous years' coverage, the Authority's risk register, input from Service Areas and Directorates, any emerging issues and any "local factors" as well as acknowledging themed areas that are linked to priorities highlighted in the Auditing Standards.

4.2 It can be seen that Audit assignments broadly fall into a number of categories as follows: -

#### **4.3 Systems**

- 4.3.1 System audits continue to receive a high level of resource allocation with certain high risk corporate systems being reviewed on an annual basis, either by undertaking a full audit or carrying out an "overview" of system controls. This allocation also allows the expansion of the service into cross cutting reviews and specific risk or business related projects as identified on an ongoing basis.
- 4.3.2 As the service continues to align its coverage to areas identified within the risk registers as part of the corporate risk management process, audit value can be increased by the promotion of the skills and knowledge gained during the undertaking of individual systems reviews. The accumulated knowledge of the organisation, its systems and procedures goes a long way to informing the year-end process to arrive at an overall assurance opinion. Likewise the numerous grants that now require internal audit review are also seen as an information source to further audit knowledge and understanding which are then used to feed the assurance process.

4.3.3 Throughout the year Internal Audit staff will continue to have a role to play in both advising on the introduction of new systems and in undertaking regularity checks to ensure that the risks inherent in systems are minimised. In 2018/19 audit time has been allocated to the new Income Management and General Ledger systems that are due to be introduced.

4.3.4 Internal Audit will liaise with the Council's External Auditor in order to ensure that fundamental systems receive adequate coverage and to prevent duplication of effort.

#### 4.4 Establishments

4.4.1 The majority of council establishments continue to receive a visit over a three to five year period and a more structured approach to establishment audits has been established to ensure that audit resources are deployed where most benefit can be achieved. The focus of these audits is under ongoing review with alternative approaches being considered that incorporate a greater link with the governance and risk agendas. A rolling visiting schedule covering all establishments has been set up and a schedule of visits relating to 2018/19 is shown in Appendix 2.

4.4.2 In addition to ensuring that the link between the establishments and the "corporate centre" are strengthened, it is hoped that the more structured approach to establishment audits will continue to: -

- highlight the need for probity in financial administration;
- deal with problems where advice and assistance are required;
- identify any significant areas where procedures are weak; and
- promote best practice across a wide range of establishments.

#### 4.5 Action plan reviews and follow-up audits

4.5.1 An action plan review and establishment audit follow-up process is in place to monitor the implementation of agreed actions as the final part of the audit cycle. This work is regarded as additional to the actual audit as it provides assurance on a corporate basis that agreed recommendations are being implemented by managers.

#### 4.6 Contract Audit

4.6.1 The move to a more pro-active system-based approach to contract auditing will continue and will be further developed by moving the focus to auditing schemes as they progress. The more traditional approach of auditing contractors' final accounts will also continue and information obtained via the final account audits will be used to complement the systems work.

4.6.2 Internal Audit staff will continue to work closely with staff from Procurement Services to promote a high level of contract compliance throughout the Council. There will also be ongoing coverage and support of the arrangements in respect of the WHQS works due to the ongoing recognition of the inherent risks to a satisfactory conclusion of the scheme.

#### 4.7 Computer Audit

4.7.1 Reliance on IT systems continues to be a critical factor to the ongoing success of the Authority. During the year further consideration will be given to the risks and assurances currently in place with a view to formalising an approach to addressing any areas of concern identified. As most systems and processes are IT based the ongoing systems reviews are being updated to include an element of what was previously considered to be IT Audit. The less technical IT systems reviews have been merged into the systems work stream and existing work programmes will be adjusted to cover the new approach.

- 4.7.2 During the year as specific issues arise or additional risks are identified consideration will be given to how best to build these into the ongoing Plan as would be the case for all emerging issues.
- 4.7.3 Audit work will still be undertaken to review and report on the central controls for those areas that are within scope of the BSI accreditation.
- 4.8 Corporate/Other
- 4.8.1 Internal Audit Services co-ordinates and contributes to work in respect of the National Fraud Initiative (NFI) with the next cycle being due in October 2018. As this has developed over the years additional data streams have been included requiring greater input together with the additional requirements of Data Protection regulations. The majority of this work will fall due in the run up to the data uploads in October and then when data matches are released in January 2019.
- 4.8.2 A member of staff from Internal Audit Services is the Information Steward for Corporate Finance and as Members will be aware the General Data Protection Regulation (GDPR) will be in place in May 2018 so an increased allocation of time has been made to allow for this. Work being undertaken includes information sharing audits and input into the Privacy Notices that will be required for the various operational areas within Corporate Finance.
- 4.8.3 Other time allocations include the co-ordination and production of the Annual Governance Statement (AGS) and further work on the PSIAS self-evaluation as the Authority now enters the next 5 year cycle of this process.
- 4.8.4 In anticipation of “unplanned” issues arising during the year, such as special investigatory work, and work brought forward from the previous year, days have been allocated as a general contingency. This approach should reduce problems with audits having to be postponed or cancelled and make the Audit Plan more aligned to actual eventualities. A total of 80 days has been allowed for this.
- 4.9 Non-Audit Days
- 4.9.1 Certain tasks are carried out by Internal Audit Services that provide a valuable insight into emerging issues but do not fall within the precise definition of internal auditing. Such tasks include the following: -
- Co-ordination / monitoring of anonymous letters received.
  - Returned cheques - control and administration.
- 4.9.2 A total of 105 days have been allocated to these tasks.
5. Summary
- 5.1 The report has dealt with the allocation of audit resources and highlighted the main areas of coverage.
- 5.2 The Plan continues to reflect a proactive and constructive approach to audit matters.
- 5.3 The desire to “continually improve” will have an impact on the way Internal Audit Services functions in that there is a continuous need to ensure that we provide a service of the highest quality at the most competitive cost.
- 5.4 In the coming months efforts will continue to build on existing practices and procedures in order to meet the requirements of the new Auditing Standards and the service will be working with the Audit Committee to reset the focus of the audit coverage and realign the direction of travel to improve the service to meet the constantly changes demands placed upon it.

