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For all enquiries relating to this agenda please contact Kim Houghton  
(Tel: 01443 864267 Email: [houghk@caerphilly.gov.uk](mailto:houghk@caerphilly.gov.uk))

**Date: 9th October 2018**

Dear Sir/Madam,

A meeting of the **Audit Committee** will be held in the **Sirhowy Room, Penallta House, Tredomen, Ystrad Mynach** on **Tuesday, 16th October, 2018** at **2.00 pm** to consider the matters contained in the following agenda. Councillors and the public wishing to speak on any item can do so by making a request to the Chair. You are also welcome to use Welsh at the meeting, both these requests require a minimum notice period of 3 working days, and a simultaneous translation will be provided if requested.

All Committee meetings are open to the Press and Public, observers and participants are asked to conduct themselves with respect and consideration for others. Please note that failure to do so will result in you being asked to leave the meetings and you may be escorted from the premises.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'CHARRY'.

**Christina HARRY**  
INTERIM CHIEF EXECUTIVE

## AGENDA

Pages

1 To receive apologies for absence.

A greener place Man gwyrddach



2 Declarations of Interest.

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

To approve and sign the following minutes: -

- 3 Audit Committee held on 24th July 2018. 1 - 8

To receive and consider the following reports: -

- 4 Wales Audit Office Report - Overview and Scrutiny Fit for the Future? - Caerphilly County Borough Council. 9 - 34
- 5 WHQS - Acceptable Fails Update. 35 - 50
- 6 Journal Transfer Authorisation Limits. 51 - 54
- 7 Presentation - Customer Services Update (attached). 55 - 60
- 8 Corporate Risk Register Monitoring (Q2 - 2018/19). 61 - 68
- 9 Internal Audit Services - Annual Outturn Report 2017/18. 69 - 92
- 10 Internal Audit Services - Revised Methodology for 4 Tier Audit Opinions, Risk Ratings and Assurance - Draft Report. 93 - 104
- 11 Audit Committee Forward Work Programme 2018/19. 105 - 114

To receive and note the following information items:-

- 12 Caerphilly County Borough Council - Annual Audit Letter 2017-18 115 - 116
- 13 Regulation of Investigatory Powers Act 2000. 117 - 120
- 14 Officers Declaration of Gifts and Hospitality - April to June 2018. 121 - 126

*\*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 Kim Houghton, 01443 864267, by 10.00 a.m. on Monday 15th October 2018*

**Circulation:**

Councillors 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 (Chair), G. Simmonds and J. Simmonds

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

Auditors –Ms N. Jenkins (Wales Audit Office), Ms G. Hawkins (Grant Thornton UK LLP) and Mr B. Morris (Grant Thornton UK LLP)

And Appropriate Officers.

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## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON TUESDAY 24TH JULY 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 A. Gair, Ms J. Gale, Mrs B. Miles, Ms T. Parry and G. Simmonds.

#### Together with:

B. Morris (Grant Thornton) and G. Hawkins (Grant Thornton).

R. Edmunds (Corporate Director for Education and Corporate Services), N. Scammell (Section 151 Officer), S. Harris (Deputy Section 151 Officer), A. Southcombe (Finance Manager) L. Lucas (Head of Customer and Digital Services), I. Evans (Contracts Manager), R. Roberts (Performance Manager) and K. Houghton (Committee Services Officer).

#### 1. TO APPOINT A CHAIR FOR THE ENSUING YEAR.

It was moved and seconded that Councillor M.E. Sargent be appointed as Chair of the Audit Committee for the ensuing year and by a show of hands this was unanimously agreed.

RESOLVED that Councillor M.E. Sargent be appointed Chair of the Audit Committee for the ensuing year.

#### 2. TO APPOINT A VICE-CHAIR FOR THE ENSUING YEAR

It was moved and seconded that Mr N. Yates be appointed as Vice-Chair of the Audit Committee for the ensuing year and by a show of hands this was unanimously agreed.

RESOLVED that Mr N. Yates be appointed as Vice-Chair of the Audit Committee for the ensuing year.

#### 3. APOLOGIES

Apologies for absence were received from Councillors J. Bevan, D. Hardacre and J. Simmonds

#### **4. DECLARATIONS OF INTEREST**

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

#### **5. MINUTES – 10TH APRIL 2018**

It was moved and seconded that the minutes of the meeting held on the 10th April 2018 be agreed as a correct record and by a show of hands this was unanimously agreed.

RESOLVED that the minutes of the Audit Committee held on the 10th April 2018 (Minute No. 1 – 10) be approved as a correct record.

#### **REPORTS OF OFFICERS**

Consideration was given to the following reports.

#### **6. PROCUREMENT UPDATE**

The Head of Customer and Digital Services and the Contracts Manager presented the Committee with an update on Procurement.

The Officers informed the Committee that there are three key areas that they are working on in regards to Procurement. These being as follows;

Programme for Procurement – This is a flexible document centred on delivering a programme that meets the objectives as set out by the Wellbeing of Future Generations (Wales) Act 2015. The Council has progressed well with this document and it is being provided as a template for other Welsh authorities.

Welsh Government Code of Practice – this considers ethical employment in supply chains and has been developed to target Modern Slavery. This involves blacklisting suppliers but also working with Suppliers to change practices and undertake the Code of Practice. Councillor C. Gordon has been made a Champion for this.

Third Party Expenditure – The Welsh Government review is on hold. However this focuses on protecting the third party supply chain.

The Procurement team are keen to develop sustainable procurement with the community benefits being driven by the Programme of Procurement and an example of this in practice is the WHQS Programme and the establishment of a Dynamic Purchasing System.

The Council are the first to take forward E-Procurement and the Procurement team are now reviewing as to whether the system is being used to its full extent? Has it impacted on standing orders and regulations? And has it led to efficiency savings in Officer time? There has been a strong indication that Welsh Government will be withdrawing funding to support E-Procurement so the Team are looking into alternative funding streams.

The Team are facing further challenges in the form of diminishing numbers of Procurement professionals, supply voids, Brexit, local supply chain capacity, automation, no PO No payment, ongoing Procurement reviews and supporting the Code of Practice: Ethical employment in supply chains.

Future areas of focus for the Team continue to be the Programme for Procurement, anticipated changes as a result of the completion of various reviews, looking for further collaboration opportunities and encouraging effective contract management.

The Chair thanked the Officers for their presentation and Members comments and questions were welcomed.

Members sought assurances that with a move towards automation, the ethical practices of suppliers and the quality of the end product delivered would continue to be taken into consideration during the Procurement process rather than just value for money. The Head of Customer and Digital Services assured the Committee that the quality criteria are set up-front when the procurement goes to market. There is a requirement from the supplier to evidence quality provision. The Procurement team research Suppliers, consult technical experts and as a Council, have made commitments to providing quality products that are best value not only from a financial aspect but also in terms of its community value.

A Member enquired as to whether there were any targets set for addressing the supply chain void. The Officer responded that targets have not been set however the Team are engaging with local suppliers whilst recognising that there are limits on what can be supplied locally. Workshops are being run and the Team are working towards identifying areas where a void exists and channelling the filling of this void towards local businesses wherever possible.

Members raised concerns with the shortage of Procurement professionals in the industry and enquired as to whether there were any programmes in place within the Local Authority to encourage and train Procurement professionals. The Officer informed the Committee that all staff within the service area have training and development plans, there are apprenticeship opportunities available in the Service and the Team provide support to MSc students.

Further concerns were raised with regards to the withdrawal of Welsh Government funding for the Automated Procurement System. The Procurement team are currently in discussions with Proactis who support all the Authority's other procurement systems and the Team are exploring alternative options with them.

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

The Performance Manager presented the report updating the Committee on progress against proposals or recommendations made by all Regulators since the last Audit Committee update in January 2018.

The Officer informed the Committee that there were no new reports however there are two draft reports currently being finalised which are;

- 'Service User Perspective' – a qualitative report, where WAO have contacted a sample of housing tenants subject to the WHQS programme and the results will be used to inform their follow up WHQS review work later in the year
- Overview and Scrutiny – Fit for the Future? Which asks the question – is the Council's Overview and Scrutiny function well placed to respond to current and future challenges?

In the course of presenting the report, the Officer drew particular attention to paragraphs 4.2 and 4.3 which indicated figures and breakdowns, 4.5 and 4.9 which provided narrative on the updates given in the appendices to the Report and 4.10, which showed that there had been no updates received from Estyn or Care Inspectorate Wales.

The Chair thanked the Officer for their report and Members comments and questions were welcomed.

Members raised concerns with regards to the WHQS programme and the impact of approximately 10% of tenants refusing access to properties. The Members queried whether this issue was rectifiable prior to the planned completion of the programme and would this

have budgetary implications? The Officer reminded Members that a more detailed WHQS Programme update is planned for the 29th January 2019 meeting of the Audit Committee. The Officer highlighted that there are 11 reporting bodies to the WHQS programme which provides a wealth of data so the Council is confident that the WHQS are identifying these issues. Following Members discussion it was felt that the detailed WHQS report to Audit Committee should be brought forward to the 16th October 2018 Audit Committee.

Members enquired about the consultation and procurement process previously undertaken in relation to the potential transfer of the Council's housing stock. The Section 151 Officer informed the Committee that the option to transfer to a Registered Social Landlord (RSL) or remain with the Local Authority was put to all tenants to vote on. In response to a query from a Member, the Section 151 Officer also confirmed that no borrowing has taken place to date in respect of works to achieve the Welsh Housing Quality Standard (WHQS) but borrowing would be required in the 2018/19 financial year. All borrowing will be undertaken in accordance with limits approved by Full Council.

Following consideration of the report it was moved and seconded that the recommendation to note the contents of the report and approve the closure of proposals as identified in Appendix 1 to the Officers report be approved and by a show of hands this was agreed by the majority present.

RESOLVED that:-

- (i) The contents of the report be noted
- (ii) The closure of proposals, as noted in Appendix 1 to the Report, be agreed

## **8. LOCAL GOVERNMENT FINANCIAL STATEMENTS AND THE ROLE OF THE EXTERNAL AUDITOR**

Representatives from Grant Thornton provided the Committee with a presentation on 'The role of External Audit and the Audit Committee in relation to the Statement of Accounts'.

The Auditors outlined the role of the Audit Committee, relating to Financial Statements, as to review and scrutinise financial affairs, review and assess risk management, internal control and corporate governance arrangements and oversee the internal and external audit arrangements of the Council. They also informed the Committee that it was to monitor the audit process through consideration of audit plans, reporting and evaluating the effectiveness of internal and external audit and promoting effective working between internal and external audit. They highlighted the following as factors the Committee needed to consider – assurance reporting, external review and inspection findings, reporting streams, external third party commentary, previous experiences, progress made on previous recommendations, awareness of deficiencies and risks; and asking questions. The Auditors asked the Committee to consider the following questions;

- Has the Council identified its assurance needs at a strategic level?
- Are the internal audit resources being utilised to provide assurance in key areas?
- Do internal audit and external audit reports provide confidence that the controls are in place, or flag up areas of concern?
- Can we trust our financial reporting?
- How reliable is our management information?
- Do we comply with relevant legislation?

Following on from the role of the Audit Committee, the Auditors outlined the role of the External Auditors. The Committee were informed that the role is to provide an audit opinion



on the Council's Financial Statements, as to whether they provide a fair and true view of the financial position at year end, assess if the Financial Statements have been properly prepared in accordance with CIPFA's Code of Practice on Local Authority Accounting, undertake certification of grant claims and returns and to provide a view on the Whole of Government Accounts submissions. They also correspond with the public and manage objections. The Auditors highlighted that a key part of their role was to work with the Audit Committee to ensure its work is timely, effectively planned and to communicate, share and evaluate national reports and governance reviews with the Committee.

The External Auditors provided the Committee with an overview of how they audit. This is done by following strict legislation and standards. It was explained that they determine the Local Authorities materiality which is defined as follows;

*'Misstatements, including omissions, are considered to be material if they individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'*

From this a determination of what is 'trivial' is also made. Based on this, the Auditors issue a 'true' and 'fair' opinion with a focus on the risks. Work is also undertaken on all material balances and items of account.

In conclusion to the presentation, the Auditors briefed the Committee on their role with the External Auditors and Accounts. The Committee's role is to receive the External Auditor's findings report (ISA260) and formally consider issues raised prior to audit opinion and publication of the Accounts; and consider the issues raised and approve final Accounts. The Auditor's stated that what is reported, by them, are matters they consider to be important or relevant.

The Auditors highlighted what Members should look for in Accounts, as follows;

- Consistency with in year reporting,
- Variances against budget and previous year.
- Financial position.
- Internal consistencies of Accounts.
- The Section 151 Officer Report clearly explains inconsistencies
- Major developments are highlighted,
- The Report provides full understanding of the Accounts and addresses all queries satisfactorily.

The Chair thanked the Officers for their presentation and Members comments and questions were welcomed

Members queried the External Auditor's determination that £306k is deemed 'trivial' in terms of misstatements, particularly in circumstances when the £306k misstatement is identified on just one transaction. The External Auditor responded that although this occurrence would not be reported to you, it would be to Managers and a cut off figure needs to be used. £306k in deficit or credit would not make a material difference compared to £6.1m which is the determined materiality.

## **9. AUDIT COMMITTEE ASSURANCE OVER MANAGEMENT PROCESSES AND ARRANGEMENTS**

The Deputy Section 151 Officer presented the report which provides the Chair's response to the External Auditor, Grant Thornton, on how the Committee gains assurance over management processes and arrangements. A list of questions was given to the Chair of Audit Committee and the responses are appended to the Officer's report.

The Chair thanked the Officer for the report and Members comments and questions were welcomed.

Following consideration of the report and without comment or question it was moved and seconded that the response in the Appendix to the Report be noted and by a show of hands this was agreed by the majority present.

RESOLVED that the response as appended to the Report be noted.

## 10. FINANCIAL STATEMENTS FOR 2017/18

The Section 151 Officer, Deputy Section 151, the Finance Manager and the representatives from Grant Thornton presented the report on the External Auditor's Audit of Financial Statements for 2017/18 and sought the Committee's recommendation to Council for approval of the 2017/18 Financial Accounts.

The External Auditors congratulated the Council's achievement in producing the Financial Statements in the new accelerated time frame of two months earlier than previous years with a good turn around on Audit queries. They drew particular attention to the '*Response to financial audit risks*' section (Page 26) of Appendix 1 of the Report and also the '*Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee as those charged with governance*' section (page 40).

The Chair thanked the Officers for their report and Members comments and questions were welcomed.

A Member raised concerns regarding the level of Pension deficit. The Deputy Section 151 Officer has corresponded with the Member on this matter previously and agreed to send a letter received from Greater Gwent (Torfaen) Pension Fund to all members for clarification purposes.

Members discussed the Cardiff Capital Region City Deal and the achievability of the 1% increase on GDA target for the Authority particularly in regard to the areas of deprivation within the Borough and the consequences if this target is not met. The Deputy Section 151 Officer informed the Committee that Cardiff Capital Region City Deal have a Cabinet upon which the Council's leader sits and they are in the process of forming a Scrutiny Committee therefore any issues would be identified and conveyed to the Authority within a timely manner and although, as a rule, these issues will be reported to the Council's Cabinet and Scrutiny Committees, it can be looked at for reporting to Audit Committee. The Section 151 Officer also highlighted that if the financial risk became significant enough then it would appear on the Corporate Risk Register which is reported to the Committee.

Members queried why the Cardiff Capital Region City Deal does not already appear on the Corporate Risk Register due to the large financial commitment made. The Section 151 Officer responded that this is a long term commitment in its early stages and although there is a risk attached to it, financially it is seen as affordable and therefore does not represent significant enough a risk to be placed on the Corporate Risk Register.

A detailed discussion was had in relation to Journals which was highlighted by the External Auditors as an area in need of action by the Authority to address risks associated with authorisation of Journal users. It was reported that in some cases Journals were accessed and posted by employees not included within the schedule held. Members sought clarification on the process followed with regards to authorising members of staff to access and post journals. The Section 151 Officer informed the Committee that full authorisation is not rolled out across all the devolved finance teams within each directorate. Each team can process journals within their own directorate but a higher level of authorisation is given to the Central Finance team. This ensures that the use of the system is restricted to trained staff and there is a greater amount of control over it. Following further discussion the Section 151 Officer

agreed to provide a report on Journal Authorisation Limits for the next meeting of the Audit Committee.

A Member raised concerns regarding the reduction in staff numbers in the Authority in recent years due to budget reductions and the impact this will have on services if it is to continue. The Section 151 Officer stated that savings demands and austerity will continue to impact on staffing numbers however the staff and public will be informed if a service is lost and the risk of this is assessed when the budget is formed. It will also be monitored through the Pensions Compensations Committee.

As a result of various discussions, the Deputy Section 151 Officer agreed to provide details of the Provisional Outrun Report for 2017/18.

Following consideration of the report it was moved and seconded that the recommendations to Council to ensure that the 2017/18 Financial Accounts are approved and submitted to the Wales Audit Office (WAO) in accordance with the statutory requirements, be supported by the Audit Committee and by a show of hands this was agreed by the majority present.

RESOLVED that:-

- (i) The External Auditor's Audit of Financial Statements Report be received and the Committee's comments noted.
- (ii) The management responses to the Auditor's recommendations arising from the 2017/18 financial audit be noted.
- (iii) The Audit Committee recommends to Council that the 2017/18 Financial Accounts are approved subject to any changes that may be required as a result of ongoing audit work.

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

The Corporate Director for Education and Corporate Services presented the Audit Committee's Forward Work Programme for the period of July 2018 – January 2019.

The Audit Committee Forward Work Programme is a working document and is updated regularly when additional reports are identified by Members and Officers. The Forward Work Programme is made up of reports identified by Officers and Members and the Committee is asked to review this work programme at every meeting going forward

The Chair thanked the Officer for their report and Members comments, questions, amendments or additions were welcomed.

Following consideration of the Audit Committee Forward Work Programme, one amendment and 4 additional reports were requested and subject to these changes it was moved and seconded that the Forward Work Programme be approved and by a show of hands this was agreed by the majority present.