- 5.5 Additionally consultation will take place with audit “clients” and our External Auditor throughout the year and their views and future requirements will be taken on board in the ongoing development of audit service provision.
- 5.6 Audits which due to unforeseen reasons were not carried out in the current year will be re-assessed and prioritised and if considered appropriate will be included in the new Plan. Similarly, areas for audit included in the 2018/19 Annual Plan which, due to unforeseen circumstances, are not audited within the forthcoming year will be assessed for inclusion in future year Plans. The Plan must therefore be viewed as a fluid document which not only addresses traditional or historic areas but is also flexible enough to respond to new or emerging issues.

**Planned Audit Days by Quarter**

	<b>Total number of days</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Education</b>					
Establishment audits	236	67	34	67	67
Grant reviews	46	0	23	23	0
Systems audits and other work	13	0	0	3	10
<b>Total</b>	<b>295</b>	<b>67</b>	<b>57</b>	<b>93</b>	<b>78</b>
<b>Social Services and housing inc WHQS</b>					
Establishment audits	65	10	35	10	10
Grant reviews	10	0	5	5	0
Systems audits and other work	137	34	34	34	34
Contract audit and final accounts	50	13	13	13	13
<b>Total</b>	<b>262</b>	<b>57</b>	<b>86</b>	<b>62</b>	<b>57</b>
<b>Corporate Services</b>					
Systems audits and other work	268	77	22	65	104
Information Technology	5	0	5	0	0
Contract audit and final accounts	20	5	5	5	5
<b>Total</b>	<b>293</b>	<b>82</b>	<b>32</b>	<b>70</b>	<b>110</b>
<b>Communities</b>					
Establishment audits	34	7	15	6	6
Systems audits and other work	115	29	29	29	29
Contract audit and final accounts	40	10	10	10	10
<b>Total</b>	<b>189</b>	<b>46</b>	<b>54</b>	<b>46</b>	<b>45</b>
<b>Corporate / other and non-audit</b>					
Returned cheques	90	23	22	23	22
Anonymous letters	15	3	4	4	4
Servicing Audit Committee	30	8	7	8	7
Governance/ Information Governance	68	17	17	17	17
Other (inc NFI, fraud etc )	93	10	25	28	30
Contingency	80	20	20	20	20
<b>Total</b>	<b>376</b>	<b>81</b>	<b>95</b>	<b>100</b>	<b>100</b>
<b>Action plan reviews and follow ups</b>	<b>37</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>Work in progress</b>	<b>40</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overheads</b>	<b>596</b>	<b>140</b>	<b>189</b>	<b>143</b>	<b>124</b>
<b>Total</b>	<b>2088</b>	<b>522</b>	<b>522</b>	<b>522</b>	<b>522</b>

**2018/19 Planned Establishment Audits**

<b>Primary Schools</b>	<b>150 days</b>			
Hendre Junior School	Risca Primary	Ysgol y Lawnt	Cwmfelinfach Primary	White Rose Primary
Llancaeach Junior	Hendre infants	Coed y Brain	YG Gilfach Fargoed	YG Bro Allta
Rhydri Primary	Libanus Primary	Cwrt Rawlin Primary	Bedwas Infants	Gilfach Fargoed Primary
Greenhill Primary	Phillipstown Primary	YGG Cwm Derwen	Park Primary	Aberbargoed Primary
St James Primary	Trinant Primary	Llanfabon infants	Ystrad Mynach Primary	Plas y Felin Primary
<b>Trinity fields school</b>	<b>8 days</b>			
<b>Comprehensive schools</b>	<b>60 Days</b>			
Lewis Girls	Idris Davies	Bedwas	Newbridge	Islwyn High
<b>Leisure Centres</b>	<b>18 days</b>			
Pontllanfraith	Cefn Fforest	Sue Noake	New Tredegar	
<b>Social Services</b>	<b>59 days</b>			
Beatrice Webb HFE	Ty Iscoed HFE	Rhymney DC	Spring filed DC	Brooklands
Ystrad Mynach / woodcraft				
<b>Tourism</b>	<b>16 days</b>			
Visit Caerphilly	Llancaiach fawr			
<b>Other establishments</b>	<b>24 days</b>			
Bargoed Library	Youth Centres	Community Education	Sheltered Housing	

Gadewir y dudalen hon yn wag yn fwriadol



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## 2018 Audit Plan – **Caerphilly County Borough Council**

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This document was produced by Huw Rees, Non Jenkins and Gareth Jones of Wales Audit Office supported by Barrie Morris, Gail Turner-Radcliffe and Grace Hawkins of Grant Thornton UK LLP.