RESOLVED that subject to the following amendment and additions, the Audit Committee Forward Work Programme for July 2018 - January 2019 be approved;

- (i) As discussed at Agenda item no. 7, the report on 'Housing and WHQS update' be brought forward from the 29th January 2019 meeting of the Audit Committee to 16th October 2018 meeting.

- (ii) The Deputy 151 Officer requested that reports on the AP Forensics Software and the Update to the Audit Charter be added to the Forward Work Plan for the 29th January 2019 meeting.
- (iii) The Section 151 Officer requested a further report be added to the 16th October 2018 meeting regarding Journal Authorisation Limits.

## 12. INFORMATION ITEMS

The Committee received and noted the following information items:-

- (i) (Annual Review of Complaints Received Under The Council's Corporate Complaints Policy – 1st April 2017 – 31st March 2018
- (ii) Certificate of Caerphilly County Borough Council's 2018 – 2019 Improvement Plan
- (iii) Regulation of Investigatory Powers Act 2000
- (iv) Officers' Declarations of Gifts and Hospitality – January to March 2018
- (v) Register of Employees' Interests Forms 2017/18
- (vi) Corporate Governance Panel Minutes – 9 October 2017
- (vii) Corporate Governance Panel Minutes – 19 February 2018

The meeting closed at 16:19pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 16th October 2018, they were signed by the Chair.

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CHAIR



## **AUDIT COMMITTEE – 16TH OCTOBER 2018**

**SUBJECT: WALES AUDIT OFFICE – OVERVIEW AND SCRUTINY FIT FOR THE FUTURE? - CAERPHILLY COUNTY BOROUGH COUNCIL**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

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- 1.1 The attached report will be considered by the Scrutiny Leadership Group at its meeting on the 11th October 2018. Comments arising from the Scrutiny Leadership Group will be verbally reported to the Audit Committee on 16th October 2018.
  - 1.2 The Audit Committee are asked to consider the report recommendation and take into account the views expressed at the meeting of the Scrutiny Leadership Group.

Author: K. Houghton, Committee Services Officer, Ext. 4267

Appendices:

Appendix: Report to the Scrutiny Leadership Group on 11th October 2018 – Agenda Item 4

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## SCRUTINY LEADERSHIP GROUP – 11TH OCTOBER 2018

**SUBJECT: WALES AUDIT OFFICE REPORT – OVERVIEW AND SCRUTINY FIT FOR THE FUTURE? - CAERPHILLY COUNTY BOROUGH COUNCIL**

**REPORT BY: CORPORATE DIRECTOR EDUCATION AND CORPORATE SERVICES**

### 1. PURPOSE OF REPORT

- 1.1 To advise Scrutiny Leadership Group of the outcome of the review undertaken by Wales Audit Office (WAO) outlined in its report 'Overview and Scrutiny Fit for the Future' (appendix 1). The WAO review has no statutory recommendations but makes proposals for improvement. Scrutiny Leadership Group is asked to consider the findings and recommend actions in order to respond to the report.

### 2. SUMMARY

- 2.1 This report outlines the recommendation contained in the Wales Audit Office report 'Overview and Scrutiny Fit for the Future' and includes a breakdown of the training and development available to Members during the Induction 2017. The report suggests the timescale for the next scrutiny self-evaluation and also proposes a workshop for Members and senior officers in order to develop an action plan.

### 3. LINKS TO STRATEGY

- 3.1 The scrutiny function is a key part of the governance arrangements in Caerphilly County Borough Council. It is important therefore to ensure that Members understand and are supported to fulfil their scrutiny role, so that decisions that may impact on future generations are properly scrutinised. An effective scrutiny function can ensure that council policies are scrutinised against the following goals:

- *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 Wales Audit Office carried out a review of the scrutiny function across all 22 Welsh local authorities in order to establish how 'fit for the future' they are in responding to current challenges such as the Wellbeing of Future Generations Act 2015, scrutiny of Public Services Boards and continued pressure on public finances. The WAO also looked at the progress made in addressing the recommendations from their earlier national improvement study 'Scrutiny? Good Question' (May 2014).

4.2 The proposals for improvement to the scrutiny function are as follows:

P1 - Improving the provision of training and development opportunities for members to help:

- a. improve their understanding of their role in overview and scrutiny;
- b. develop their skills to be able to scrutinise effectively; and
- c. improve their understanding and consideration of the Well-being of Future Generations Act when undertaking scrutiny activity by providing further training.

P2 - Clarifying the role of Cabinet Members within the overview and scrutiny process to ensure that arrangements support transparency and accountability.

P3 - Setting clear priorities and actions for improvement for the scrutiny function taking into account current and future challenges.

### **Training and Development**

4.3 Wales Audit Office stated that:

- The Council values its overview and scrutiny function but for it to improve and meet future challenges, members need more focussed training, development and support to better understand and undertake their scrutiny roles effectively. The overview and scrutiny function is hindered by limited member understanding of their role and a lack of timely and specific training and development opportunities to support them to be more effective.
- Scrutiny Chairs manage meetings well but improved planning would help scrutiny activity be more focussed.
- Despite regularly reviewing its overview and scrutiny function, the Council has not identified clear actions to improve its impact, and most members lack an understanding of future challenges for the overview and scrutiny function.

### **Background**

4.4 Following the local government elections in 2017, Members were offered the following information, training and seminars:

4.4.1 **Overview of Council** - A presentation in the Council Chamber by the Chief Executive and Corporate Directors to give an overview of the organisation and some of the key services offered by the local authority. Members also had an opportunity to meet senior officers and other Councillors at a 'Market Place' event at Penallta House.

4.4.2 **Introduction to Scrutiny Committees Training** – this was offered as part of the Induction in 2017 and was held before first meeting of the scrutiny committee held after the Annual General Meeting. This training has covered the following:

- Role and purpose of scrutiny.
- Committee terms of reference.
- The Characteristics of Good Scrutiny and Attributes of Good Scrutiny.
- How Scrutiny works at Caerphilly.
- Forward work programmes which include expert witnesses and prioritisation.
- Dedicated performance management meeting.
- Pre-meetings.

4.4.3 The training also directed Members to the Members Portal and the protocols developed on forward work programmes, expert witnesses, cabinet member statements, requesting reports and task and finish groups. Members had the opportunity to ask questions and make



requests for further information.

- 4.4.4 All scrutiny committee members were invited to the scrutiny training with specific encouragement to newly elected members, who were able to attend more than one session to allow them to gain an understanding of the varying responsibilities of each committee. Attendance at these sessions was as follows:

<b>Scrutiny Committee</b>	<b>Overall Attendance</b>	<b>Of Which Newly Elected Members</b>
Education for Life Scrutiny Committee	11	8
Health Social Care & Wellbeing Scrutiny Committee	10	5
Policy and Resources Scrutiny Committee	11	5
Partnerships Scrutiny Committee	5	0
Regeneration and Environment Scrutiny Committee	5	4

- 4.4.5 **Forward Work Programme Workshops** - Each scrutiny committee member was invited to participate in a workshop to plan the scrutiny committee work programme for the year ahead. Directors and Heads of Service provided information on the key issues and Members had the opportunity to consider and decide what would be added to the forward work programme, alongside issues identified by the committee. The committee were also able to consider any expert witnesses they may have wished to invite.
- 4.4.6 The Induction programme also included a seminar on Decisions for Future Generations in and was attended by 19 Members. Since the WAO review was carried out each scrutiny committee has received refresher training on the Wellbeing of Future Generations Act during the annual scrutiny training held in May/June 2018.

### **Training Programme 2018 -2020**

- 4.5 Democratic Services Committee endorsed the Member Training Programme for 2018-2020, at the meeting held on 23rd July 2018. This programme has been developed from the Member Development Survey and includes training on Chairing Skills, Advanced Chairing Skills, Questioning and Listening Skills, Effective Pre-meetings, communication, influencing & negotiating skills, public speaking, performance & improvement, strategic thinking & regional working as well as e-learning module on Decisions for Future Generations.

### **Self-Evaluation**

- 4.6 Scrutiny Leadership Group has been responsible for the oversight of the Scrutiny provision and during 2016/2017 took part in peer evaluation with Newport and Monmouthshire Councils alongside a self-evaluation questionnaire. The outcome was reported to SLG on 26th January 2017 and Members asked that the questionnaire be re-sent to Councillors in order to encourage more responses, this was subsequently done and then reported to SLG on 27th July 2017. SLG asked that the outcome be reported to Full Council (October 2017) and that the survey be repeated twice per council term.
- 4.7 The self-evaluation questionnaire is due to be sent during autumn 2018 (appendix 2) and it is suggested that this is launched alongside a workshop with invitations to both Members and senior officers in order to address the findings in the WAO report. The proposal is to ask workshop members questions in respect of the WAO findings P1, P2 and P3 and use the information to develop an action plan. The outcome of the workshop and the questionnaire can then be reported to Scrutiny Leadership Group alongside the action plan to outline any further improvements to the scrutiny function.

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

- 5.1 This report contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in the Act in that supporting Members to carry out their scrutiny function will ensure that they understand their role in challenging proposals and decisions in the context of the wellbeing of future generations.

## **6. EQUALITIES IMPLICATIONS**

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

## **7. FINANCIAL IMPLICATIONS**

- 7.1 There are no financial implications contained in this report.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 There are no personnel implications contained in this report.

## **9. CONSULTATIONS**

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

## **10. RECOMMENDATIONS**

- 10.1 Scrutiny Leadership Group is asked to consider the Wales Audit office report attached at appendix 1.
- 10.2 Scrutiny Leadership Group is asked to agree the proposals in respect of the 2018 self-evaluation and workshop.

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

- 11.1 To ensure that the findings of Wales Audit Office are considered and set out proposals to identify further improvements as necessary.

## **12. STATUTORY POWER**

- 12.1 Section 21 of the Local Government Act 2000.
- 12.2 Local Government (Wales) Measure 2011.

Author: Catherine Forbes-Thompson, Interim Head of Democratic Services.  
Consultees: Richard Edmunds Corporate Director Education and Corporate Services.  
Rob Tranter, Head of Legal Services and Monitoring Officer.

Background Papers:

Democratic Services Committee 17th November 2016 Agenda item 5.

Scrutiny Leadership Group 27th July 2017 Agenda item 5.

Appendices:

Appendix 1 Wales Audit Office – Overview and Scrutiny – Fit for the Future? – Caerphilly County Borough Council.

Appendix 2 Scrutiny Self-Evaluation Questionnaire 2018

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Overview and Scrutiny – Fit for the Future? – **Caerphilly County Borough Council**

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This document is also available in Welsh.

The team who delivered the work comprised Allison Rees, Gareth Jones, Tim Buckle, programme managed by Non Jenkins under the direction of Huw Rees.

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The overview and scrutiny function is hindered by limited member understanding of their role, and a lack of timely and specific training and development opportunities to support them to be more effective

6

Scrutiny Chairs manage meetings well but improved planning would help scrutiny activity be more focussed

9

Despite regularly reviewing its overview and scrutiny function, the Council has not identified clear actions to improve its impact, and most members lack an understanding of future challenges for the overview and scrutiny function

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# Summary report

## Summary

- 1 This review explored with each of the 22 councils in Wales how 'fit for the future' their scrutiny functions are. We considered how councils are responding to current challenges such as the Wellbeing of Future Generations Act 2015 in relation to their scrutiny activity and how councils are beginning to undertake scrutiny of Public Service Boards. We also examined how well-placed councils are to respond to future challenges, such as continued pressure on public finances and the possible move towards more regional working by local authorities.
- 2 As part of this review, we reviewed the progress that councils have made in addressing the recommendations of our earlier National Improvement Study 'Good Scrutiny? Good Question' (May 2014) (see [Appendix 2](#)). We also followed up on the proposals for improvement relevant to scrutiny that we issued in local reports. These reports included our 2016-17 thematic reviews of Savings Planning and Governance Arrangements for Determining Significant Service Changes.
- 3 Our review aimed to:
  - a) identify approaches to embedding the sustainable development principle into scrutiny processes and practices to inform practice sharing and future work of the Auditor General in relation to the Wellbeing of Future Generations Act;
  - b) provide assurance that scrutiny functions are well placed to respond to current and future challenges and expectations;
  - c) help to embed effective scrutiny by elected members from the start of the new electoral cycle; and
  - d) provide insight into how well councils have responded to the findings of our previous Scrutiny Improvement Study.
- 4 To inform our findings we based our review methodology around the Outcomes and Characteristics for Effective Local Government Overview and Scrutiny (see [Appendix 1](#)) that scrutiny stakeholders in Wales developed and agreed following our previous National Improvement Study 'Good Scrutiny? Good Question'.
- 5 When we undertook our review in December 2017, we reviewed documents, interviewed officers and held focus groups with members involved in scrutiny to obtain their views on Caerphilly County Borough Council's (the Council) current scrutiny arrangements and understand how the Council is approaching and intends to respond to the challenges identified above.
- 6 In this review, we conclude that the Council values its overview and scrutiny function but for it to improve and meet future challenges, members need more focussed training, development and support to better understand and undertake their scrutiny roles effectively. We came to this conclusion because:
  - a. The overview and scrutiny function is hindered by limited member understanding of their role, and a lack of timely and specific training and development opportunities to support them to be more effective;



- b. Scrutiny Chairs manage meetings well but improved planning would help scrutiny activity be more focussed; and
- c. Despite regularly reviewing its overview and scrutiny function, the Council has not identified clear actions to improve its impact, and most members lack an understanding of future challenges for the overview and scrutiny function.

## Proposals for improvement

### Exhibit 1: proposals for improvement

The table below contains our proposals for ways in which the Council could improve the effectiveness of its overview and scrutiny function to make it better placed to meet current and future challenges.

Proposals for improvement	
<b>The Council's scrutiny function could be strengthened by:</b>	
P1	Improving the provision of training and development opportunities for members to help: <ul style="list-style-type: none"> <li>a. improve their understanding of their role in overview and scrutiny;</li> <li>b. develop their skills to be able to scrutinise effectively; and</li> <li>c. improve their understanding and consideration of the Well-being of Future Generations Act when undertaking scrutiny activity by providing further training .</li> </ul>
P2	Clarifying the role of Cabinet Members within the overview and scrutiny process to ensure that arrangements support transparency and accountability.
P3	Setting clear priorities and actions for improvement for the scrutiny function taking into account current and future challenges.

# Detailed report

**The Council values its overview and scrutiny function but for it to improve and meet future challenges, members need more focussed training, development and support to better understand and undertake their scrutiny roles effectively**

**The overview and scrutiny function is hindered by limited member understanding of their role and a lack of timely and specific training and development opportunities to support them to be more effective**

- 7 The Council clearly sets out, in its 'Introduction to Scrutiny' guide, the role and responsibilities of its scrutiny function and the relationship between scrutiny and Cabinet. The Council is committed to ensuring that there is a good working relationship between Cabinet and the scrutiny function. This is important to ensure constructive and challenging debate to help improve public services. We found a respectful relationship developing between scrutiny and Cabinet, with Cabinet valuing the role of scrutiny in the Council's governance and improvement arrangements.
- 8 To assist scrutiny members in carrying out their role effectively, timely and relevant training and development opportunities are important. We found that following the May 2017 local government elections, members at the Council received a general induction programme, which included information on the role of scrutiny. The Council also provided an initial one-hour training to members of each overview and scrutiny committee. Members had mixed views as to the appropriateness of this training in preparing them for their scrutiny role. While some members felt that this was useful for new members, more experienced members felt it to be too basic and not tailored to meet their needs.
- 9 Despite the Council providing some initial training for members of each scrutiny committee, not all members were clear on their role within the scrutiny function. This can limit members' ability to undertake their scrutiny role effectively. For example, some members were unaware they could ask expert witnesses to attend scrutiny committee meetings even though the Council has arrangements in place for expert witnesses to attend scrutiny meetings. The Council should explore the reasons why its arrangements do not appear to be fully effective. Some members were also unaware they can ask for member briefings to help better understand an issue to inform their forthcoming scrutiny activity.

- 10 The Council does recognise the importance of providing training and development opportunities for members, however, training is not always timely. The Council developed a draft member development and support programme (2018-2020), having asked members to complete a training needs analysis in July 2017. However, at the time of this review, the Council did not have a final and approved member development and support programme covering training and development activities designed specifically for overview and scrutiny committee members. Committee members are therefore trying to fulfil their role without necessarily having received training and development to meet their individual and collective needs.
- 11 As part of the member induction programme, the Council delivered a seminar to members on the Well-being of Future Generations (Wales) Act 2015<sup>1</sup> (WFG Act), the sustainable development principle, associated five ways of working and the role of elected members within this legislation. However, scrutiny committees are not yet scrutinising how the Council's decisions and policies are complying with the Act and the five ways of working.
- 12 In August 2016, we issued a report to the Council on a Review of arrangements to address external audit, inspection and regulation recommendations and proposals for improvement. One of our proposals for improvement was that 'the Council should strengthen arrangements to enable scrutiny to hold Cabinet to account more effectively and to take action to ensure its Cabinet Members are equipped and prepared to be held accountable for the roles they fulfil'. Whilst we recognise that as of December 2017 six of the nine Cabinet Members are new, we consider that the Council has yet to address this proposal for improvement.
- 13 Some members are still unclear about the role of Cabinet members at scrutiny meetings. Cabinet members attend scrutiny committees for the full meeting and, if members of the public are present, Cabinet members read their prepared Cabinet member statements. These statements are not tailored to relate to the items on scrutiny committee's agenda. Officers, rather than Cabinet members, present committee reports including those relating to policy development and performance issues, which are areas of Cabinet member responsibility. Scrutiny members directed their questions, including those relating to policy development, and performance, to officers rather than Cabinet Members. The Council may find it useful to review their arrangements in line with the guidance<sup>2</sup> issued by the National Assembly for Wales in 2006 which states:
- "The executive and overview and scrutiny committees should always bear in mind that it is for the elected executive to answer questions about its policies and decisions. When officers appear to answer questions their contribution should, as

<sup>1</sup> Integration, Prevention, Long-term, Collaboration and Involvement

<sup>2</sup> Guidance for County and County Borough Councils in Wales on Executive and Alternative Arrangements 2006 (2006 No. 56)

far as possible, be confined to questions of fact and explanation relating to policies and decisions.”

- 14 The same Guidance also makes clear that one of the roles of councillors exercising overview and scrutiny is:

“to hold the executive to account for the efficient exercise of executive functions – especially the performance of the executive as measured against the standards, objectives and targets set out in the policies and plans which it is implementing.”

As questions are often directed at officers rather than Cabinet members, it is unclear how the Council’s overview and scrutiny committees are undertaking this role effectively.

- 15 The purpose of the Cabinet member statements at scrutiny committees is unclear. In our 2016 report on a Review of arrangements to address external audit, inspection and regulation recommendations and proposals for improvement, we reported overview and scrutiny committee chairs’ dissatisfaction with the Cabinet Member statements provided at the start of each scrutiny meeting. In response, the Council developed a Cabinet member statement protocol for scrutiny committees. However, scrutiny members continue to be dissatisfied with these statements as their purpose continues to be unclear. In this context, overview and scrutiny committees should consider how they can hold Cabinet members to account more effectively through other mechanisms.
- 16 Cabinet members should also consider different ways of providing information to members and the public in a way that supports more effective scrutiny and accountability.
- 17 Although the relevant scrutiny committee members receive Cabinet member statements at least three days before each meeting, the statements are not publicly available on the Council website. This arrangement is not transparent and does not support public accountability of Cabinet members to overview and scrutiny committees. The Council needs to ensure that it complies with the requirements of the Local Government Act 1972 in respect of making information available for public inspection.
- 18 The Council has a Scrutiny Manager, who at the time of this review was also the interim Head of Democratic Services. One scrutiny support officer assists the scrutiny manager. These two staff provide support to the Council’s five scrutiny committees and Task and Finish groups. Members were complimentary about the support provided by the scrutiny support team and acknowledged how quickly they respond to member queries. Additional support for the scrutiny function is available from service-based officers who support scrutiny cross party working groups. Task and Finish and cross party working groups can meet more frequently than scrutiny committees and can be an efficient way for members to gain a greater understanding of an issue.
- 19 The Council has arrangements that allow scrutiny members to receive quarterly performance reports. These quarterly reports are for information only and are not substantive agenda items. Members can escalate quarterly reports to committee



effective scrutiny. The Council's Constitution,<sup>3</sup> however, states that meetings may be extended '...and that no meeting in any event continue beyond 9.00pm'. Members need to understand this provision in the constitution to ensure effective agenda management. Members also need to be confident to reduce the number of items on each agenda if the issues for consideration are complex and require a lengthy debate, rather than rush through items with limited scrutiny attention.

- 24 The Council has helpfully produced a protocol for scrutiny committees to set annual forward work programmes. This protocol explains how the work programmes are developed, and includes a prioritisation matrix to assist members in deciding which issues to include. Annually, in March, each scrutiny committee meets to discuss and agree priorities for the forthcoming year. However, as stated in the above paragraph, we found that the committee's use of the prioritisation matrix is not always effective as there are occasions where some agenda items did not receive sufficient time for detailed scrutiny.
- 25 The Council has had limited success at engaging the public in scrutiny. The public can suggest issues for scrutiny by submitting a form on the 'get involved in Scrutiny' page on the Council website to ask scrutiny to consider an issue. A recent example of public engagement at a committee meeting was on the issue of the Public Spaces Protection Order – dog fouling. Members of the public, and a representative from an animal welfare group spoke to provide the committee with an alternative perspective. However, overview and scrutiny committees have undertaken limited activity to proactively engage the public in its work and seek their views to inform their conclusions when scrutinising individual topics. There is therefore an opportunity to consider how overview and scrutiny arrangements could evolve from their traditional committee approach, to enable more effective engagement with the public.

### **Despite regularly reviewing its overview and scrutiny function, the Council has not identified clear actions to improve its impact, and most members lack an understanding of future challenges for the overview and scrutiny function**

- 26 The Council regularly reviews its scrutiny function and following previous reviews, had developed a Scrutiny Improvement Action Plan. The latest review of the scrutiny function took place during November and December 2016, with members and officers responding to a self-evaluation scrutiny questionnaire, and between February to April 2017 when the Council took part in a scrutiny peer review with two neighbouring councils. At a Full Council meeting in October 2017, having considered a report on the outputs from the peer review and scrutiny self-evaluation, the Council decided to conduct two further scrutiny self-assessments

<sup>3</sup> Council Constitution, Part 4 – Rules of Procedure, 9 – Duration of Meeting, paragraph 9.1

at the end of 2018 and in 2020. The report to full Council did not recommend any further scrutiny improvement actions to improve scrutiny following the engagement of members, officers and peer reviewers from the self-evaluation in late 2016 and peer review in early 2017.

- 27 The Council produces an annual report, which contains a brief overview of work undertaken by each scrutiny committee and a summary of the scrutiny support provided. The annual report does not clearly set out the impact of the scrutiny function. Despite the number of meetings and items considered by each committee and their task and finish groups, during the fieldwork for this review officers and members were able to identify few examples where overview and scrutiny activity has had a clear impact or resulted in a clear outcome.
- 28 We discussed with officers and members their views on the future challenges that face the scrutiny function. There are a number of factors that are currently influencing the way in which Council services operate. These factors include different operating models, regionalisation of services, financial challenges and different methods of engaging with the public. We found that officers and members demonstrate differing levels of awareness of the challenges facing the scrutiny function. Many members were unable to state any future challenges for scrutiny. There was some member uncertainty as to how scrutiny could change, or if scrutiny would need to change to respond to current challenges and prepare for future ones.
- 29 Officers, however, were more aware of potential future internal and external challenges. For example, trying to improve and deliver services under financial pressures, potential joint scrutiny arrangements, and the need for a resolution on the scrutiny arrangements of the Cardiff Capital Region City Deal. Officers consider the Partnership Scrutiny Committee as having additional future challenges. These include the potential volume of work when this committee only meets twice a year, the broad topics for members to understand, and to the difference in scrutinising the Public Service Board as opposed to individual public services.
- 30 Both members and officers need to be more aware of, and better prepared for, the challenges that face the scrutiny function in light of changes to the way that public services operate, so that both members and officers can contribute meaningfully to the solutions.

# Appendix 1

## Outcomes and characteristics for effective local government overview and scrutiny

Exhibit 2: outcomes and characteristics for effective local government overview and scrutiny

Outcomes	Characteristics
<b>What does good scrutiny seek to achieve?</b>	<b>What would it look like? How could we recognise it?</b>
<b>1. Democratic accountability drives improvement in public services. 'Better Services'</b>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny has a clearly defined and valued role in the council's improvement arrangements.</li> <li>ii) Scrutiny has the dedicated officer support it needs from officers who are able to undertake independent research effectively, and provide Scrutiny members with high-quality analysis, advice and training.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>iii) Overview and Scrutiny inquiries are non-political, methodologically sound and incorporate a wide range of evidence and perspectives.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>iv) Overview and scrutiny regularly engages in evidence based challenge of decision makers and service providers.</li> <li>v) Scrutiny provides viable and well evidenced solutions to recognised problems.</li> </ul>



Outcomes	Characteristics
<p><b>What does good scrutiny seek to achieve?</b></p>	<p><b>What would it look like? How could we recognise it?</b></p>
<p><b>2. Democratic decision making is accountable, inclusive and robust. 'Better decisions'</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny councillors have the training and development opportunities they need to undertake their role effectively.</li> <li>ii) The process receives effective support from the Council's Corporate Management Team which ensures that information provided to scrutiny is of high quality and is provided in a timely and consistent manner.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>iii) Scrutiny is Member led and has 'ownership' of its work programme taking into account the views of the public, partners and regulators whilst balancing between prioritising community concerns against issues of strategic risk and importance.</li> <li>iv) Stakeholders have the ability to contribute to the development and delivery of scrutiny forward work programmes.</li> <li>v) Overview and scrutiny meetings and activities are well-planned, chaired effectively and make best use of the resources available to it.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>vi) Non-executive Members provide an evidence based check and balance to Executive decision making.</li> <li>vii) Decision makers give public account for themselves at scrutiny committees for their portfolio responsibilities.</li> </ul>
<p><b>3. The public is engaged in democratic debate about the current and future delivery of public services.</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny is recognised by the Executive and Corporate Management team as an important council mechanism for community engagement.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>ii) Scrutiny is characterised by effective communication to raise awareness of, and encourage participation in democratic accountability.</li> <li>iii) Scrutiny operates non-politically and deals effectively with sensitive political issues, tension and conflict.</li> <li>iv) Scrutiny builds trust and good relationships with a wide variety of internal and external stakeholders.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>v) Overview and scrutiny enables the 'voice' of local people and communities across the area to be heard as part of decision and policy-making processes.</li> </ul>

# Appendix 2

## Recommendations from the report of the Auditor General's national improvement study 'Good Scrutiny? Good Question?' (May 2014)

Exhibit 3: recommendations from **Good Scrutiny? Good Question?** Scrutiny Improvement Study

Recommendation	Responsible Partners
R1 Clarify the role of executive members and senior officers in contributing to scrutiny.	Councils, Welsh Government, Welsh Local Government Association
R2 Ensure that scrutiny members, and specifically scrutiny chairs, receive training and support to fully equip them with the skills required to undertake effective scrutiny.	Councils, Welsh Government, Welsh Local Government Association
R3 Further develop scrutiny forward work programming to: <ul style="list-style-type: none"> <li>• provide a clear rationale for topic selection;</li> <li>• be more outcome focussed;</li> <li>• ensure that the method of scrutiny is best suited to the topic area and the outcome desired; and</li> <li>• align scrutiny programmes with the council's performance management, self-evaluation and improvement arrangements.</li> </ul>	Councils
R4 Ensure that scrutiny draws effectively on the work of audit, inspection and regulation and that its activities are complementary with the work of external review bodies.	Councils, Staff of the Wales Audit Office, CSSIW, Estyn
R5 Ensure that external review bodies take account of scrutiny work programmes and the outputs of scrutiny activity, where appropriate, in planning and delivering their work.	Staff of the Wales Audit Office, CSSIW, Estyn

Recommendation	Responsible Partners
R6 Ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes.	Councils, Welsh Government, Welsh Local Government Association
R7 Undertake regular self-evaluation of scrutiny utilising the 'outcomes and characteristics of effective local government overview and scrutiny' developed by the Wales Overview & Scrutiny Officers' Network.	Councils
R8 Implement scrutiny improvement action plans developed from the Wales Audit Office improvement study.	Councils
R9 Adopt Participation Cymru's 10 Principles for Public Engagement in improving the way scrutiny engages with the public and stakeholders.	Councils

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)

## Scrutiny Self-Evaluation 2018

Please consider the following questions in respect of scrutiny at Caerphilly County Borough Council and select one response for each question.

Please indicate whether you agree or disagree with the following statements

<b>Scrutiny Environment</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Don't Know</b>
Scrutiny has a clearly defined role in the council's improvement arrangements					
Scrutiny has a valued role in the council's improvement arrangements					
Scrutiny have the dedicated officer support it needs from officers					
Scrutiny have the training and development opportunities they need to undertake their role effectively					
The scrutiny process receives effective support from the Council's Corporate Management team who ensure it receives high quality information in a timely manner					
Scrutiny is recognised by the Executive and Corporate Management team as an important council mechanism for community engagement					
Do you have any comments to make relating to the Scrutiny Environment?					
<b>Scrutiny Practice</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Don't Know</b>
Scrutiny inquiries (Task & Finish Group) are non- political					
Scrutiny inquiries (Task & Finish Group) are methodologically sound					
Scrutiny inquiries (Task & Finish Group) incorporate a wide range of evidence and perspectives					
Scrutiny is member-led and has `ownership` of its work programme					
Scrutiny takes into account the views of the public, partners and regulators, whilst balancing between prioritising community concerns against issues of strategic risk and importance					
Stakeholders have the ability to contribute to The development and delivery of scrutiny forward work programmes					
Overview and scrutiny meetings and activities are well-planned					
Overview and scrutiny meetings and activities are chaired effectively					

Overview and scrutiny meetings and activities make best use of the resources available to it.					
Scrutiny is characterised by effective communication to raise awareness of, and encourage participation in democratic accountability.					
Scrutiny operates non-politically.					
Scrutiny deals effectively with sensitive political issues, tension and conflict.					
Scrutiny builds trust and good relationships with a wide variety of internal stakeholders					
Scrutiny builds trust and good relationships with a wide variety of external stakeholders					
Do you have any comments to make relating to the Scrutiny Practice?					
<b>Impact of Scrutiny</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Don't Know</b>
Scrutiny regularly engages in evidence based challenge of decision makers					
Scrutiny regularly engages in evidence based challenge of service providers					
Scrutiny provides viable and well evidenced solutions to recognised problems					
Non-executive members provide an evidence based check and balance to Executive decision making					
Decision makers give public account for themselves at scrutiny committees for their portfolio responsibilities.					
Overview and scrutiny enables the 'voice' of Local people and communities across the area to be heard as part of decision and policy-making processes.					
Do you have any comments to make relating to the Impact of Scrutiny?					

### About You

These questions are only asked to ensure that the responses received are representative. A full range of equalities monitoring questions are not included to ensure anonymity of respondents of the small sample group. I am responding as a:

Scrutiny Member		Cabinet Member	
Non-Scrutiny Member		Officer	
Other, please state:			

Thank you for taking the time to complete this survey. Please click on the "Submit" button below to complete the survey.



## **AUDIT COMMITTEE - 16TH OCTOBER 2018**

**SUBJECT: WHQS – ACCEPTABLE FAILS UPDATE**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

- 
- 1.1 The attached report was circulated to the Policy and Resources Scrutiny Committee as an information item ahead of its meeting on 2nd October 2018, having been previously discussed by the Caerphilly Homes Task Group on 20th September 2018. There were no comments arising from the Policy and Resources Scrutiny Committee.
  - 1.2 The Audit Committee are asked to consider the report recommendation and take into account the views expressed at the meeting of the Caerphilly Homes Task Group.

Author: R. Barrett, Committee Services Officer, Ext. 4245

Appendices:

Appendix A Report to the Policy and Resources Scrutiny Committee – For Information – WHQS – Acceptable Fails



## POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: WHQS – ACCEPTABLE FAILS UPDATE**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

- 1.1 The attached report is presented to the Policy and Resources Scrutiny Committee as an information item having been previously discussed at Caerphilly Homes Task Group on 20th September 2018.
- 1.2 The report sought the views of Members on the application and volume of Welsh Housing Quality Standard (WHQS) elements classified as “Acceptable Fails” and the process for managing incidences of No Access on the programme for the surveying of properties and the completion of works on site. It will subsequently be considered by the Audit Committee on 16th October 2018.
- 1.3 Officers provided Members with a definition of an ‘Acceptable Fail’ as set out in the Welsh Government’s WHQS revised guidance document (2008) which recognises that it may not be possible to bring all elements within a property up to the required standard offering one or a combination of the following criteria for an ‘Acceptable Fail’ – cost of remedy, timing of remedy, residents choice and physical constraints.
- 1.4 Members were advised that in addition to the ‘Acceptable Fail’ criteria there are properties which may have elements categorised ‘Previously Achieved’ where improvements were undertaken prior to the commencement of WHQS which were to the WHQS standard, and ‘No Access’ where every attempt is made to gain access to the property if the tenant opts out of the improvement programme. It was explained to Members that the ‘opt out’ option is not available when the upgrade was an electrical installation improvement on the basis of health and safety and an Electrical No Access procedure is followed in those cases.
- 1.5 Officer’s highlighted to Members that the total expenditure on the WHQS capital programme for 2017/18 was £42.m, of which £18m related to internal works and £17.5m related to external works. The remainder of the spend was in relation to fees, large scale voids, adaptations and garages and to date there had not been any borrowing for WHQS.
- 1.6 Members sought clarification from Officers on the difference between the ‘Acceptable Fail’ criteria ‘cost and timing of remedy’, in circumstances where the cost effectiveness of some works such as undertaking structural changes to a property may result in a delay, with the criteria ‘physical constraint’ where the age, layout or location of some properties means the standard cannot be met due to physical constraints. Officers explained that the criteria are very similar in that there are some circumstances where the ‘Acceptable Fail’ could be a combination of both and in most cases it would be classed as a ‘physical constraint’.
- 1.7 Discussion took place regarding circumstances when access is refused by a tenant on the grounds of ill health and the rescheduling of works. Concerns were raised that other than in circumstances where the work is of an immediate electrical nature, those unable to allow for work to be done during the usual schedule of works would be missed out. Officers explained



that it is a challenge to reschedule missed works. However new Housing Repair Response Teams are in the process of being established and a 'mop-up' programme formed for these teams to go into individual properties to carry out elements of the WHQS improvements.

- 1.8 Members asked whether data was collected on the reasons for refusing access on external works, particularly when refusing specific improvements. Following this, a lengthy discussion took place in regards to replacement fencing types. Members raised issues with the installation of chain link fencing to replace deteriorated fencing over the installation of bow-top fencing. Officers explained that although data on the reasons for refusing external works was not held, they had received complaints both in regards to chain link fencing and bow-top fencing. Officers clarified that the replacement fencing used, was according to the street scene and the type of fencing used would be replaced 'like for like'. It was felt by the Task Group that tenants should be given a choice as to the fencing type used.
- 1.9 Following consideration of the report and in noting the details of the WHQS – Acceptable Fails Update, Caerphilly Homes Task Group unanimously recommended that the Policy and Resources Scrutiny Committee note its contents.
- 1.10 The Scrutiny Committee are asked to note the report as an information item.

Author: K. Houghton, Committee Services Officer, Ext. 4267

Appendices:

Appendix Report to the Caerphilly Homes Task Group on 20th September 2018 – Agenda Item 5



## CAERPHILLY HOMES TASK GROUP – 20TH SEPTEMBER 2018

**SUBJECT: WHQS – ACCEPTABLE FAILS UPDATE**

**REPORT BY: INTERIM CHIEF EXECUTIVE**

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

- 1.1 To provide members with information on the application and volume of Welsh Housing Quality Standard (WHQS) elements classified as “Acceptable Fails”, and
- 1.2 To also explain the process for managing incidences of No Access on the programme for the surveying of properties and the completion of works on site, prior to presentation to the Policy and Resources Scrutiny Committee and Audit Committee.