# Contents

## 2018 Audit Plan

Summary	4
Audit of accounts	4
Performance audit	9
Certification of grant claims and returns	13
Fee, audit team and timetable	14
Future developments to my audit work	17

## Appendices

Appendix 1 – respective responsibilities	18
Appendix 2 – performance work in last year's audit outline still in progress	21
Appendix 3 – summary of grant claim certification work	22
Appendix 4 – other future developments	24
Appendix 5 – national value-for-money studies	27

# 2018 Audit Plan

## Summary

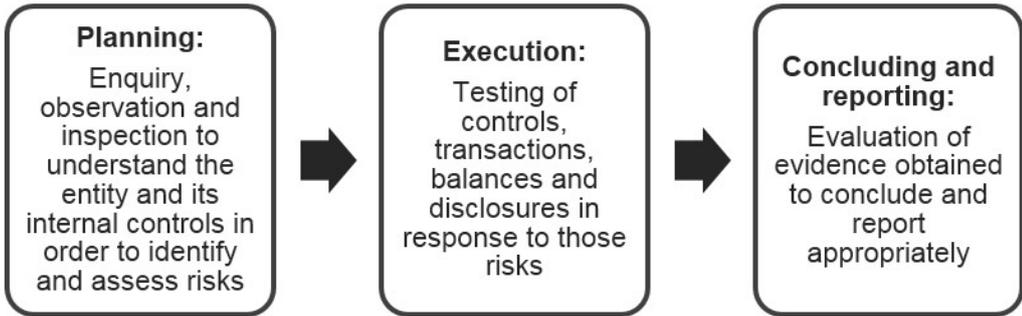
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are 'true and fair';
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether you have discharged the duties and met requirements of the Measure; and
  - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- 6 I also consider whether or not Caerphilly County Borough Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole.

**Exhibit 1: my audit approach**

My audit approach involves three key stages: planning, execution and finally concluding and reporting



9 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them.

**Exhibit 2: financial audit risks**

This table summarises the key financial audit risks identified at the planning stage of the audit

Financial audit risks - Significant	Proposed audit response
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for bias; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p>Valuation of property, plant and equipment (net).</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review management's processes and assumptions for the calculation of the estimate;</li> <li>• review the competence, expertise and objectivity of any management experts used;</li> <li>• review and challenge the information used to ensure it is robust and consistent with our understanding; and</li> </ul>

Financial audit risks - Significant	Proposed audit response
	<ul style="list-style-type: none"> <li>• test individual depreciation charges made during the year to ensure they are input correctly into the council's asset register and correctly reflected in the financial statements.</li> </ul>
Valuation of property, plant and equipment (Gross)	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• consider the competence, expertise and objectivity of any management experts used;</li> <li>• discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions where appropriate;</li> <li>• review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• test revaluations made during the year to ensure they are input correctly into the asset register; and</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>
Valuation of Pension Fund Net Liability	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls have been implemented and operated as expected and whether they are sufficient to mitigate the risk of material misstatement;</li> <li>• evaluate the competence, expertise and objectivity of the actuaries who carried out your pension fund valuations. We will gain an understanding of the basis on which the valuations are carried out;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made; and</li> </ul>

Financial audit risks - Significant	Proposed audit response
	<ul style="list-style-type: none"> <li>• check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries.</li> </ul>
<p>Accounting for the City Deal: City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves 10 local authorities. The authorities have established Cardiff Capital Region – a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734 million for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125 million from the UK Government. In addition, the UK Government has provided a £375 million contribution, and the ten local authorities have agreed a commitment to borrow a combined total of £120 million as part of the Wider Investment Fund. This significant programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address including potential consolidation of joint committee accounts.</p>	<ul style="list-style-type: none"> <li>• Liaising closely with the external auditors of the other Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work, as necessary, to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</li> </ul>

Financial audit risks – Other Risks	Proposed audit response
<p>Operating Expenses – Creditors related to core activities understated or not recorded in the correct period.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• document our understanding of the controls operating in the creditors system;</li> <li>• perform a walkthrough to confirm that the controls identified are in operation;</li> <li>• test for completeness of operating expenses including agreeing to source documentation and reviewing invoices received after the year end;</li> </ul>

Financial audit risks – Other Risks	Proposed audit response
	<ul style="list-style-type: none"> <li>• obtain an understanding of the accruals process; and</li> <li>• test for unrecorded liabilities, including review of payments made after the year end.</li> </ul>
Employee remuneration and benefit obligations and expenses understated.	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• document our understanding of the controls operating in the payroll system;</li> <li>• perform a walkthrough to confirm that the controls identified are in operation;</li> <li>• undertake analysis of trends and relationships to identify any anomalous areas for further investigation;</li> <li>• review and test the reconciliation of payroll system to the general ledger;</li> <li>• perform substantive testing of Senior Officer payroll payments, ensuring that payments are made in accordance with the individual's contract of employment; and</li> <li>• review payments made to former employees, including compensation payments, to ensure all costs are accurately recorded and that adequate disclosures are made within the notes to the accounts.</li> </ul>

10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. For planning purposes, we have determined that materiality is £5.533 million, which is 1% of total gross expenditure. Final materiality will be reported to the Audit Committee prior to the completion of the audit. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.