### **2. SUMMARY**

- 2.1 The WHQS is intended to ensure that all local authority and housing association homes are improved and maintained to achieve specified standards.
- 2.2 The WHQS guidance document also recognises that it may not be possible to bring all elements within a property up to the required standard. Such elements can be recorded as “acceptable fails”. This report provides details on the individual classification of acceptable fails and volumes of those for both internal and external elements.
- 2.3 Whilst the Council’s main WHQS programme commenced following the ballot on housing stock transfer in 2012, a number of properties benefitted from improvements prior to this date which met the standard. In addition, elements have also been renewed outside of the main WHQS programme by our Housing Repairs Operations team, either as a response repair or when a property became void. Any elements which met the standard separately to the main programme, therefore will be reassessed and if still in a satisfactory condition, are classed as “previously achieved”, and recorded as being compliant.
- 2.4 This report provides members with clarification on the Council’s application of previously achieved and acceptable fail elements and the impact they are having on the programme, the report also confirms the process followed where access cannot be obtained into properties.

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

- 3.1 The delivery of the Welsh Housing Quality Standard (WHQS) programme is coterminous with the aims of the Wellbeing of Future Generations (Wales) Act 2015 which requires public bodies to work towards a shared vision comprising 7 goals and adopt 5 “Ways of Working”. The 7 goals and the 5 Ways of Working will underpin the delivery of the programme and include planning and acting for the long term, integration, involvement, collaboration and prevention.

- 3.2 The Welsh Housing Quality Standard (WHQS) is intended to ensure that all local authority and housing association homes are improved and maintained to achieve specified standards. It is a Welsh Government requirement that the WHQS is achieved by 2020. The WHQS identifies 7 specific aims (Welsh Assembly) Government – Revised Guidance for Social Landlords – July 2008.
- 3.3 The Caerphilly Delivers - Single Integrated Plan 2013-2017 had a priority to “improve standards of housing and communities, giving appropriate access to services across the County Borough”.
- 3.4 Caerphilly County Borough Council 2013/17 Corporate Priorities included: CP7 - Invest in our Council homes and their communities to transform lives.
- 3.5 Caerphilly County Borough Council’s Well-being Objectives in 2017/18 included: WBO5 – Investment in Council homes to transform lives and communities.

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

- 4.1 The Council has a housing stock of 10,775 properties and is investing approximately £220m in bringing homes up to the Welsh Housing Quality Standard by 2020. At the end of July 2018 77% of properties were compliant in relation to internal works and 53% compliant for external works. Overall 41% of properties are WHQS compliant.
- 4.2 The delivery of the programme is following the WHQS revised guidance document (2008) issued by Welsh Government. Whilst the aim of WG is to bring all social homes in Wales up to the specified standard, the guidance document recognises that this may not be possible for all elements of work in all properties.

##### **Acceptable Fails**

- 4.3 Section 8 assessment of the guidance document sets out the use of “acceptable fail” criteria for individual elements of work within the standard. Furthermore, it states that an “acceptable fail” is only possible on individual elements and not the dwelling as a whole. In reality it is extremely unlikely that a whole property would be classed as an acceptable fail, as each property would be expected to receive an element of internal or external work.
- 4.4 An acceptable fail may only be used in one or a combination of the following:-
  - a) Cost of remedy
  - b) Timing of remedy
  - c) Residents choice
  - d) Physical constraint

##### **Cost and Timing of Remedy**

- 4.5 The landlord may deem it necessary to consider the cost effectiveness of some works such as undertaking structural changes to the property in order to enlarge living spaces/kitchen, or major civil engineering works to create the required level access areas to gardens. Due to the extent of work required, consideration may also be given to delaying the work for a more suitable time to undertake major improvements, e.g. when the property becomes void. The tenant’s circumstances will also be taken into account, e.g. where a tenant has significant health issues, the work may be delayed by mutual agreement.

##### **Residents Choice**

- 4.6 From the outset of the programme, tenant’s choice was a key factor for its successful delivery. Therefore, as part of this choice, if a tenant did not wish to have an element of work undertaken which did not compromise their health and safety, this would be recorded as an acceptable fail. In line with the guidance document, any element of work not carried out due to resident’s choice, would be addressed if/when the property became void.

## **Physical Constraint**

- 4.7 Due to the age, layout and location of some of the Council's housing stock, the standard may be unable to be fully met due to physical constraints e.g. the kitchen may be too small to achieve the required storage capacity, a garden may not lend itself to providing the required level amenity area due to its topography.
- 4.8 The Council is required to report on acceptable fails to WG on an annual basis and also submit its WHQS Compliance Policy which is reviewed on an annual basis. The Compliance Policy sets out how Caerphilly Homes is interpreting and applying the WHQS standard to ensure the principles of the guidance document are being adhered to.
- 4.9 It needs to be acknowledged, however, that whilst an element may be classified as an acceptable fail, a property may still have benefitted from other component improvements which were completed to the required standard. Also, even though an element may be classified as an acceptable fail, partial works or a complete renewal may have been carried out, but the standard may not have been achievable, e.g. a property may have benefitted from a complete new kitchen, but it may not achieve the required storage capacity.
- 4.10 Appendix 1 provides a detailed breakdown of the number of acceptable fails, recorded since the commencement of the programme. The information and process for recording acceptable fails will also be reviewed independently by our Internal Audit Service this financial year as a means of validating the data. Clearly the situation is constantly changing as we progress with the delivery of the programme and also as a result of tenants' circumstances and properties becoming void. The number of acceptable fails recorded for external works is lower than internals due to less properties having been completed and also as a result of such works not being affected by the 'resident choice' classification.

## **Previously Achieved**

- 4.11 Prior to the commencement of the main WHQS programme in 2014 a significant number of improvements were undertaken to properties which were to the WHQS standard by the Planned Maintenance scheme. Such works included bathrooms, kitchens, heating, electrical rewires, roofing, doors and windows, etc. In addition, individual elements/components are being renewed outside of the main programme by HRO either as a response repair or when the property becomes void.
- 4.12 These individual elements/components are being reassessed as part of our main programme, and this has determined that some meet the standard with no work being required. These elements are recorded as previously achieved and contribute to our overall compliance reports.
- 4.13 There are also instances where an element/component is in good condition, but may fall short of meeting the standard. This can be rectified by carrying out partial works, e.g. rather than fit a full heating system, a boiler only may be required. Also a kitchen may be in good condition but may fall short of meeting the standard due to the lack of storage capacity. This may be overcome by fitting the required number of additional kitchen units. Where such works are undertaken, these are recorded as physically completed properties and not "previously achieved" and also contribute towards our overall compliance.
- 4.14 Appendix 2 provides information on the numbers and types of work items which have been classed as "previously achieved", which is based on properties surveyed to date and information currently recorded within our asset management database.

## **No Access**

- 4.15 It is important that all attempts at gaining access to properties is undertaken to ensure the required works are completed in order that the maximum amount of properties meet the requirements of the WHQS. In the process of arranging for the WHQS works, tenants will receive a combination of various officer visits, e.g. TLO, Building Surveyor, Heating Surveyor, Electrical Surveyor, as well as letters and text messages.

- 4.16 Tenants have the choice to opt out of the improvement programme in relation to improvements to their kitchens, bathroom and heating system where these elements will be treated as an acceptable fail. However there is no option of refusing to upgrade the electrical installation within the property on the basis of health and safety. Access to every property is therefore essential to undertake a survey to establish if electrical works are required even though it is recognised that the majority of tenants allow access.
- 4.17 There are two stages of the Electrical No Access procedure, the first stage is for the surveying of the property and the second stage is for the completion of works on site. Both stages were initially reviewed in March 2018, were implemented in July 2018, and now incorporate a recharge for a missed appointment along with the issuing of a Notice Seeking Possession (NOSP) for any non compliance (See Appendix 3 No Access Procedure). At the time of writing this report there are approximately 390 properties being dealt with through the Electrical No Access procedure which equates to approximately four percent of the housing stock.

## 5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 The delivery of the WHQS improvement programme is coterminous with the aims of the Wellbeing of Future Generations (Wales) act 2015, in particular the 5 ways of working:-
- **Long Term:** the report includes continued investment and performance to achieve WHQS by 2020. This investment provides long term improvements to the property, community and to the tenants' health and wellbeing.
  - **Integration:** The programme looks to integrate property and environmental improvements that will benefit and transform lives and communities throughout the county borough. It further brings together a variety of stakeholders to deliver long term sustainable benefits for lives and communities.
  - **Involvement:** Tenants and local residents are being consulted on the proposed property improvements and environmental works along with various initiatives that are part of the WHQS programme delivery.
  - **Collaboration:** The programme delivery is focused on internal collaboration, wider partnership arrangements with suppliers and contractors, joint working with the community and various other groups. The delivery of community benefits and tenant engagement by all involved with the WHQS programme is a key focus and is clearly demonstrable within its delivery.
  - **Prevention:** The works to improve lives and communities will help tackle local unemployment. It will further improve the look and feel of the environment and help prevent anti-social behaviour. Improving standards and quality, will aid future programmed maintenance and potentially reduce reactive maintenance schedules.

## 6. EQUALITIES IMPLICATIONS

- 6.1 An Equalities Impact Assessment is not required as the report is for information.

## 7. FINANCIAL IMPLICATIONS

- 7.1 The total expenditure on the WHQS capital programme for 2017/18 was £42.2m, of which £18m related to internal works and £17.5m related to external works, the remainder of the spend was in relation to fees, large scale voids, adaptations and garages. £32.1m of this spend was funded from the HRA as a revenue contribution. A further £7.3m was funded from Welsh Government in the annual Major Repairs Allowance (MRA), and £2.7m was received in environmental grants from Arbed and VVP.

- 7.2 Whilst forecasting future costs, historical information on previously achieved, partial works, and refusals are incorporated within the average cost for each internal element. These costs are fed into the business plan that is submitted to WG annually.
- 7.3 There has been no borrowing undertaken for the WHQS programme to date.
- 7.4 The 2017/18 HRA business plan was approved by WG in May 2017 as part of the annual MRA application, which evidences that the WHQS programme is financially viable and borrowing will not be required until 2018/19. As an update the 2018/19 business plan has also been submitted and approved by WG in July 2018 with a proposed programme of some £55.8m

## **8. PERSONNEL IMPLICATIONS**

- 8.1 The timetable pressure is increasing and there has to be the capacity within the staff resources to cope with the volume of work. Staff movement and recruitment difficulties remain a risk to the programme and have continued to be an issue during 2017/18.
- 8.2 Continued close management and monitoring of performance of the programme is essential to ensure that its delivery is not compromised in any way. The workload for the in-house team is increasing due to the sheltered housing schemes commencing and there is the possibility of them undertaking some of the work previously planned for Contract Services. Additional resources will be required to ensure performance in achieving the objective is maintained.

## **9. CONSULTATIONS**

- 9.1 All responses from consultations have been incorporated in the report

## **10. RECOMMENDATIONS**

- 10.1 Members are asked to note the content of the report, prior to presentation to the Policy and Resources Scrutiny Committee.

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

- 11.1 To advise Members of the application and volume of WHQS elements classified as “acceptable fails” or “previously achieved” along with explaining the process for managing No Access on the programme.

## **12. STATUTORY POWER**

- 12.1 Housing Acts 1985, 1996, 2004, Local Government Measures 2009 and the Well-being of Future Generations (Wales) Act 2015.

Author: Paul Smythe, Housing Technical Manager  
 Email: [smythp@caerphilly.gov.uk](mailto:smythp@caerphilly.gov.uk) Tel: 01443 866754

Consultees:

Cllr L Phipps	- Cabinet Member for Homes and Places
Dave Street	- Director of Social Services and Housing
Shaun Couzens	- Chief Housing Officer
Robert Tranter	- Head of Legal Services & Monitoring Officer
Jane Roberts-Waite	- Strategic Co-ordination Manager
Fiona Wilkins	- Public Sector Housing Manager
Lesley Allen	- Principal Accountant, Caerphilly Homes

Rhys Lewis	- Performance and Systems Manager
Ros Roberts	- Performance Manager
Ian Raymond	- Performance Management Officer
Alan Edmunds	- WHQS Project Manager
Steve Greedy	- WHQS Project Manager
Colin Roden	- WHQS Project Manager

Background Papers:

Welsh Housing Quality Standard (WHQS)

WHQS Compliance Policy

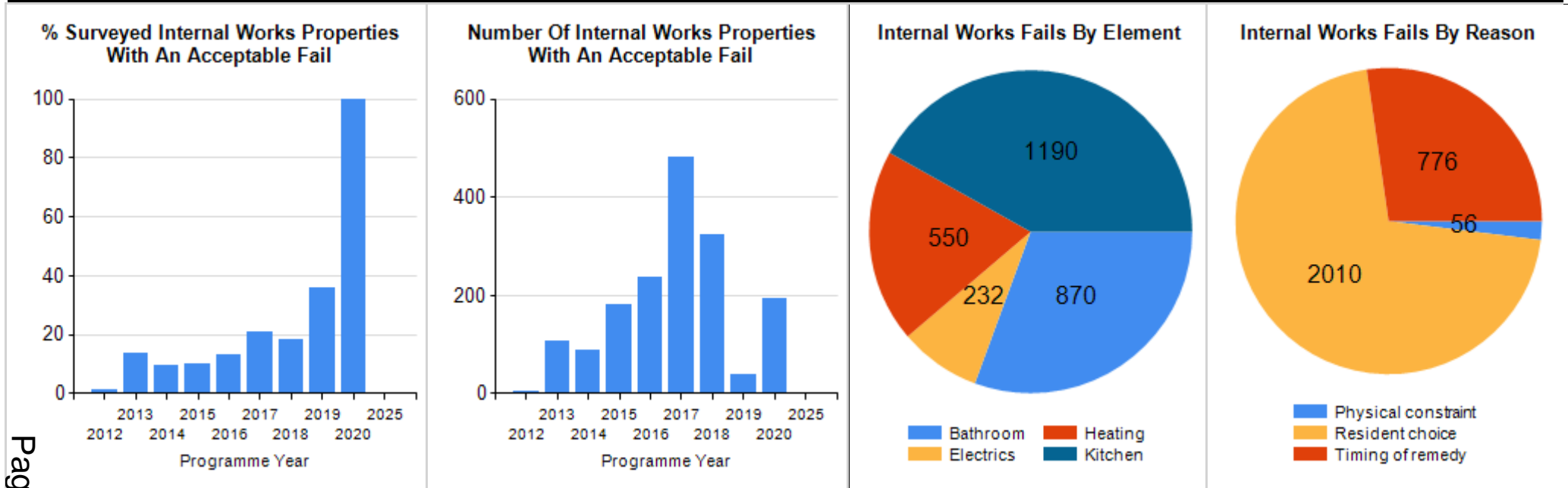
Appendices:

Appendix 1 – Acceptable Fails Data

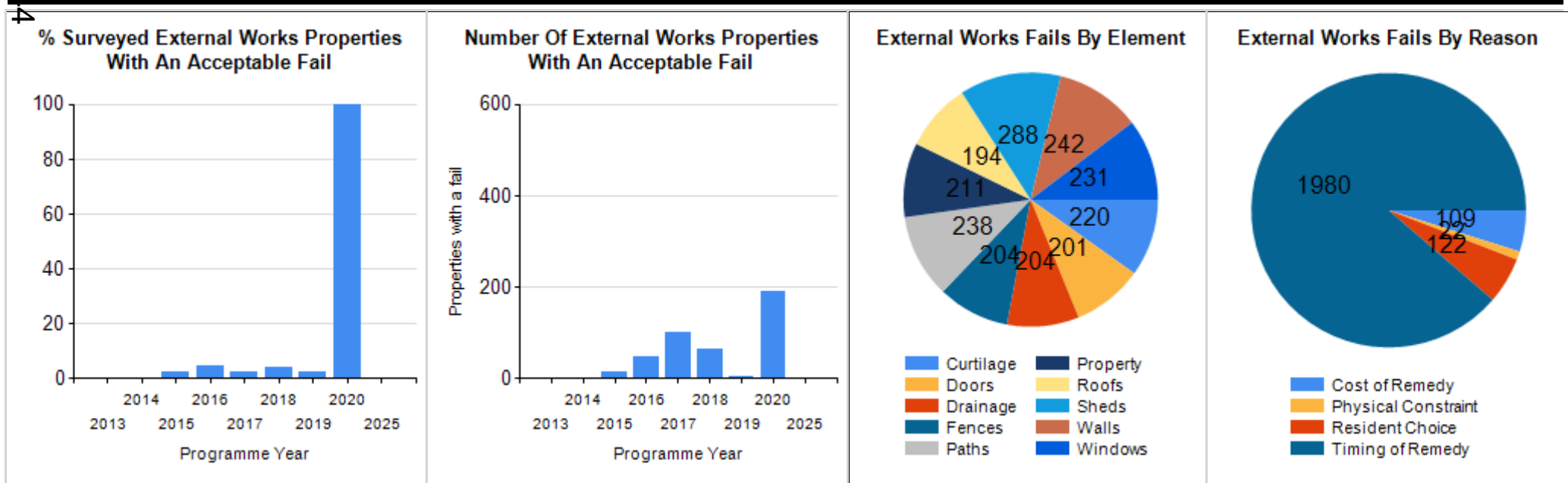
Appendix 2 – Previously Achieved Data

Appendix 3 - Electrical No Access Procedure

### Internal Works Fails for whole stock (10,775 properties)



### External Works Fails for whole stock (10,775 properties)





## Appendix 2

<b>Internal Works Achieved Previously for Properties Surveyed to date</b>									
<b>External Elements</b>	<b>Financial year</b>								<b>Grand Total</b>
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	
Internal – Bathroom	8	161	98	113	296	460	315		1451
Internal – Electrics		309	361	192	27	48	37		974
Internal – Heating	7	545	648	1379	1378	1630	1475	349	7411
Internal – Kitchen	9	161	175	320	398	637	339		2039
<b>Grand Total</b>	<b>24</b>	<b>1176</b>	<b>1282</b>	<b>2004</b>	<b>2099</b>	<b>2775</b>	<b>2166</b>	<b>349</b>	<b>11875</b>

<b>External Works Achieved Previously for Properties Surveyed to date</b>						
<b>External Elements</b>	<b>Financial Year</b>					<b>Grand Total</b>
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	
External – Boundary walls	2	631	889	967	430	2919
External – Doors	50	404	464	343	327	1588
External – Drainage works	52	858	1208	1273	446	3837
External – Fences Railings Gates		163	136	93	49	441
External – Misc works within curtilage	50	791	879	976	306	3002
External – Paths Hardstandings Drives	18	386	347	255	106	1112
External – Roofs and associated components		85	19	222	4	330
External – Stores (sheds and outbuildings)	52	216	460	121	90	939
External – Windows		494	522	735	226	1977
External – Works to property		334	348	538	136	1356
<b>Grand Total</b>	<b>224</b>	<b>4362</b>	<b>5272</b>	<b>5523</b>	<b>2120</b>	<b>17501</b>



## Caerphilly Homes

### Electrical No Access Procedure for Staff

<b>Version: 3</b>	<b>Date: July 2018</b>	<b>Review Date: July 2020</b>
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<b>Lead Officer:</b>	<b>Debbie Bishop/Alan Edmunds/Steve Greedy/Gareth Harris</b>
<b>Approved By:</b>	<b>Shaun Couzens/Fiona Wilkins</b>
<b>Responsible Staff:</b>	<b>Planned Maintenance Planner Area/Neighbourhood Housing Office</b>

#### Purpose:

- To ensure a consistent approach across all areas in relation to managing the process when dealing with 'No Access' to a property to undertake an electrical survey as part of planned maintenance works or to gain access to undertake the works once the survey has been completed.
- To ensure a joined up approach between Planned Maintenance and Area/Neighbourhood Housing Offices

Also refer to:

Recharge Procedure  
Non-Occupation Procedure  
No Access Procedure  
Abandoned Property Procedure  
Asbestos No Access Procedure

The Welsh Government (WG) has introduced the Welsh Housing Quality Standard (WHQS), which requires all Councils to bring its homes up to a required standard. The WHQS means that all Council homes need to be:

- In a good state of repair
- Safe & secure
- Adequately heated, fuel efficient & well insulated
- Contain up-to-date kitchens & bathrooms
- Well managed
- Located in attractive & safe environments
- Suit the specific needs of the household

It is important that Caerphilly Homes make all attempts at gaining access to properties to ensure the required works are completed so the maximum amount of properties meet the requirements of the Welsh Housing Quality Standard (WHQS).

However tenants can opt out of the improvement programme in relation to improvements to their kitchens, bathroom and heating system but there is no option of refusing to allow Caerphilly Homes to upgrade the electrical installations, due to the health and safety implications. Therefore access to every property is essential to undertake a survey to establish what electrical work is required.

It is recognised that the majority of tenants do allow access. However in cases where either the tenant has refused access or where the tenant fails to contact us in relation to making an appointment, the following procedure must be followed.

**1. PROCEDURE – SURVEY**

1.1 The Planner is responsible for arranging the initial appointment by sending **ELEC APP 1** letter which informs the tenant of the date of the appointment and giving either an AM or PM time slot. The tenant has 10 days to contact the Planner if the date or time is not suitable in order for other arrangements to be made.

1.2 At the same time that the letter is sent out to the tenant an appointment for the Surveyor is made in Total. This will automatically create a text message if a mobile phone number is logged into the system, and will again repeat the message the day before the appointment.

1.3 If the tenant contacts the Planner to make alternative arrangements **ELEC APP2** letter must be sent to confirm the new agreed appointment time.

\*\*\*\*\*

1.4 If the tenant is not at home at the appointed time Planner to **consult with the Asbestos Team** to establish if access is required for an asbestos survey. If so any further legal action must include both surveys.

\*\*\*\*\*

1.5 Planner to send **ELEC APP 3** letter and an email to the Area/Neighbourhood Housing Office (Housing office inbox) requesting that a **NOTICE OF SEEKING POSSESSION (NOSP)** be issued. A/NHO to also raise recharge for the no access appointment – refer to Recharge Procedure.

**It is important that if at any time the tenant provides access that the A/NHO is advised so that any action can be suspended or cancelled.**

1.6 On receipt of the e-mail from the Planner, A/NHO to make all appropriate checks on the housing system i.e. tenancy basic notepad, rents diary pages, with Social Services etc. to establish any vulnerability or disability which must be taken into account prior to any action being taken. Where there are concerns or a Support Worker involved all attempts must be made to engage the tenant to allow access. Where there appears no other involvement with support services a **NOSP** is to be prepared which is to be served by hand to the property.

- 1.7 No legal action can take place until the 28 days notice expires. Therefore if the tenant makes contact an appointment is to be made which **must** be within the 28 day notice period. Providing access is given on the appointment date no further action is required and the NOSP becomes redundant. It is important that the Planner notify the A/NHO of the appointment details confirming if the appointment has been kept or not.
- 1.8 In the event that access remains unavailable following the [ELEC APP3](#) letter and expiry of the 28 days [NOSP](#) being served Planner to email the Area/Neighbourhood Housing Office to advise and must provide copies of all letters sent, together with any notes of other attempts to contact the tenant i.e. telephone calls, visits to property etc.
- 1.9 A/NHO to send all correspondence to Legal to proceed to court for no access.
- 1.10 It is normal for the Court to award a 28 day postponed possession order to allow the tenant a further opportunity to make an appointment and allow access. If the tenant does not attend Court a copy of the Court Order is sent to the Tenant giving clear instructions on how to prevent further legal action. Following the Court Hearing the planner will be responsible for arranging an appointment by sending [ELEC APP4](#) letter. If the tenant allows access no further action is taken, and the possession order is redundant.
- 1.11 If the tenant fails to allow access during the postponed period, the Planner to advise the A/NHO who will present the case to the Tenancy Review Panel for permission to seek an eviction notice from the Court.
- 1.12 When the tenancy ends the electrical survey and works will be undertaken during the void period.

## **2. PROCEDURE – WORKS**

- 2.1 TLO issues Pre-Commencement letter to tenants
- 2.2 Foreman/Site Supervisor visits tenant, approximately 10 days prior to works starting. An agreed start date is discussed with tenant
- 2.3 If No Access on agreed date, and where electrical work is required,, TLO/Foreman to update No Access information in Keystone
- 2.4 Admin Support Officer to run a weekly Keystone report to identify all No Access relating to Electrical Work
- 2.5 The Admin Support Officer (ASO) is responsible for arranging an appointment with the tenant, and will issue [ELEC WORKS 1](#) letter which informs the tenant of the date of the appointment. The tenant has 10 days to contact ASO if the date or time is not suitable in order for other arrangements to be made.
- 2.6 If the tenant contacts ASO to make alternative arrangements [ELEC WORKS 2](#) letter must be sent to confirm the new agreed appointment time.
- 2.7 If access is not available at the appointed time ASO to send [ELEC WORKS 3](#) letter and an email to the Area/Neighbourhood Housing Office (Housing office inbox) requesting that a

NOTICE OF SEEKING POSSESSION (NOSP) be issued. A/NHO to also raise recharge for the no access appointment – refer to Recharge Procedure.

It is important that if at any time the tenant provides access that the A/NHO is advised so that any action can be suspended or cancelled.

- 2.8 On receipt of the e-mail from ASO, A/NHO to make all appropriate checks on the housing system i.e. tenancy basic notepad, rents diary pages, with Social Services etc. to establish any vulnerability or disability which must be taken into account prior to any action being taken. Where there are concerns or a Support Worker involved all attempts must be made to engage the tenant to allow access. Where there appears no other involvement with support services a NOSP is to be prepared which is to be served by hand to the property.
- 2.9 No legal action can take place until the 28 days notice expires. Therefore if the tenant makes contact an appointment is to be made which **must** be within the 28 day notice period. Providing access is given on the appointment date no further action is required and the NOSP becomes redundant. It is important that the ASO notify the A/NHO of the appointment details confirming if the appointment has been kept or not.
- 2.10 In the event that access remains unavailable following the [ELEC WORKS 3](#) letter and expiry of the 28 days [NOSP](#) being served ASO to email the Area/Neighbourhood Housing Office to advise and **must** provide copies of all letters sent, together with any notes of other attempts to contact the tenant i.e. telephone calls, visits to property etc.
- 2.11 A/NHO to send all correspondence to Legal to proceed to court for no access.
- 2.12 ASO to advise the Contracts Manager that Legal action is being taken, and that the property is to remain on the contract for the works to be completed on conclusion of the legal action.
- 2.13 It is normal for the Court to award a 28 day postponed possession order to allow the tenant a further opportunity to make an appointment and allow access. If the tenant does not attend Court a copy of the Court Order is sent to the Tenant giving clear instructions on how to prevent further legal action. Following the Court Hearing the Planner will be responsible for arranging an appointment by sending ELEC APP4 letter. If the tenant allows access no further action is taken, and the possession order is redundant.
- 2.14 If the tenant fails to allow access during the postponed possession period, ASO to advise the A/NHO who will present the case to the Tenancy Review Panel for permission to seek an eviction notice from the Court.
- 2.15 When the tenancy ends the electrical survey and works will be undertaken during the void period.

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## AUDIT COMMITTEE - 16TH OCTOBER 2018

**SUBJECT: JOURNAL TRANSFER AUTHORISATION LIMITS**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

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### 1. PURPOSE OF REPORT

1.1 To present the Audit Committee with the option to implement authorisation levels within the software module used by the Authority to process journals entries in its Ledger.

### 2. SUMMARY

2.1 In their 2016-17 ISA260 report Grant Thornton raised an issue around the authorisation of Journals across the authority. Although journal authorisation is possible within the current ledger product it is currently only implemented in one service area. The Authority agreed as part of its response to the recommendation in the auditor's report that it would review its journal authorisation procedures.

2.2 It was concluded from the review that the current journal authorisation structure within the Authority is acceptable given the limited number of staff with authorisation to process journals.

2.3 Also there is the nature of the journals being undertaken. They are predominantly dealing with miscoding's arising from the detailed budget monitoring undertaken by the staff processing the journals. This linked to the security structures within the ledger product lead to the conclusion that there was no requirement to switch on batch authorisation across the Authority.

2.4 Grant Thornton still considered this a risk and raised it again in their 2017-18 ISA260 report presented to Audit Committee on 24 July 2018.

2.5 A question was raised at Audit committee around whether the system would allow us to implement authorisation thresholds on journals to ensure that large value transactions are required to be reviewed and authorised by senior staff. It was agreed that the introduction of authorisation limits would be explored.

### 3. LINKS TO STRATEGY

3.1 The Financial Accounts deal with resources available to the Authority that influence the delivery of policies and strategies.

3.2 Effective financial planning and robust budget management support 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 Officers undertook a review of the journal upload module to ascertain whether or not it would be technically possible to implement authorisation limits to require authorisation of the journal entries prior to posting to the General Ledger.
- 4.2 Currently each service area has a distinct batch type to process journals.
- 4.3 Each batch type is linked to a limited number of finance users. The security profile of each user defines what account codes and service areas they can post too.
- 4.4 Officers have the ability to link authorisation to these batch types by adding an authorisation user/users to the batch type. When the input user processes the batch it sends an e-mail to the authoriser notifying them that the batch is available for review and authorisation. Once authorised the batch posts to the ledger.
- 4.5 Officers also have the ability in the software to add authorisation limits to each user. In this instance if a user attempts to process an entry over their allowable limit it will suspend the batch and notify the allocated authoriser by e-mail that there is a posting that requires them to review and authorise.
- 4.6 The system administrators are able to set the limit, for each individual user, at any value from £1 to £999,999,999,999.
- 4.7 A user can only authorise to the limit assigned to them in the system, if they exceed this limit authorisation will be invoked, with security in the background preventing them from authorising the posting.
- 4.8 Each journal batch type will be allocated its own Authorisation Group. There is no limit to the number of authorisers attached to each group. Behind that Authorisation Group will be the list of users identified to authorise journals and each user will be defined a financial limit in a range to be agreed.

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

- 5.1 Effective financial planning and robust budget management are key elements 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 equalities implications arising from this report.

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

- 7.1 As identified throughout the report.



## **8. PERSONNEL IMPLICATIONS**

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

## **9. CONSULTATIONS**

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

## **10. RECOMMENDATIONS**

10.1 The Audit Committee is asked to endorse a recommendation by officers to implement an authorisation threshold of £100,000 to its journal transfer software.

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

11.1 To mitigate the risk of inappropriate or erroneous journal postings impacting upon the financial statements.

## **12. STATUTORY POWER**

12.1 Accounts and Audit (Wales) Regulations 2014.

Author: Andrew Southcombe, Finance Manager (Corporate Finance)  
Tel: 01443 863214 E-mail: southak@caerphilly.gov.uk

Consultees: Richard Edmunds, Corporate Director for Education and Corporate Services  
Nicole Scammell, Head of Corporate Finance & Section 151 Officer  
Cllr Barbara Jones: Deputy Leader and Cabinet Member for Finance, Performance and Governance  
Robert Tranter, Head of Legal Services and Monitoring Officer

Background Papers:  
Working Papers for 2017/18 Financial Accounts

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# Audit Committee – Customer Services Update

Page 55

Elizabeth Lucas  
Head of Digital and Customer Services

Agenda Item 7

A greener place Man gwyrdach



# Recent Developments

- Customer services now forms part of the Customer and Digital Services team. It is proposed as part of the MTFP savings target and the teams transformation agenda that the service will undergo a restructure prior to April 2019.

# Current position

- Over the last 6 months workload in the contact centre has been significantly increased as a result of the implementation of a new financial automated payment system. As a result it has been no further surveys have been conducted via the contact centre or face to face services. The introduction of the new telephony system during the next 3 months will allow the organisation to carry out immediate surveys with the customer following service requests.
- As part as our business as usual procedures we continue to evaluate informal feedback from customers and review call recordings to gauge the quality of service provided. Team leaders hold regular performance meetings with staff to ensure we are serving the customer in line with the corporate customer service standards.
- The Team are currently in a period of change with the introduction of new and immerging technologies to provide alternative interaction methods with the Authority. As part of the implementation of technologies Officers will be introducing opportunities for Customer feedback as part of the standard service.

# Customer Service Standards

- The Authority's Customer Service Standards are now in place and work is ongoing with SMTs across the organisation to embed these standards into the culture of the organisation.

# Thank you

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## AUDIT COMMITTEE - 16TH OCTOBER 2018

**SUBJECT: CORPORATE RISK REGISTER MONITORING (Q2 – 2018/19)**

**REPORT BY: INTERIM HEAD OF BUSINESS IMPROVEMENT SERVICES**

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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 updated Corporate Risk Register (Appendix 1) is presented to Audit Committee to provide an opportunity for the Committee to satisfy itself that appropriate arrangements are in place for the Council's risk management processes to be regularly and robustly monitored and scrutinised.
- 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.

### 2. SUMMARY

- 2.1 Under the Council's Risk Management Strategy, the Corporate Management Team (CMT) own, manage, monitor and review the Council's Corporate Risks on a quarterly basis, with six monthly progress reports submitted to Cabinet. Updates are provided to Audit Committee, who 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.
- 2.2 In order to present the most recent information, this report focuses on the CMT update of 20<sup>th</sup> September 2018, which will be reported to Cabinet on 30<sup>th</sup> January 2019. A summary of changes made to the Risk Register is noted in the table in 4.4.

### 3. LINKS TO STRATEGY

- 3.1 Management of risk is an important 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 the Audit Committee’s role (as noted in the Council’s Risk Management Strategy 2017) is to: -

- Review the effectiveness of the risk management and internal control framework.
- Review the Council’s Risk Management Strategy and how it is being implemented.
- Review and challenge the risk register and resultant action plans for the top corporate risks.
- Receive, review and challenge progress in implementing action plans for the Council’s key strategic and corporate risks.
- Satisfy themselves’ that robust processes and procedures exist and are applied for the management of operational risks, including health & safety risks.
- Participate in mandatory or updated training in the area 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 etc.
- 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 Elected Members.

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

4.4 A summary of the main changes in the Risk Register in the last six months is provided in the table below:

Risks Removed	Risks Added	Risks Amended
	CMT42 – Exit from the EU (Brexit)	CMT01 – Additional resources required and comments from latest risk review.  CMT16 – Actual risk, mitigation actions and risk owner.  CMT29 – Mitigation actions, comments from latest risk review and risk owner.  CMT12 & CMT 37 – Actual risk and mitigation actions.  CMT45 – Comments from latest risk review.  CMT47 – Comments from latest risk review.

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 effects on citizens or their communities. The Well-being of Future Generations Act (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 (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 well being 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 Audit Committee consider and offer any comments on the Corporate Risk Register.