11 For reporting purposes, I will treat any misstatements below a 'trivial' level (5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.

12 My fees are based on the following assumptions:

- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
- appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;

- all appropriate officials will be available during the audit; and
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me.
- 13 In addition to my responsibilities in respect of the audit of Caerphilly County Borough Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about Caerphilly County Borough Council to support preparation of Whole of Government Accounts.

## Statutory audit functions

- 14 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
  - Section 31 Right to make objections at audit.
- 15 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Performance audit

- 17 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities I will continue to seek to strike the most appropriate balance and add value by:
- providing assurance on the governance and stewardship of public money and assets;
  - offering insight on the extent to which resources are used wisely in meeting people's needs; and
  - identifying and promoting ways by which the provision of public services may be improved.
- 18 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will minimise work that focuses on the process of improvement planning.
- 19 In recent years I have placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future I will be unable to rely on my work under the Measure, in 2018-19, and subsequent

years, the focus of my local performance audit programmes will be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.

- 20 In 2017-18 I undertook my first work under the Wellbeing of Future Generations (Wales) Act 2015, the Year One Commentary. This work sought to identify how public bodies are beginning to respond to the Act and share emerging practice. My 2018-19 programme will include the first examinations to be carried out under the Act. These examinations will assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives.
- 21 The Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 3** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.
- 22 In the spring of 2018 I will also be consulting on my forward programme of studies across all sectors and I would welcome views on the areas I should focus my national reviews on when the consultation is launched.

### Exhibit 3: local government studies

In 2016-17 I published three national reports related to local government and will undertake fieldwork for a further three reports during the summer and autumn of 2018

Study	Status
<b>2016-17 studies</b>	
How local government manages demand	Published January 9 2018
Improving wellbeing through housing adaptations	Published February 22 2018
Strategic commissioning	Publish in April 2018
<b>2017-18 studies</b>	
Services to rural communities	Fieldwork – Publish Summer/Autumn 2018
Use of data	Fieldwork – Publish Summer/Autumn 2018
Integrated care fund	Fieldwork February – Publish Autumn 2018

23 Taking all these factors into consideration, my 2018-19 programme of work is set out below in [Exhibit 4](#).

#### Exhibit 4: performance audit programme

My 2018 performance audit programme will include local projects and national studies

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit.	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations.	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet the one or more of its wellbeing objective- which we will discuss and agree with the Council during early 2018-19.
Assurance and Risk Assessment .	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.
One or more of the themed reviews described opposite. We are currently discussing with the Council which of the review(s) will be undertaken. The outcomes of the discussions will be reported to the next meeting of the Audit Committee	<p><b>Environmental Health</b> Review of the arrangements the council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.</p> <p><b>Leisure Services</b> Review of the arrangements the council has put in place to deliver leisure services building on the 'study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.</p> <p><b>Corporate Safeguarding Arrangements</b> Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.</p>
WHQS follow up	Review of the Council's progress against its commitments made in November 2017 in response to our WHQS review.
<b>2018-19 Local Government Studies</b>	Funded by the Welsh Government.

Performance audit programme	Brief description
Implementation of the Social Services and Well-being Act	<p>The Social Services and Well-being (Wales) Act 2014 focuses on reforming and simplifying the law relating to social services. The Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review progress by authorities in delivering their new duties under the Act and help to identify opportunities for improving current management and delivery arrangements. Further information can be found in our <a href="#">call for evidence report</a> published in August 2017.</p>
Implementation of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	<p>The Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 aims to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventive, protective and supportive mechanisms in the delivery of services. Our review will focus on the effectiveness of arrangements to improve support for people affected by such abuse and violence. Further information can be found in our <a href="#">call for evidence report</a> published in August 2017.</p>

Performance audit programme	Brief description
Value for Money of Planning Services	<p>The Planning (Wales) Act 2015 (the Act) gained Royal Assent on 6 July 2015. The Act sets out a series of legislative changes to deliver reform of the planning system in Wales, to ensure that it is fair, resilient and enables development. An effective planning service will be at the front of shaping the character, development and prosperity of a local authority or national park. Given the requirements of the Act, it is important that planning authorities ensure that their services are fit for the future to ensure they meet both their statutory responsibilities but also support the delivery of corporate, regional and national priorities. Our review will consider the effectiveness and impact of planning services on local communities in Wales. Further information can be found in our <a href="#">call for evidence report</a> published in August 2017.</p>

- 24 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

## Certification of grant claims and returns

- 25 I have been requested to undertake certification work on Caerphilly County Borough Council's grant claims and returns as set out in [Appendix 3](#). Details there are provided on our expectation that the Welsh Government will streamline its assurance arrangements by rolling out the 'Summary Schedule of Certified Welsh Government Grants' to all unitaries. This follows successful piloting at four authorities last year. This means that there should only be a small number of claims and returns which remain to be certified in the 'traditional' way.
- 26 For this year, the Welsh Government will not require me to provide any report of factual findings related to any activity levels or outcomes.
- 27 My audit fee for this work is set out in [Exhibit 6](#).