## **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:	Ros Roberts	Performance Manager
Consultees:	Stephen Harris	Interim Head of Business Improvement Services
	Richard Edmunds	Corporate Director for Education & Corporate Services
	Kathryn Peters	Corporate Policy Manager
	Ian Raymond	Performance Officer
	Richard M Harris	Internal Audit Manager

Appendices:  
Appendix 1 Corporate Risk Register (Sept 2018)



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 2018-19 Q1	Risk Level 2018-19 Q2	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 2018/23  Capital Budget Pressures  Grant Funding	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> <li>11. There is lack of security or sustainability in maintaining grant funded programmes</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 Council has adopted a new Corporate Plan 2018-23 with revised MTFP Savings Principles.</li> <li>3. The 2018/19 budget and an updated Medium Term Financial Plan were approved by Council on the 22nd 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. Ongoing Asset rationalisation programme.</li> <li>7. 4-year savings targets have been allocated to Heads of Service.</li> <li>8. Business Improvement Board has been established and will oversee major projects focussing on service change.</li> <li>9. Grant funded staff are appointed on fixed term contracts</li> </ol>	Some additional capacity may be required to deliver projects under the Business Improvement Portfolio (BIP).	High	High	The Medium-Term Financial Plan (MTFP) presented to Council in February 2018 included an indicative savings requirement of £10.446m for the 2019/20 financial year. Due to a range of emerging cost pressures this savings requirement is likely to increase and the Corporate Management Team (CMT) and Heads of Service are currently working together to identify a range of draft savings proposals. Details of the WG 2019/20 Provisional Local Government Financial Settlement are due to be announced on the 9th October 2018. The 2019/20 Draft Budget Proposals will subsequently be presented to Cabinet on the 14th November 2018 and these will then be subject to an eight week period of public consultation. Final 2019/20 Budget Proposals and an updated MTFP covering the period 2019/20 to 2023/24 will be presented to Council on the 21st February 2019.	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 at KS4 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. A new Corporate Director has been appointed with responsibility for Education. An Education Board is to be set up in late 2018, regular updates to WG take place.</li> <li>2. An EAS joint action plan has been developed and agreed, and 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> <li>5. All schools are currently subject to summit meetings with the LEA/EAS at which performance is scrutinised and plans developed.</li> </ol>	1 None	High	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 and a comprehensive strategy for improvement has been developed and agreed. A new Corporate Director has been appointed with responsibility for Education. An Education Board is to be set up in late 2018. Regular updates to WG take place. Regular updates to CMT, Cabinet, and WG take place.	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	Corporate Director for Education & Corporate Services
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 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 another contractor terminating their contract early. Arrangements have been initiated to issue internal work via the Dynamic Purchasing System (DPS) to achieve WHQS by 2020. There is still a risk in relation to the external works, however significant improvements in performance have been made. 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> <li>● New contract arrangements for the south of the borough have been put in place for the external works and this is operating well. This DPS arrangement also provides opportunity to undertake both internal and external works around the authority as a further contingency measure. As a result of one of the main internal works contractors having ceased trading, alternative arrangements have been 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, although this has resulted in some work being moved to the last year of the programme. This has been reflected in a reprofiled programme which has been made available to members and tenants. A further revision of the programme will now be required following the termination by one of our contractors. Monthly Project Board meetings will continue to be held to monitor ongoing performance and to assist with the decision making process.</li> </ul>	None	Medium	Medium	<p>Following the WAO Review undertaken in March/April 2017 a commitment was made to WG to demonstrate the progress that was being made in relation to the delivery of the programme. It was stated that 40% of external and 75% of internal works would be completed to the housing stock by March 2018. At March 2018 external completions amounted to 44% and internal completions 76% with overall compliance of the housing stock being 35%. However, following the completion of a validation exercise the compliance for internal works reduced to 73%, but increased to 46% for external works. Current performance for quarter 2 is 79% for internal compliance, 59% for externals and 51% compliance overall.</p> <p>Significant improvements in performance have been realised in the last 12 months aided by a procurement process (Dynamic Purchasing System) which has been initiated for the LRV to establish a new framework for external and internal works to act as a general contingency.</p> <p>A significant percentage of work to the sheltered housing schemes is being undertaken by the in-house workforce. The programme is progressing with works on track to be completed by the 2020 deadline, including the additional scheme that has been brought back into the programme following the feasibility study for potential remodelling.</p> <p>Projected expenditure against the budget continues to be monitored, which indicates that on the back of 2017/18 which saw the largest annual spend since the inception of the programme at £42m, this year to date has again exceeded previous expenditure levels, with quarter 2 spend being £24m. This information has been projected forward and used to review our delivery programme up to 2020, which demonstrates that this is still deliverable within the timescales and projected budget, although borrowing is likely to be required for 2018/19 of approximately £20m. While there are risks that require appropriate mitigation measures there is an increased momentum and more confidence about the 2020 deadline. WG have recently confirmed that the deadline for the WHQS programme is December 2020</p> <p>We are awaiting the outcome of the WAO's follow up review.</p>		Medium-term	Medium	Corporate Director for Social Services & Housing



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 2018-19 Q1	Risk Level 2018-19 Q2	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
CMT12 & 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 vii. Mis-use of public drop off at HWRC sites by residents from other areas.	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 3rd annual door stepping 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. v. New 2 year MRF contract commenced in July 2017 and long term organics contract in place.  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. vii. Implementation of strict user policy i.e. must have proof of residency.		Medium	Medium	Although the Authority is performing well against WG Targets, many of the risks (e.g. budget, staffing, etc.) remain going forward. Regeneration and Environment Scrutiny Committee has established a Waste Review Scrutiny Working Group to consider financial implications, service delivery options, projected performance, risk analysis, capital investment, consultation and public engagement, and timescales. Working Group Meetings are in progress with the aim of reporting back to Committee in October 2018.	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.	1. Providers unable to sustain existing packages of care. 2. National Minimum Wage and National Living Wage creating additional financial strain which providers are expecting LA's to resolve. 3. Little additional capacity to take on new packages of care. 4. Ongoing Judicial Review across Wales re responsibility for Funded Nursing Care Payments 5. Potential Financial impact on the Directorate & authority 6. Introduction of RISCA from 01.04.18 could have significant implications for recruitment and retention of staff.	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. Fee levels for 18/19 agreed at 2%	Yes	High	High	No change in risk level. 2018/19 fees agreed. Further concerns with regard to stability. Largest Provider of domiciliary care in the UK in financial difficulty. Further representations from Providers in relation to fee levels. Debates at a national level re sustainability of funding levels.	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 & Housing
CMT44	Local Development Plan	The Adopted LDP is due to expire on 31st December 2021. The Replacement Local Development Plan was well advanced, however, the Council withdrew that plan in July 2016 following local opposition to a number of development sites contained within the document. The Council has resolved to progress the preparation of a Strategic Development Plan and a new LDP in parallel.	The adopted LDP allocates land for the development of 8625 houses to be built over a 15 year period. The annual Joint Housing Land Availability Study indicates that many of the allocated sites are not available or viable within the required 5 year period, and there is therefore a shortfall of housing land. 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 material planning consideration which could 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 have behaved 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. On 29th January 2018 the Cardiff Capital Region Cabinet agreed that work should commence on a Strategic Development Plan (SDP) for the area. Chief Planning Officers and Planning Policy lead officers have met monthly as a Project Group to progress various work streams necessary to establish the project in advance of the formal commencement of plan preparation. 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.		High	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	<b>Latest Green Paper:</b> Strengthening Local Government: Delivering for People 20th March 2018- Introduces a new footprint combining CCBC with NCC. 3 options- voluntary mergers by 2022. Voluntary mergers by 2022 and the rest mandated by 2026. Mandated mergers by 2022.	1. Latest proposal mandates a merger with Newport City Council. Through either of three options, voluntarily by 2022, voluntarily by 2022 and mandated by 2026, mandated by 2022. All three options present risk as below. 2. CCBC maintains the position that it is large enough to stand alone. This may be rejected by WG however there seems to be no realistic timeline for agreement on reorganisation within this Assembly term. 3. Newport CC is not a natural fit for CCBC. Community differences, demographics, geographical separation. Priorities for the communities in Newport will be very different to semi-rural valleys communities. 4. Costs will be significant with 2015 estimates suggesting over £200m for local government across Wales. Given savings that have been taken since then WG anticipated savings over 10 years are unlikely to materialise. 5. Shadow authorities and preparation for vesting day would significantly detract strategic capacity from dealing with current challenges.	1. Report to Council - 5th June 2018: approved Caerphilly County Borough Council response to the consultation on the Welsh Government Green Paper: 'Strengthening Local Government: Delivering for People'. 2. Collaborative working not recognised in the Green Paper. WLGA preference is for continued collaboration where business case makes sense.		Low	Low	WG has announced that Local Government Reform proposals will be subject to further review with latest indications being that mandated mergers will not be required.	Yes - However, impacts are not yet fully understood.	Medium and Long term	Medium	Corporate Management Team

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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 2018-19 Q1	Risk Level 2018-19 Q2	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
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>Maintenance of existing sites will not be to a required standard</li> <li>Disposal of assets must be managed carefully to minimise community and service impacts</li> <li>Community Asset Transfer as an option brings risks in relation to continued liability</li> <li>Asset disposal may not realise expected returns</li> <li>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>Development of asset management and rationalisation programmes</li> <li>Cost benefit assessment before planned expenditure supported by business case where relevant</li> <li>Early stakeholder and community consultation before asset disposal</li> <li>Support for recipient organisations accepted for Community Asset Transfer</li> <li>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>Services to identify what buildings they can realise as a consequence of Medium Term Financial Plan (MTFP) savings.</li> </ol>		Medium	Medium	The Property Review Report 2018 includes a complete schedule of Council buildings by service area. The schedule highlights the size of the Council's property portfolio and will assist the production of Service Area Asset Management Plans (SAAMP). Many service areas are stretched and in many cases the production of the SAAMPs is taking too long. CMT therefore took the decision to bring in an additional fixed-term central Asset Management Co-ordinator to assist with the development of SAAMPs. The recruitment to this post has now been completed and the postholder has commenced her duties.	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
CMT42	Exit from the EU (Brexit)	The decision to leave the EU and the looming deadline to secure an exit deal has created considerable uncertainty.	Moving forward it is difficult to determine what impact the exit from the EU will have in the medium to longer-term for Caerphilly CBC and our communities. However, in the short-term possible negative impacts from a no deal scenario include the potential for workforce supply shortages in some areas and the possibility of some disruption to the supply of goods and services.	CMT are continuing to monitor the situation.		Unable to assess currently due to the level of uncertainty.		There remains a great deal of uncertainty around the potential positive or negative impacts of the decision to leave the EU. The position is being monitored closely and CMT has recently agreed that a Working Group should be established to further consider and monitor the potential consequences of Brexit and the mitigating actions that will be required to assist in managing risks.	Potential impacts are not yet fully understood but they are likely to be felt over the short, medium and longer-term.	Short, medium and long-term.	Unable to assess due to the level of uncertainty.	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.

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## AUDIT COMMITTEE – 16TH OCTOBER 2018

**SUBJECT: INTERNAL AUDIT SERVICES – ANNUAL OUTTURN REPORT 2017/18**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

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### 1. PURPOSE OF REPORT

- 1.1 To inform Members of the work carried out by Internal Audit Services during 2017/18 and to provide a Statement of Assurance in respect of the Councils overall system of internal controls.

### 2. SUMMARY

- 2.1 It is a requirement both of the Public Sector Internal Audit Standards (PSIAS) that the Head of Internal Audit provided an Annual report to support the Annual Governance Statement. The report should
- Include an opinion of the overall systems of internal controls.
  - Present a summary of the audit work that has been undertaken on which this opinion is based.
  - Draw attention to any issues which may impact on the level of assurance provided.
  - Provide a summary of performance of the service.
  - And comment on conformance with the Public Sector Internal Audit standards (PSIAS).
- 2.2 In addition the Audit Committee Terms of Reference last reviewed in the Audit Committee in September 2014 states that the Committee has the following responsibility “to consider the Head of Internal Audit’s annual report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Councils internal control environment (ref 3.3.7).
- 2.3 The Council’s own Financial Regulations also state that an annual audit activity plan is prepared to ensure that there is an effective and efficient use of audit resources. In addition to producing the audit plan, it is also a requirement that the Internal Audit Manager produces an outturn report which provides members of the Audit Committee with an overview of the work undertaken by Internal Audit Services during the previous financial year and provides an insight into the range of issues that the service is involved with in addition to the core audit work undertaken.

### 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 detail of the report is included in the Appendices attached.
- 4.2 It is acknowledged that this report is overdue. However this is due in part to the continued long term sickness absence of the Internal Audit Manager which has impacted on the available resources in the section to deal with this workload. This has been addressed in part by the temporary acting up and increasing the working hours of the Principal Auditor and the recent secondment of a member of staff with previous internal audit experience from the Corporate Finance section on a part time basis (2 to 3 days per week). These arrangements are set to continue until December.
- 4.3 Further plans are also in place to address capacity within the section as a bid has been made for funding for an apprentice auditor / accountant to be shared between the Internal Audit section and the Corporate Finance section. This has been approved and it is hoped to comment recruitment and appoint before the end of the calendar year.
- 4.4 In addition steps are in place to procure an automated audit management software tool to support the audit planning and reporting process and improve the quality and information for the future reporting to the Audit Committee in this regard. Once procured resource will be needed to set the system up, but it is hoped that this will be implemented and fully operational by 31.3.19.
- 4.5 In conclusion this report has been prepared as a review of Internal Audit activity during 2017/18. It not only highlights the extent of the work completed but also the diversity.
- 4.6 No fundamental issues have come to light as a result of audits carried out on both the major financial systems and other financial and administrative systems and procedures and establishments. Where issues have been identified and brought to the attention of management an action plan and follow up process is in place to drive through the necessary improvements. Overall it is considered that the Council continues to operate within a control environment that is effective and supports the assurance statement within the Annual Governance Statement

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

- 5.1 This report contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in the Act in that reporting of the Internal Audit performance, annual out turn and any significant findings across all service areas enables those service areas to identify areas of concern and implement controls and improvements.

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

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

## **7. FINANCIAL IMPLICATIONS**

- 7.1 Funding for the initial purchase and set up of the audit management software will come from savings identified in the Internal Audit budget. Current on-going estimates of future support and maintenance once implemented can be met from current budgets.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 A temporary acting up arrangement until December 2018 and permanent increase in working hours of the Group Auditor has been put in place to address the absence of the Internal Audit Manager and increase the capacity to address the associated workloads.
- 8.2 In addition to the above, to strengthen the team further in the short term the Principal Group Accountant has been seconded into the section from Corporate Finance for 3 days a week until the end of December 2018.
- 8.3 Following on from the cabinet report 25.7.2018 in respect of funding for the Apprentice/trainees the section has had approval to recruit a trainee Accountant under this scheme.

## **9. CONSULTATION**

- 9.1 All consultation responses have been reflected in this report.

## **10. RECOMMENDATIONS**

- 10.1 The Audit Committee is asked to note the content of this annual review of the operation of the Internal Audit Service.

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

- 11.1 To ensure that
- The Audit Committee is aware of the level of Internal Audit coverage and the overall opinion derived from undertaking this work.
  - Adequate supporting information and evidence has been supplied to the Audit Committee to enable the Committee to meet its requirements under the Committee's terms of reference.
  - Adequate assurance is provided to support the Annual Governance Statement process

## **12. STATUTORY POWER**

- 12.1 Local Government Act 2000.

Author: Deborah Gronow, Acting Internal Audit Manager  
Tel: 01443 864044 E-mail: gronode@caerphilly.gov.uk

Consultees: Richard Edmunds (Ed), Director of Corporate Services and Education  
Nicole Scammell, Head of Corporate Finance & Section 151 Officer  
Stephen Harris, Head of Improvement

Appendices: -

Appendix 1 Annual Internal Audit report 2017/18  
Appendix 2 Table showing audit coverage

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# Internal Audit Service Annual Report

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## **1 Introduction**

- 1.1 This Internal Audit Annual out turn report summarises the work of Internal Audit between the period April 2017 and March 2018. It provides a detailed account of the performance of the service along with an overview of the progress made in delivering the audit plan 2017/18.
- 1.2 The aim of the work undertaken is to ensure that the Councils Internal Control environment is reviewed sufficiently to provide evidence to support an opinion on the overall system of internal control. This statement informs the Council's Annual Governance Statement.

## **2 Internal Audit Service performance 2017/18**

- 2.1 The 2016/17 Audit plan was as in previous years prepared on a risk based approach and is structured around several main types of audit work.:-
  - Systems, where the internal control environment would be evaluated and if appropriate testing performed on transactions, processes or procedures to give an overall assessment. A cyclic approach is undertaken with the aim to cover high risk areas annually and other systems less frequently
  - Establishments, this includes schools, and other locations such as leisure and tourism venues. A cyclical approach is adopted with the aim that all establishments are visited within a 3 to 5 year period. The audit work performed at each location aims to cover the main financial and risk transactional processes and other risk or governance areas such as safeguarding by sample testing.
  - Regularity, safeguarding of assets, income expenditure or other functional transaction streams is evaluated by sample checking or verification.
  - Final account and contract audit
  - Advisory, Internal audit is often consulted on where queries arise over best practice, or input is required in developing processes and procedures. This is often ad hoc and cannot be planned in advance
  - Other, Internal audit may be called upon to advise in respect of special projects, input into project teams other one off reviews, including value for money reviews or special investigations. These may be planned in advance but also may arise out intelligence gained from other audits or by special request from HoS /Service Managers and are therefore unplanned.
- 2.2 Internal Audit is an independent section and reports to the s151 officer and the Audit Committee in accordance with the Public Sector Internal Audit

Standards (PSIAS). It is considered that there has been no impairment of its independence in the period.

- 2.3 As reported to the April 2018 Audit Committee an external assessment of the section in accordance with PSIA was performed during the year and the conclusion was that there was conformance with the standard with a few areas requiring improvement. An action plan to address those has been put in place and some recommendations have already been addressed. A number of other recommendations will need to be considered by the Corporate Governance Panel and Management team and will be reported on in due course.
- 2.4 At the time of preparing the plan the section's establishment was 8.2 FTE which equated to 9 permanent members of staff. This equated to 2143 working days. Of which 1518 were allocated to audits with the balance being allocated to cover overheads such as annual leave, sickness, training and other non-allocated time. Such allocations are estimates based on prior historical data and variances often arise when actual figures are evaluated at the year end.
- 2.5 The following table provides data in respect of the actual allocation of staff time in regards to overheads against the original plan. Variances can be seen to have arisen, which are due to timing of annual leave (the leave year and financial year are not the same), the Easter bank holiday which can fall either side of the 31<sup>st</sup> March, an increase in special leave over the forecast, this is due to staff attendance on governing body panels, staff having caring issues and bereavements together with the building shut down due to the inclement weather, sickness levels are greater than originally estimated due to the long term absence of the Internal Audit manager and a number of other short term sickness absences. Other overhead time has increased due to a large scale filing review which has been taking place relating to GDPR and implementation of a document retention policy and additional management time for the Acting Internal Audit Manager. Some reduction has been seen in respect of training, due to an absence of suitable courses and other admin time has also reduced.

<b>Overhead</b>	<b>Plan</b>	<b>Actual</b>	<b>Variance</b>	<b>Variance (%)</b>
Leave and bank holidays	313	314	1	0
Sickness	32	60	28	87.5%
Training	20	15	-5	25%
Management	120	181	61	51%
Audit admin	140	100	-40	29%
Other (special	0	36	36	

leave etc.)				
<b>Total</b>	<b>625</b>	<b>706</b>	<b>81</b>	<b>13%</b>

2.6 The table in Appendix 1 provides an overview of the allocation of audit time against the various audit areas.

2.6 Variances between the plan and actual time allocated have arisen due to a number of factors including but not limited to

- Increase in overheads/ unproductive time as referred to in 2.5 above
- Associated re-profiling of audits as a result of the Group Auditor taking on the workload of the Internal Audit manager in the latter part of the year.
- Part time secondment of Senior Audit assistant to Corporate Finance to cover a short term vacancy related to the winding down of the Communities first scheme. No time was planned for this in the original annual plan.
- Appointment of the Group Auditor as Information Governance Steward for Corporate Finance, and associated responsibility for driving the section's compliance with processes and procedures related to GDPR such as privacy notices and information asset register reviews. No time was planned for this in the original annual plan, however in view of the strategic risk presented to the authority due to GDPR, the S151 officer considered this an effective use of audit resources. As part of this work assistance was given to the preparation and drafting of the various Privacy notices required for the Corporate Finance Section.
- No audit coverage was given to Cashiers/ Income management, this was because all resources in the section were allocated to the implementation of a new system in 17/18 (go live 1.4.2018) which was prioritised by the Head of Corporate Finance, as failure to implement it by the financial year end would have impacted the authority's ability to accept and account for income received.
- Additional time was allocated to NFI data match investigations. A total of 6682 matches were reported covering major financial systems including Purchase ledger, payroll, VAT, housing benefits, council tax reduction scheme, housing tenancies, elderly residential clients, direct payments clients, insurance claimants, blue badges and licences. This work was performed as many of the main high risk financial systems submitted data and data matches were reported, and investigation of these matches was considered to be an alternative targeted method of covering these areas and identifying potential errors or frauds. The findings of this national exercise are expected to be published later this year, and a report will be submitted to audit committee at that time. Specific reports have



been issued to Service areas where findings warrant it, but the majority of these reviews were not complete at the end of March, so will be included in next years out turn.

- Reduction in the number of cheque payments produced by the authority resulted in only 47 days being used against a planned allocation of 100 days. This has freed up resource to absorb additional audit work. This is not unexpected as most businesses now prefer BACS transfers and the number of cheque payments made is reducing.
- Action plan follow up has been included in the majority of systems audits so this time is now allocated within the audit. Time allocated to contingencies has been absorbed into audit work performed.
- The Internal Audit manager was appointed Acting Deputy Monitoring Officer in November 2017. This has resulted in some additional administration time being incurred in respect of this role, which was not originally included in the audit plan.

- 2.7 As the Internal Audit service is responsive to the needs of the organisation so it is often difficult to accurately predict demand and need over the short and medium term and where there are other constraints some of the more low risk audits will be impacted, by cancellation or slippage into later audit plan cycles.
- 2.8 Audit time spent on assignments may also vary from the plan particularly where new areas are under review or where changes in structures, systems or processes have arisen or where new or emerging risks have been identified. In addition audit time may need to be extended where sample testing has identified areas of concern.
- 2.9 Other external issues may also impact on the delivery of the plan where resources are required to be diverted into other areas of work
- 2.10 Specific performance measures are provided below
- 2.11 **Sickness absence.** It can be seen that there was an increase in sickness absence from the planned estimate; this was due to a number of short term absences, one bereavement and the current ongoing long term absence of the Audit Manager.
- 2.12 **Draft reports to be issued within 10 working days following completion of fieldwork.** 30% of audits met this criteria. This is due in the main to the impact of school holidays on the audit process.
- 2.13 **Final reports to be issues within 5 days of clearance meeting** 95% of audits met this criteria.

- 2.14 **Audit staff to be available 8.30 to 5.00 Monday to Thursday and 8.30 to 4.30 on Fridays.** With a number of part time staff and some staff absences through sickness there were a small number of occasions where this was not always achieved, particularly through the summer where staff were taking annual leave. This is considered not have affected the service adversely.
- 2.15 **To draw up and agree audit plan by 31<sup>st</sup> March.** This was achieved
- 2.16 **To ensure costs are in line with budget.** This was achieved.

### 3 Systems audits

- 3.1 Systems audits have been carried out over a wide range of areas in order to gain an overall opinion of the effectiveness of the internal control system operating within the council. In the main these cover the main financial systems but may also address non-financial systems which are considered to be high risk or high impact. In the main systems or processes related to cash, income, payments or where high transaction volumes exist are covered in this way.
- 3.2 As noted above some high risk areas traditionally covered by systems work received audit coverage via the evaluation and investigation of data matches identified from the NFI exercise, and these have been reported on, although some of these were not completed and issued in 17/18.
- 3.3 Internal audit report by exception and so highlight any control weaknesses which may lead to increased risk, both financial and non-financial, which are then reported to Service Managers, Heads of Service and Director if necessary.
- 3.4 System audits risk rate each individual finding which then informs an overall opinion on the adequacy of the system of controls and the compliance with the system (if transactional tests were performed).
- 3.5 Where findings are reported, recommendations are made to management, who are required to indicate the actions they are planning to take to address the findings noted. These form part of an action plan which are either followed up as a separate process or built into the planning of the next audit of that particular system.
- 3.6 In the main auditees and management accept recommendations made and an overall opinion is reported and in line with PSIAS system reports now also contain a “direction of travel” indicator to show whether there has been an improvement / reduction in the nature or type of risks reported.
- 3.7 During 2017/18 opinions were classified into 3 categories i.e. Good, Satisfactory and In need of improvement.

- 3.8 During the year 6 system audits were carried forward from the previous year and 4 were completed, 2 were deferred into 2018 . 20 were started and completed and 16 were started but incomplete at the end of the financial year. These will be completed in 18/19 and reported on accordingly in that cycle.
- 3.9 The following table summarises the opinions reported in respect of finalised audit assignments. Not all audits generate an opinion for example grants certification, and where no compliance testing is performed there is no opinion generated on this aspect.

<b>Opinion</b>	<b>System (Nos)</b>	<b>Compliance (Nos)</b>
Good	1	1
Satisfactory	3	0
In need of Improvement	5	5
Total	10	6

- 3.10 Audit reports with at least one “ in need of improvement” opinion noted above are as follows
- Flexi compliance – specifically management monitoring of staff running excessive debit balances, long overdue adjustments, unauthorised absences etc. This was reported to HR and it was agreed to bring this to HR strategy group. A follow up of this audit is planned shortly.
  - Gass scheme administration. Some issues were noted with respect to treatment of staff on termination, maternity leave and advance rentals and some changes to the salary sacrifice regulations. Some of the issues noted are no longer relevant due to changes in the income tax status of the scheme. Follow up is planned for next audit cycle.
  - Inventory records in schools. Examples of poor record keeping and administration were noted. This is a theme that has been identified in other audits and a follow up is planned.
  - Primary school meal income and arrears. Concerns were noted with the general level of administration and record keeping in schools with some schools showing large levels of arrears and poor administration with regard to carrying forward balances from one school year into the next. The information reported supported inclusion of Audit within a working party to introduce a pilot cashless system within 5 primary schools. A further follow up review is currently under way on this area.
  - IT leavers and administration. There were issues in relation to the sign off of the report due to sickness. However the Head of Digital and Customer

Services has requested follow up which is currently underway and will be reported on in due course.

#### 4 Establishment audits

- 4.1 Establishment audits are performed where due to the decentralised nature of some systems and processes and the localised and stand-alone nature of the location a number of different operation systems may exist or operate on site.
- 4.2 Periodic visits to these sites may not only detect and correct poor practices, it may also give an opportunity to issue advice and guidance, correct poor or bad practice and enhance or set up a better control environment in situ. Also regular visits may also act as a deterrent to any mal practice.
- 4.3 Establishments visited included schools, primary and secondary, leisure centres and tourism sites.
- 4.4 During the year 37 audits were completed and reports issued to management, including a number that had been commenced in 16/17. In addition 5 audits were planned / commenced towards the end of the year that will be completed and reported on in 18/19.
- 4.5 As with systems audits all establishments heads or managers are issued with an opinion of the overall compliance with issued best practice or control processes in existence. Opinions are currently rated Good. Satisfactory and In need of improvement and one overall opinion is issued.
- 4.6 While a formal action plan review process is not in place those establishments identified as being in need of improvement are required to complete an action plan and are subject to a follow up review to monitor progress of the implementation of the recommendations and an enhancement of the control processes in place.
- 4.7 The number of establishments visited and opinions issued is given in the following table

<b>Opinion</b>	<b>Numbers</b>
Good	14
Satisfactory	19
In need of Improvement	3
Total	36

4.7.1 Audit reports with an “ in need of improvement” opinion noted above are as follows

- Risca Comprehensive school. Report Issued April 2017, action plan agreed and revisit took place in the November 2017. The follow up audit concluded that improvements had been made and is now satisfactory.
- Bryn Awel Primary. This was audited in 2015 and 2016. A second follow up audit took place in June 2017, which concluded that little improvement had been made with some new issues emerging. A further action plan was issued. Meeting held with Governing Body in November 2017 and some assistance / training given to admin staff. However a further visit has taken place in April 2018 and concerns still exist. This will be scheduled for a further visit in 2018/19
- Hendrenny Park Primary. Report was issued in July 2017. Assistance given with 2 additional visits in September 2017 to offer additional support advice and guidance to admin staff. There has been a change in administration staff at the school who have now been fully trained. A follow up is now planned for 2018/19.

## **5 Other audit assignments**

- 5.1 Audit staff also undertook a number of other assignments including regularity work, advisory work, supporting working parties and advising on best practise in relation to new systems and processes. Further detail can be given below
- 5.2 Grant certification. A number of Welsh Government grants are received by the authority that are subjected to a review of accuracy and compliance with T&C requiring a year end certification. Significant revenue streams arise from these grants. 9 grant audits with a value of over £12 million were audited in 2017/18.
- 5.3 Audit staff supported the IT section in retaining the authority’s PCI (Payment Card Industry) accreditation. This required certain systems and processes to be in place and these to be reviewed and checked at least annually. Failure to adhere to these standards could result in the withdrawal of the facility to accept card income and the imposition of fines and penalties In 2017/18 all locations that accept debit and credit card income were visited and reminders of best practice or minor breaches were reported to site managers and a full report was issued to the PCI forum and IT security Officer. The authority remains fully compliant with the standard.

- 5.4 Audit staff had continued to provide advice and guidance to the Purchase ledger section in respect of best practices in administering and complying with the requirements of HMRC in paying contractors and limited companies and identifying instances of “deemed employment”. This is considered to be a high risk area as the regulations issued are recent and case law and practice is emerging in this area whilst fines and penalties imposed by HMRC for noncompliance have the potential to be major.
- 5.5 Primary school meal income amounts to over £1million pa, and issues relating to the administration and collection are a recurring theme in schools, and an audit review had indicated this area was in need of improvement. Further on going advice and support has been provided to Catering Services and individual schools as the cashless primary school meals system was rolled out to a pilot of 5 schools. It is planned to undertake a post implementation review sometime during the financial year but initial results are showing a reduction of around 90% in cash handled in the pilot schools, with an associated reduction in risk of cash losses and arrears.
- 5.6 The Group auditor was assigned as the Corporate Finance Information Governance steward during the year, a role that has continued into 2018/19. As members are aware the General Data Protection Regulations (GDPR) came into force in May 2018 and this gives the Information Commissioner much greater powers in cases of breach and the value of fines has also increased. Recognising this as a risk a great deal of time was allocated to this role which included supporting the various sections within Corporate Finance in drafting Privacy notices. This work has carried on into the current year.
- 5.7 The Internal Audit Manager is a member of the Corporate Governance Panel which met during the year. Corporate Governance panel minutes were reported to Audit committee and which informed the Annual Governance statement process.
- 5.8 Internal Audit has continued to undertake final account reviews and other contract audit work 70 contractor’s final accounts were reviewed (95 2016/17) in 74 days. These had a value of £9.5m (£23m 2016/17).
- 5.9 The Internal Audit Manager was appointed Interim Deputy Monitoring Officer in November 2017 and this continued until his sickness absence in February 2018. This contributed to additional admin time within overheads.
- 5.10 The Group Auditor is the Primary contact for the NFI and data matches for the 16/17 exercise were released in January 2017 and analysis and investigation of these carried on throughout 2017/18. Wales Audit Office selected Caerphilly for compliance review in 17/18 and this was completed. CCBC was also selected for a pilot of additional matched data in 2017/18 not included in the original release.

- 5.11 Anonymous letters, reports and complaints are received and assessed within internal audit in order to ensure that they are properly considered and if necessary they are then passed to appropriate departments for further investigation or review. Resource demand for this process is difficult to forecast. During the year there were 66 letters logged (106 in 16/17) These communications cover a range of possible issues and include, highways, planning, antisocial behaviour, tipping, animal control, neighbour issues, child protection and safeguarding and possible other illegal activities. Each report is assessed individually and referred appropriately. Where allegations relate to criminal activities, benefit fraud, staff irregularities or safeguarding immediate referrals are made to relevant parties.
- 5.12 Internal audit staffs have attended the learning from complaints group which compliments the work on anonymous letters and reports.
- 5.13 Internal audit also log and record cheques returned to the authority, these are scrutinised to ensure they do not relate to breakdowns in control processes. 84 were logged in 17/18 (84 in 16/17)
- 5.14 Compliance work was undertaken to assist with the IT security accreditation and 3 areas received coverage in 2017/18.
- 5.15 Internal audit continue to participate in the South Wales Chief Auditor Group Training programme and a number of training sessions were attended.
- 5.16 The Internal Audit manager and Acting Internal Audit Manager have attended the twice yearly meetings of the Welsh Chief Auditors Group.

## **6 Public Sector Internal Audit Standards**

- 6.1 The Public Sector Internal Audit Standards came into force on 1.4.2013 and consist of the following
- Definition of internal audit
  - Code of Ethics
  - Standards for the Professional Practice of Internal Auditing
- 6.2 The standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal audit across the public sector. The standards require that each public sector internal audit service has in place robust arrangements for quality assurance and requires that Internal audit is subject to an external assessment at least once every 5 years.
- 6.3 During 2017/18 the Internal audit service was subject to an external review in accordance with the standards. The findings were reported to the audit

committee on January 2018. The assessment noted that there were no significant deviations from the standard but a small number of recommendations to improve conformance were made. An action plan has been put in place to implement these and progress has been made towards this.

- 6.4 The Internal audit service continues to conform to the Standards during 2017/18 and no significant deviations have been noted.

## **7 Statement of Assurance**

- 7.1 No fundamental issues have come to light as a result of audits carried out on both the major financial systems and other financial and administrative systems and procedures. Where audits have been identified as in need of improvement management are responsible for implementing an action plan which will be subject to follow up review.
- 7.2 No material system risks have been identified in relation to audits found to be in need of improvement.
- 7.3 As a result, overall it is considered that the Council continues to operate within a control environment that should minimise the risk of loss to the Authority.