## Overall issues identified

- 28 [Exhibit 5](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2016-17.

## Exhibit 5: overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2016-17
<p><b>One claim was qualified in 2016-17</b></p> <p><b>Housing Benefit and Authority Tax Subsidy</b></p> <p>A number of issues were identified, which resulted in a qualification, including:</p> <p><b>Rent Allowances</b></p> <ul style="list-style-type: none"><li>• Eligible Overpayments (current year) – this is an error that has also been identified in prior years, where expenditure was misclassified as eligible overpayment rather than LA Error, this led to an extrapolated overstatement in cell 114 of £297.</li><li>• Total Expenditure (Benefit Granted) – this is an error that has also been identified in prior years, where the average weekly income was calculated incorrectly, this led to an extrapolated understatement in cell 113 of £3,792.</li></ul> <p><b>Rent Rebates (HRA)</b></p> <ul style="list-style-type: none"><li>• Eligible Overpayments – expenditure misclassified as eligible overpayments when it should have been LA error, this led to an extrapolated overstatement in cell 67 of £4,933.</li></ul> <p><b>Rent Rebates (Non – HRA)</b></p> <ul style="list-style-type: none"><li>• Expenditure up to the lower of one bedroom self-contained LHA Rate and upper limit – the expenditure was not correctly capped at the LHA rate. This led to an extrapolated overstatement in cell 12 of £16.</li></ul> <p>An amendment was also made to the claim as Overpaid (Non-HRA) Rent Rebates had been incorrectly classified as eligible overpayments instead of technical overpayments. 100% testing was completed which led to an adjustment of £984 to cells 27 and 28. This led to a reduction of subsidy in cell 028s of £394.</p>
Effectiveness of grant co-ordination arrangements
<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work.</p>

## Issues related to specific grant claims and returns

- 29 In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Appendix 3](#).

## Fee, audit team and timetable

### Fee

- 30 Your estimated fee for 2018 is set out in [Exhibit 6](#). This figure represents no change compared to the fee set out in the 2017 audit plan.

- 31 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than 1%) which we have looked to offset by a slight reduction in audit days and skill mix.

**Exhibit 6: audit fee**

This table outlines the proposed fee for 2018 audit work by the Wales Audit Office.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	250,000	250,000
Performance audit work <sup>3</sup>	104,776	104,776
Total fee	354,776	354,776
Grant certification work <sup>4</sup>	Scope of work to be confirmed	54,070

**Notes:**

<sup>1</sup> The fees shown in this document are exclusive of VAT, which is no longer charged to you.

<sup>2</sup> Payable November 2017 to October 2018.

<sup>3</sup> Payable April 2018 to March 2019.

<sup>4</sup> Payable as work is undertaken.

- 32 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with Caerphilly County Borough Council.
- 33 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

## Audit team

34 The main members of my team, together with their contact details, are summarised in **Exhibit 7**.

### Exhibit 7: my team

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Director & Engagement Lead – Performance Audit	029 2032 0599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Barrie Morris	Engagement Lead – Financial Audit	01173 57708	<a href="mailto:barrie.morris@uk.gt.com">barrie.morris@uk.gt.com</a>
Gail Turner - Radcliffe	Financial Audit Manager	02920 347546	<a href="mailto:gail.turner-radcliffe@uk.gt.com">gail.turner-radcliffe@uk.gt.com</a>
Grace Hawkins	Financial Audit Team Leader	02920 347542	<a href="mailto:grace.e.hawkins@uk.gt.com">grace.e.hawkins@uk.gt.com</a>
Non Jenkins	Performance Audit Manager	029 2032 0595	<a href="mailto:non.jenkins@audit.wales">non.jenkins@audit.wales</a>
Gareth Jones	Performance Audit Lead	029 2032 0548	<a href="mailto:gareth.jones@audit.wales">gareth.jones@audit.wales</a>

35 I can confirm that my team members are all independent of Caerphilly County Borough Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

## Timetable

36 I will provide reports, or other outputs as agreed, to Caerphilly County Borough Council covering the areas of work identified in this document. My key milestones are set out in **Exhibit 8**.

### Exhibit 8: timetable

Planned output	Work undertaken	Report finalised
<b>2018 Audit Plan</b>	January – February 2018	March 2018
<b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>Audit of Financial Statements Report</li> <li>Opinion on Financial Statements</li> <li>Financial Accounts Memorandum</li> </ul>	January to July 2018	August 2018
<b>Performance work:</b> <ul style="list-style-type: none"> <li>Improvement Plan Audit</li> </ul>	April 2018	May 2018

Planned output	Work undertaken	Report finalised
<ul style="list-style-type: none"> <li>Assessment of Performance Audit</li> <li>Assurance and Risk Assessment</li> </ul>	December 2018	December 2018
<ul style="list-style-type: none"> <li>WFG Act Examinations</li> </ul>	April 2018- February 2019	To inform the 2019- 2020 audit programme By end of March 2019*
<ul style="list-style-type: none"> <li>Thematic Reviews</li> </ul>	June 2018- February 2019	By end of March 2019*
<ul style="list-style-type: none"> <li>Local bespoke project- WHQS follow up</li> </ul>	July 2018- February 2019	By end of March 2019*
Annual Improvement Report	April 2018 – May 2018	June 2019
2019 Audit Plan	January – February 2019	March 2019

\*Please note these are estimated dates. Reporting is subject to timely clearance of draft findings with Caerphilly County Borough Council.

## Future developments to my audit work

- 37 Details of future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 4](#).
- 38 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates.

# Appendix 1

## Respective responsibilities

### Audit of accounts

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- their 'truth and fairness', providing assurance that they:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with the statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- the consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Caerphilly County Borough Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Caerphilly County Borough Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Caerphilly County Borough Council's financial statements and related documents, to ask me, questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Caerphilly County Borough Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

## Performance audit

The Public Audit (Wales) Act 2004 requires me, by examination of the accounts or otherwise, to satisfy myself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities

and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting well-being objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period I must report on the results of those examinations to the National Assembly.

## Appendix 2

### Performance work in last year's audit outline still in progress

#### Exhibit 9: performance work in last year's audit outline still in progress

Four performance audit projects from last year's audit outline remain outstanding and the table provides the current progress of these projects and further detail on the scope of the projects

Performance audit project	Status	Comment
Thematic Review: Overview and Scrutiny – Fit for the Future?	Fieldwork complete	Draft report planned for issue by the end of April 2018.
Local Based risk work - Business Improvement Portfolio Board	Scoping	This project will seek to support the Business Improvement Board as a key change programme across the Council.
Service-user perspective review	Scoping	A user-focussed review. Specific area to be agreed with the Council.
Local risk based work – WHQS follow up	Scoping	This project will review the Council's progress against its commitments made in November 2017 in response to our WHQS review.

# Appendix 3

## Summary of grant claim certification work

### Exhibit 10: summary of grant claim certification work

This table summarises my 2016-17 programme of grant claim certification work

Page 82

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate with no adjustments
Housing Benefit and Authority Tax Subsidy (BEN01)	30/4/17	6/7/17	Yes	Yes		Yes	
Teachers' Pension (PEN05)	30/5/17	10/5/17	No			Yes	
Free Concessionary Travel (TRA23)	30/9/17	26/9/17	No				Yes
Section 28a Annual Voucher – Wanless (HLG03)	30/9/17	18/9/17	No				Yes
Section 28a Annual Voucher – Learning and Disability (HLG03)	30/9/17	18/9/17	No				Yes
Flying Start – Capital (EYC02)	30/9/17	20/9/17	No				Yes
Flying Start – Revenue (EYC01)	30/9/17	20/9/17	No		Yes		
21st Century Schools (EDU18)	30/9/17	20/9/17	No				Yes
Families First (EYC14)	30/9/17	24/8/17	No				Yes

Communities First – Caerphilly Basin (RG03)	31/7/17	26/7/17	No		Yes		
Communities First – Upper Rhymney Valley (RG03)	31/7/17	26/7/17	No		Yes		
Communities First – Mid Valley East (RG03)	31/7/17	26/7/17	No		Yes		
Communities First – Mid Valley West (RG03)	31/7/17	26/7/17	No	Yes			
Land Drainage – Donkey’s Field (LD02)	N/a	9/8/17	No		Yes		
Land Drainage – Glenview Terrace (LD02)	N/a	9/8/17	No		Yes		
Non Domestic Rate (LA01)	26/5/17	23/5/17	No		Yes		
Local Transport Grant (TRA15)	30/9/17	28/9/17	No		Yes		
Gwent Frailty Partnership (HLG01)	28/4/17	26/4/17	No		Yes		
Total				1	1	3	14

The overall work programme in 2018 for unitaries is expected to include HB subsidy, 21st Century Schools, Non-domestic rates, Teachers Pensions, and the Summary Schedule of Welsh Government funding.

Locally, there may also be Communities First, pooled budgets and money transfers.

# Appendix 4

## Other future developments

### Forthcoming key IFRS changes

Exhibit 11: forthcoming key IFRS changes

There are three key changes to accounting rules that will impact on the authority over the next three years.

Standard	Effective date	Further details
<b>IFRS 9 Financial instruments</b>	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
<b>IFRS 15 Revenue from contracts with customers</b>	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
<b>IFRS 16 Leases</b>	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

## General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

## Wales Pension Partnership

The administering authorities for the eight Local Government Pension Scheme (LGPS) funds in Wales have established a pension investment pool in line with government requirements. The Wales Pension Partnership Joint Governance Committee will, from April 2018 onwards, oversee the pooling of some £15 billion of investments from the eight LGPS funds in Wales.

The relevant authorities need to be fully engaged in this process to ensure that appropriate arrangements are put in place that meet their requirements and to achieve the benefits of pooling which include economies of scale and reduced costs.

## Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

### Exhibit 12: planned forthcoming GPX webinars and Seminars.

My planned GPX programme includes 11 subject areas

Date	Format	Topic
April 2018	Webinar	<b>Sustainable Procurement.</b> Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
May 2018	Webinar	<b>Measuring Outcomes.</b> Supporting the WFG Act 44 bodies shift their focus from outputs to outcomes and impact

Date	Format	Topic
June 2018	Seminar	<b>Adverse Childhood Experiences.</b> In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
June 2018	Seminar	<b>Digital.</b> Seminar, taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
July 2018	Seminar	<b>Building Resilient Communities.</b> Focussing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
September 2018	Seminar	<b>Partnership working between Voluntary bodies and Public Sector Bodies.</b> Will also include the launch of the Good Practice Guide to Grants Management.
October 2018	Webinar	<b>Financial Audit – Early Closure of Local Government Accounts.</b> Focussing on cultural and behaviour changes.
December 2018	Seminar	<b>Alternative Service Delivery Models.</b> In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation and Good Practice Wales.
January 2019	Webinar	<b>Cybersecurity.</b> Focusing on governance arrangements.
February 2019	Seminar	<b>Preventing Hospital Admissions.</b> Jointly with NHS, Social Care, Housing and partners from the Third Sector.
March 2019	Seminar	<b>Youth.</b> Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

# Appendix 5

## National value-for-money studies

The Council may also be interested in the national value-for-money examinations that I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

**Exhibit 13** covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work, follow-up work, or based on the findings of other reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

### Exhibit 13: national value-for-money studies

Topic	Anticipated publication (as at 11 January 2018)
Primary care services <sup>2</sup>	February/March 2018
Access to public services with the support of specialist interpretation and translation	March/April 2018
Waste management (waste prevention) Waste management (municipal recycling) Waste management (procurement of infrastructure)	March/May 2018
Early intervention and public behaviour change <sup>3</sup>	March/April 2018
GP out-of-hours services – national summary report	April/May 2018
Rural Development Programme 2014-2020	April/May 2018
Business finance	May 2018

<sup>2</sup> An initial data rich report presenting a 'picture of primary care' in advance of further local audit work.

<sup>3</sup> Following on from some good practice work, we are planning to produce a short summary paper to highlight some of the issues raised and evidence gathered through that work, supported by a series of podcasts.

Topic	Anticipated publication (as at 11 January 2018)
NHS agency staffing costs <sup>4</sup>	Summer 2018
EU Structural Funds programmes 2014-2020	Summer 2018
Improving the wellbeing of young people	Autumn 2018
Radiology services – national summary	To be confirmed
Integrated Care Fund	To be confirmed
Care experienced by children and young people <sup>5</sup>	To be confirmed

<sup>4</sup> Work has recently commenced on gathering data from across the health services of the UK to support a paper on the various approaches being taken to address the increasing costs of employing agency medical and nursing staff within the NHS. The precise format for this output is still to be determined.

<sup>5</sup> The PAC has now set out its initial plans for some ongoing inquiry work on this topic. I will be supporting this work, although the precise nature of, and timescale for, any additional audit-related outputs is still to be determined.



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## **AUDIT COMMITTEE – 10TH APRIL 2018**

**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 October 2018. 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
09.07.18	24.07.18	<b>Items for Discussions:-</b>	
		Audit Committee Assurance Over Management Processes and Arrangements	S. Harris
		Financial Statement for 2017/18	S. Harris
		Regulator Proposals for Improvement Progress Update	R. Roberts
		Draft Annual Governance Statement For 2017/18	R. Harris
		Audit Committee Forward Work Programme	N. Scammell
		<b>Information Items:-</b>	
		Annual Review of Complaints Received Under The Council's Corporate Complaints Policy – 1/4/17 – 31/3/18	G. Williams
		Certificate of Caerphilly County Borough Council's 2018/19 Improvement Plan	R. Roberts
		Regulation of Investigatory Powers Act 2000	G. Williams
Officers Declarations of Gifts and Hospitality – January to March 2018	L. Donovan		
Register of Employees' Interest Forms 2017/18	L. Donovan		
Corporate Governance Panel Minutes – Date to be confirmed	R. Harris		

Deadline (12 Noon) Reports To Committee Services	Meeting Date	TOPIC	RESPONSIBILITY
1.10.18	16.10.18	<p><b>Items for Discussions:-</b></p> <p>Corporate Risk Register</p> <p>Internal Audit Services – Annual Outturn Report for 2017/18</p> <p>Audit Committee Forward Work Programme 2016/17</p> <p><b>Information Items:-</b></p> <p>Regulation of Investigatory Powers Act 2000</p> <p>Officers Declarations of Gifts and Hospitality – April to June 2018</p> <p>Corporate Governance Panel Minutes – Date to be confirmed</p>	<p>R. Roberts</p> <p>R. Harris</p> <p>N. Scammell</p> <p>G. Williams</p> <p>L. Donovan</p> <p>R. Harris</p>

Gadewir y dudalen hon yn wag yn fwriadol



## AUDIT COMMITTEE – 10TH APRIL 2018

**SUBJECT: OFFICERS DECLARATIONS OF GIFTS AND HOSPITALITY  
OCTOBER TO DECEMBER 2017**

**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 October to 31 December 2017 ie the third quarter of the financial year 2017/18 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 October to 31 December 2017.

### **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 October to 31 December 2017 and the previous three quarters for comparison.

Directorate	Number of declarations received - Gifts			
	Oct – Dec 2017	July – Sept 2017	April – June 2017	Jan – March 2017
<b>Communities</b>	0	0	1	0
<b>Corporate Services</b>	4	0	0	0
<b>Education and Lifelong Learning</b>	0	0	0	0
<b>Social Services</b>	2	1	0	0
<b>Total</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>0</b>

- 4.7 The table below details the number of declarations regarding Hospitality submitted by Directorate for the period 1 October to 31 December 2017 and the previous three quarters for comparison.

Directorate	Number of declarations received - Hospitality			
	Oct – Dec 2017	July – Sept 2017	April – June 2017	Jan – March 2017
<b>Communities</b>	1	1	1	0
<b>Corporate Services</b>	0	0	0	0
<b>Education and Lifelong Learning</b>	0	0	0	0
<b>Social Services</b>	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</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: Stephen Harris, Acting Head of Corporate Finance  
Lisa Lane, Solicitor  
Cllr Colin Gordon, Cabinet Member for Corporate Services

Appendices:  
Appendix 1 Declarations of Gifts and Hospitality 1 October to 31 December 2017

**Appendix 1**

**Declarations of Gifts and Hospitality – 1 October to 31 December 2017**

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
Corporate Services	Human Resources	Principal HR Officer	Gift	Bottle of wine from supplier. Approximate value £5. Accepted on basis would donate to Mayors Charity.	Acting Head of Human Resources and Organisational Development	Accepted
Corporate Services	Human Resources	HR Officer	Gift	Bottle of wine from supplier. Approximate value £5. Accepted on basis would donate to Mayors Charity.	Acting Head of Human Resources and Organisational Development	Accepted
Corporate Services	ICT	Principal Operations Officer	Gift	Bottle of Prosecco, chocolates and post it notepad from supplier. Approximate value £10. Shared chocolates with office, donated wine to local charity, kept post it pad.	Head of IT (Acting)	Accepted
Corporate Services	ICT	Principal Operations Officer	Gift	Box set of red wine and chocolates from supplier. Approximate value £10. Accepted, donated to local charity.	Head of IT (Acting)	Accepted
Social Services	Public Protection	Senior Fair Trading Officer	Gift	2 bottles of wine, 1 small box of chocolates. From members of the public. Approx value £15.	Head of Public Protection	Accepted
Social Services	Adult Services	Rehab Officer (Visually Impaired)	Gift	£20 cash in a Christmas card. From a service user.	Assistant Director, Adult Services	Accepted
Communities	Community and Leisure Services	Head of Community & Leisure Services	Hospitality	Attendance at Chartered Institute of Waste Management Christmas Event. Table sponsored by external contractor. Value unknown.	Corporate Director Communities	Accepted



## AUDIT COMMITTEE – 10TH APRIL 2018

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

**REPORT BY: CORPORATE SOLICITOR**

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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 (RIPA) for the period 1st January 2018 to 28th February 2018.

### **2. SUMMARY**

- 2.1 To provide an update on the number of operations undertaken in accordance with RIPA for the period 1st January 2018 to 28th February 2018.

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

- 3.1 The Council is under an obligation to comply with legislative requirements - this report helps to achieve that.
- 3.2 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory mechanism for authorising directed surveillance and the use of a covert human intelligence source, which aims to ensure that any interference with the individual's right to privacy under Article 8 of the European Convention is necessary and proportionate, and that both the public interest and the human rights of individuals are protected and as such 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 globally responsible Wales

### **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 1st January 2018 to 28th February 2018, there have been no RIPA operations undertaken.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 None, the report is for information only.

## **6. WELL BEING OF FUTURE GENERATIONS**

- 6.1 This report contributes to the Well-being goals as set out in the Links to Strategy above as compliance with the provisions of RIPA ensures that any interference with an individual's right to privacy under Article 8 of the European convention is necessary and proportionate, and that both the public interest and the human rights of individuals are protected.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 None, the report is for information only.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 None, the report is for information only.

## **9. CONSULTATIONS**

- 9.1 None. The report is for information only.

## **10. RECOMMENDATIONS**

- 10.1 None. Members note the information provided.

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

- 11.1 To ensure compliance with statutory requirements.

## **12. STATUTORY POWER**

- 12.1 Regulation of Investigatory Powers Act 2000.

Author: Lisa Lane, Corporate Solicitor  
Consultees: Stephen Harris, Interim Head of Corporate Finance