## Appendix 2

Area	days	description	
Coed-y-brain Primary	0-5 days	schools establishments	Education estabs
Blackwood Primary	0-5 days	schools establishments	Education estabs
Comm Ed central office	0-5 days	Leisure centre estabs	Communities systems
Hendre Juniors	0-5 days	schools establishments	Education estabs
Oakdale Comp	0-5 days	schools establishments	Education estabs
White Rose Primary	0-5 days	schools establishments	Education estabs
Libraries - Headquarters	0-5 days	libraries educaion	Communities systems
General - Systems	0-5 days	Social Services	Advice
Customer First - Ty Penallta	0-5 days	CF/P	Corp Services
Bedwas Junior	0-5 days	schools establishments	Education estabs
Lewis Girls	0-5 days	schools establishments	Education estabs
Pontllanfraith Comp	0-5 days	schools establishments	Education estabs
Pontllanfraith Primary	0-5 days	schools establishments	Education estabs
Ty Isaf Infants	0-5 days	schools establishments	Education estabs
Rhymney Comp	0-5 days	schools establishments	Education estabs
Ysgol Ifor Bach	0-5 days	schools establishments	Education estabs
Cwmaber Juniors	0-5 days	schools establishments	Education estabs
Hendre Infants	0-5 days	schools establishments	Education estabs
Facilities management Ty Penallta	0-5 days	property	Corp Services
AP forensics data and payments audit	0-5 days	Corp finance	Corp Services
Benefits - Central	0-5 days	Corp finance	Corp Services
Flexi	0-5 days	HR/Payroll	Corp Services
Monitoring return of action plans	0-5 days	Corp finance	corporate audit
Glyn Gaer Primary	0-5 days	schools establishments	Education estabs
Ystrad Mynach LC	0-5 days	Leisure centre estabs	Communities estabs
Springfield resource centre	0-5 days	Social Services estabs	Social Services estabs
Cefn Fforest LC	0-5 days	Leisure centre estabs	Communities estabs
St. James Primary	0-5 days	schools establishments	Education estabs
Derwendeg Primary	0-5 days	schools establishments	Education estabs
Gilfach Fargoed Primary	0-5 days	schools establishments	Education estabs
Insurance / risk management	0-5 days	Corp finance	Corp Services
Welsh Church Fund Grant admin	0-5 days	Corp finance	Corp Services

Assurance framework	0-5 days	corporate	governance
Audit budget / financial monitoring	0-5 days	Non audit	non audit corp finance
Trinity Fields Sp. School	0-5 days	schools establishments	Education estabs
Leisure - General	0-5 days	Leisure centre estabs	Communities systems
Cashiers - Central	0-5 days	Corp finance	Corp Services
Complaints	0-5 days	corporate	governance
YG Cwm Derwen	0-5 days	schools establishments	Education estabs
YG Cwm Rhymni	0-5 days	schools establishments	Education estabs
Youth service operations	0-5 days	Education systems	Education systems
cctv control centre	0-5 days	Community Safety	public protection
Bargoed library	0-5 days	libraries educaion	Education estabs
Advice- new system	0-5 days	Social Services	Advice
Elderly - Castle View HFE	0-5 days	Social Services estabs	Social Services estabs
Learn. Diff. - Pont woodcraft	0-5 days	Social Services estabs	Social Services estabs
NFI Housng Waiting lists matches	0-5 days	Housing	Housing
Cefn Fforest Primary	0-5 days	schools establishments	Education estabs
Flying start	0-5 days	Education systems	Education systems
Private housing - WOA	0-5 days	Housing	Housing
Cwmcarn Comp	0-5 days	schools establishments	Education estabs
Deri Primary	0-5 days	schools establishments	Education estabs
Financial procedures	0-5 days	Education systems	Education systems
Governance in schools	0-5 days	Education systems	Education systems
Technical panel support	0-5 days	corporate	Corporate non audit
Bedwas Comp	0-5 days	schools establishments	Education estabs
carbon emissions scheme	0-5 days	property	Corp Services
Ysgol Bro Sannan	0-5 days	schools establishments	Education estabs
Vehicle maintenance	0-5 days	Fleet	Communities
Commissioning	0-5 days	Social Services	Advice
Building consult. - contract procedures	0-5 days	Property	Corp Services
Ynysddu Primary	0-5 days	schools establishments	Education estabs
Analytical analysis - financial systems	0-5 days	error	Advice
General - Educ.establishments	0-5 days	education	Education estabs
GASS car leasing scheme	0-5 days	HR/Payroll	Corp Services
School governance	0-5 days	Education systems	Education systems
External audit	0-5 days	corporate	Corporate non audit
Customer first systems/APR	0-5 days	CF/P	Corp Services
Engineers contract procedures	0-5 days	Engineers	Engineers
Debtors	0-5 days	Corp finance	Corp Services
Abertridwr library	0-5 days	libraries educaion	Education estabs

New Primary cashless system	0-5 days	Catering	Social Services systems
YGG Caerffili	0-5 days	schools establishments	Education estabs
Housing technical - final accounts	0-5 days	Housing	Housing
leisure new COSE systems	0-5 days	Leisure	Communities
Engineering client - final accounts	0-5 days	Engineers	Engineers
Hengoed Primary	0-5 days	schools establishments	Education estabs
Landscape services	0-5 days	Planning	planning / regen
Sub Contractors Tax	0-5 days	Corp finance	Corp Services
Performance mgt unit	0-5 days	performance	communities
NFI data match CIFAS fraud cases	0-5 days	Corp finance	Corp Services
Glan y nant referral unit	0-5 days	schools establishments	Education estabs
Private housing - block repair schemes	0-5 days	Housing	Housing
NFI co-ordination	0-5 days	Non audit	non audit corp finance
Maesycwmmmer Primary	0-5 days	schools establishments	Education estabs
Out of office service	0-5 days	Social Services	Social Services systems
Fochriw Primary	0-5 days	schools establishments	Education estabs
Risca LC	0-5 days	Leisure centre estabs	Communities estabs
Elderly - Twyncarn Day Centre	0-5 days	Social Services estabs	Social Services estabs
Early years free childcare offerer	0-5 days	Education systems	Education systems
Private housing - group repair final acc	0-5 days	Housing	Housing
Flying start capital grant	0-5 days	Education grant	Education grant
Private housing - misc. final accounts	0-5 days	Housing	Housing
Learn. Diff. - Montclair (Respite)	0-5 days	Social Services estabs	Social Services estabs
Upper Rhymney Primary	0-5 days	schools establishments	Education estabs
Caerphilly LC	0-5 days	Leisure centre estabs	Communities estabs
Bryn Primary	0-5 days	schools establishments	Education estabs
St. Gwladys Juniors	0-5 days	schools establishments	Education estabs
Homelessness review	0-5 days	Housing	Housing
Elderly - Min Y Mynydd HFE	0-5 days	Social Services estabs	Social Services estabs
Newbridge LC	0-5 days	Leisure centre estabs	Communities estabs
Early years - meithrin systems	5-20	schools establishments	Education estabs
Parks and outdoor facilities	5-20	Parks and green spaces	Communities
Youth Service Revenue grant	5-20	Education grant	Education grant

Fraud work	5-20	corporate	Corporate non audit
Servicing Audit Committee	5-20	governance	governance
School uniform grant	5-20	Education grant	Education grant
WHQS central heating investigation	5-20	Housing	Housing
Cwmcarn Primary	5-20	schools establishments	Education estabs
Fleur-de-lys Primary	5-20	schools establishments	Education estabs
NFI council tax reduction claims match	5-20	Corp finance	Corp Services
YGG Y Castell	5-20	schools establishments	Education estabs
Pengam Primary	5-20	schools establishments	Education estabs
Client Catering	5-20	schools establishments	Education estabs
Community focused school grant	5-20	Education grant	Education grant
Housing technical - gas servicing&maint.	5-20	Housing	Housing
Markham Primary	5-20	schools establishments	Education estabs
Cwmaber Infants	5-20	schools establishments	Education estabs
Heolddu LC	5-20	Leisure centre estabs	Communities estabs
Blackwood Miners Institute	5-20	Leisure centre estabs	Communities estabs
St. Martins Comp	5-20	schools establishments	Education estabs
Housing technical - WHQS	5-20	Housing	Housing
Rhiw Syr Dafydd Primary	5-20	schools establishments	Education estabs
Abertysswg primary	5-20	schools establishments	Education estabs
NFI vat queries	5-20	Corp finance	Corp Services
Tynywern Primary	5-20	schools establishments	Education estabs
Learn. Diff. - Ty Gwilym (Respite)	5-20	Social Services estabs	Social Services estabs
Nant-y-Parc Primary	5-20	schools establishments	Education estabs

Grants - claims	5-20	Corp finance	Corp Services
St. Cenydd Comp	5-20	schools establishments	Education estabs
Graig-y-Rhacca Primary	5-20	schools establishments	Education estabs
Security policy	5-20	IT	Corp Services
Twyn Primary	5-20	schools establishments	Education estabs
Security & access controls	5-20	IT	Corp Services
Countryside Parc Cwm Darran	5-20	Tourism estabs	planning / regen
Anonymous letters	5-20	Non audit	non audit corp finance
Annual governance process	5-20	corporate	governance
Audit plan - monitoring	5-20	corporate	audit/ corporate overheads
NFI data match benefits	5-20	Corp finance	Corp Services
St. Cenydd LC	5-20	Leisure centre estabs	Communities estabs
Cwm Glas Infants	5-20	schools establishments	Education estabs
Flexi	5-20	HR/Payroll	Corp Services
Learn. Diff. - Markham Day Centre	5-20	Social Services estabs	Social Services estabs
Risca Comp	5-20	schools establishments	Education estabs
Waunfawr Primary	5-20	schools establishments	Education estabs
Cashiers/IT PCI card security systems	5-20	Corp finance	Corp Services
Elderly - Brodawel HFE	5-20	Social Services estabs	Social Services estabs
Heolddu Comp	5-20	schools establishments	Education estabs
Centre for Sporting Excellence	5-20	Leisure centre estabs	Communities estabs
Ystrad Mynach Primary	5-20	schools establishments	Education estabs
Retrospective orders	5-20	CF/P	Corp Services
Creditors	5-20	Corp finance	Corp Services

Hendredenny Primary	5-20	schools establishments	Education estabs
Telephones - monitoring & control	5-20	IT	Corp Services
NFI data match companies house directors	5-20	Corp finance	Corp Services
Transport - Education	5-20	Engineers	Engineers
Supporting People Grant	5-20	Social services grant	Social Services grant
NFI Blue badge matches	5-20	CF/P	Corp Services
Corporate Governance	5-20	governance	governance
Schools catering	5-20	Catering	Social Services systems
SEG grant review for EAS and Torfaen	5-20	Education grant	Education grant
Building consult. - final accounts	5-20	Property	Corp Services
Information governance project team	5-20	Non audit	non audit corp finance
Duplicate payment analysis software	5-20	Corp finance	Corp Services
NFI data match payroll	20-50	HR/payroll	Corp Services
Corporate procurement issues	20-50	CF/P	Corp Services
Bryn Awel (Lower Rhymney) Primary	20-50	schools establishments	Education estabs
IR35 creditors processes working group	20-50	Corp finance	Corp Services
NFI queries	20-50	Corp finance	Corp Services
Creditors NFI data match	20-50	Corp finance	Corp Services
Consultancy In house - final accounts	20-50	Property	Corp Services
Benefits Discretionary Housing Payments	20-50	Corp finance	Corp Services
overtime standby and callout payments	20-50	HR/Payroll	Corp Services
WHQS general advice	20-50	Housing	Housing

Returned cheques	20-50	Non audit	non audit corp finance
Home to school transport	over 50	Engineers	engineers
Section 17 payments	over 50	Social Services	Social Services systems
Overpayments and recovery	over 50	HR/Payroll	Corp Services
Council tax reduction scheme	over 50	Corp finance	Corp Services
Accountancy grant secondment	over 50	Non audit	secondment
allocated work	1427.00		

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## AUDIT COMMITTEE – 16TH OCTOBER 2018

**SUBJECT: INTERNAL AUDIT SERVICES REVISED METHODOLOGY FOR 4 TIER AUDIT OPINIONS, RISK RATINGS AND ASSURANCE - DRAFT REPORT**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

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### 1. PURPOSE OF REPORT

- 1.1 Following the July Audit committee and the ISA 260 report from External Auditors Grant Thornton it was agreed by management that additional information would be provided to the Committee in respect of audit assignments undertaken. This has prompted a review of the current method of rating audit findings and how these relate the “opinion” expressed in respect of the assignment. These opinions generated from assignments support and inform the overall statement of assurance given by the Internal Audit manager included in the Annual Governance Statement (AGS).
- 1.2 This review has suggested some revision in the opinions that are generated and the extension of this process to further inform and support the opinion expressed in the AGS.
- 1.3 Risk can be defined as the probability of a hazard, or an adverse or negative occurrence, which, may be financial or cause other liabilities or losses or stop an organisation achieving its strategic objectives. Organisations can avoid or reduce risks by adopting pre-emptive actions such as systems of controls, policies and procedures which may reduce or mitigate these risks. The need to manage and report on risks is seen as an essential part of good corporate governance.
- 1.4 Internal audit plays a role in this by performing reviews of these systems of controls, policies and procedures and reporting their findings to management, and summarising these in an annual report which supports the AGS.
- 1.5 To inform Members of the revised methodology used by internal audit to assign risk assigned to the findings or points arising from an audit and the consequent priority rating of the recommendations arising.
- 1.6 The number and risk/ priority ratings of each individual finding within an audit will then inform the overall “opinion” for each audit and the level of assurance that can be attributed to the system of internal controls or other processes in operation.
- 1.7 It has been agreed by Management following the July Audit Committee that audits within certain opinion categories will be reported to audit committee in future, in order to assist and inform members in respect of their role and to provide assurance to members of the Audit Committee.

### 2. SUMMARY

- 2.1 Currently audits are rated with 3 opinions, namely Good, Satisfactory and In need of Improvement. These opinions being evaluated based on the individual findings, the nature of system or establishment and the materiality or significance of the area under review.

- 2.2 Following the July Audit Committee it was agreed by management that additional information would be provided to the Committee in respect of audit assignments undertaken. In particular, all of those noted as "in need of improvement" would in future be reported to Committee. In addition those audits noted as satisfactory which on follow up have not shown any improvement also be reported to Committee.
- 2.3 It was also noted that the opinions given in each assignment are silent as to the level of assurance that can be placed on the finding in relation to how this supports the overall Annual Governance Statement opinion. For example while a system or process may be rated in need of improvement, little or no assurance can be placed on it however if it is not material or high risk then it will have little impact on the overall Annual Governance Statement assurance opinion.
- 2.4 It is considered that it will assist members if they were to have a full understanding of the opinions and level of assurance that are reported. Also it would be informative to give detail as to how individual findings are rated and how the proposed new overall opinions are evaluated and the overall assurance reported.
- 2.5 As the Committee are aware the Audit section undertakes a number of different types of audit assignments. These mainly fall into the following categories,
- Systems audits,
  - Establishment audits,
  - Contract audits,
  - Value for Money
  - Reviews and grant reviews
  - Other regularity work plus other best practice advice and guidance,
  - Special investigations and other focussed reviews,

For example, systems audits may generate 2 opinions;-an opinion of the system and if detailed testing has been performed a second opinion of the compliance with this system is also reported. Whereas establishments usually generate one overall opinion in respect of compliance and best practice.

Other audits such as grant audits will only generate an opinion as required by the external funder's terms and conditions. Investigations may lead to referrals to management or Human Resources and consideration of disciplinary action in a few rare cases, so these outcomes are generally individually tailored to the specific matter under review.

- 2.6 Following the July Audit Committee the Acting Internal Audit Manager has reviewed the processes undertaken in the main audit type with a view to improving the overall consistency of the evaluation process relating to individual findings and the overall opinion/s generated and the associated level of assurance that can be applied to the system or establishments control processes. This concluded that a fourth category of opinion should be considered, together with more clarity over those areas assigned as "satisfactory" and their capacity to show improvement, which directly informs the agreed recommendations made in July.
- 2.7 For future Audit Committees when an audit assignment is completed and the report issued and agreed, and the opinion generated results in it falling into these categories the related service manager or other establishment head / managers will be invited to attend Audit Committee.
- 2.8 As a result there is a need for a consistent and objective evaluation methodology applied irrespective of the individual system, process, establishment etc. that is under review.
- 2.9 It is suggested that four opinions be used namely

1. Effective
2. Effective with opportunity to improve (to be reported to Audit Committee if no improvement seen on follow up of recommendations made)
3. In need of improvement (To be reported to Audit Committee)
4. Inadequate and in need of immediate improvement (To be reported to Audit Committee)

2.10 The Audit Committee will in future be receiving regular reports of audits undertaken, their findings and overall opinions and level of assurance, which will be consolidated into the Annual Governance Statement process.

2.11 The Public Sector Internal Audit Standards also require an annual report to support the Annual Governance Statement process, this is one further action to strengthen conformance with the standard.

### **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 globally responsible Wales.

### **4. THE REPORT**

4.1 Internal Audit assurance is a disciplined approach that evaluates and improves the effectiveness of risk management in an organisation. The Institute of Internal Auditors state that the activities involved in managing risks plays a central role in maintaining a sound system of internal control. While the responsibility for identifying and managing risks belongs to management, one of the key roles of Internal audit is to provide assurance that those risks have been properly managed. In order to effectively report to management it is necessary to have in place a consistent and objective set of criteria to evaluate findings that are reported

4.2 Assurance is the general term for evaluating a wide range of risks that an organisation may face. If risks are well managed or controlled it can be said that there is a good level of assurance, and the management can have confidence that risks are being well managed and controlled. The internal audit processes provides an independent perspective, which is evidence based in respect of the assurance that can be placed on the systems of control processes operating within the Council. Individual opinions will support the overall assurance statement required as part of the Annual Governance statement which forms part of the year - end financial statements.

4.3 Overall assurance can be an evaluation from the findings and opinion arising from an individual audit report, taking into account the individual risk assessment of the system or process and its materiality or impact.

Levels of assurance generally fall into the following categories and can be evaluated from the opinions reported and individual findings in the audit report

- High

- Where a control system is considered good and no high risk points or findings have been noted.
  - The number of findings are generally low in number or impact
  - Where an establishment audit findings show good compliance to external or centrally regulated corporate systems and no high risk points or findings have been noted
  - Materiality and significance and inherent risk of the system, process, establishment etc. under review also needs to be considered in this evaluation.
- Moderate
    - where a control system is considered good and audit findings are low in number , minor, low risk, only merit attention or are considered low impact
    - Where an establishment audit findings show only minor noncompliance minor risks or low risk issues or which are considered low impact
    - Materiality and significance and inherent risk of the system, process, establishment etc. under review also needs to be considered in this evaluation.
- Partial
    - Weaknesses are noted in the control system which are medium risk or impact
    - A relatively large number of points are noted over a number of different processes under review
    - Weaknesses are noted in the establishment review which are medium risk or impact
    - Large scale noncompliance with central or corporate systems or best practice are noted
    - Materiality and significance and inherent risk of the system, process, establishment etc. under review also needs to be considered in this evaluation
- Minimal
    - The control system/s in operation have procedural or control weaknesses considered to be high risk or high impact
    - High risk findings are noted in an establishment review
    - Materiality and significance and inherent risk of the system, process, establishment etc. under review also needs to be considered in this evaluation
- None
    - There is no effective control system or it is not fit for purpose

4.4 Opinion/s arising in audit reports will vary in nature depending on the audit assignment.

- Systems audits,  
Usually 2 opinions are generated, one on the effectiveness of the internal control processes in place. This is done by means of questionnaires, or system notes, walkthroughs etc. The other opinion is generated in respect of the compliance to the system; this is evaluated by specific testing of control processes as applied to sample transactions within the processes. In some cases if no testing is done then a control process opinion only will be generated
- Establishments audit, grants  
Usually one opinion is generated based on an evaluation of the findings noted
- Other regularity work e.g. National Fraud Initiative data matches  
Findings factual and evidence based but may be indicative of failure in systems and processes in which case an adverse opinion may be generated
- Advice guidance and consultancy or special investigations  
Opinions may be more complex and specific to the items under review. These are usually discussed with Head of Service and other relevant stakeholders when the report is being formulated.

4.5 It is proposed that opinions of audit reports which consequently support assurance are evaluated as one of the following :-

- Effective
- Effective with opportunity for improvement
- In need of Improvement
- Inadequate and in need of immediate improvement

- 4.6 In general overall opinions will be limited by the risk evaluation of the highest risk point. So any audit with at least one high risk point must be in need of some improvement by its very definition. In some cases Managers may put in place improvements or revised procedures between the field work or draft audit report and the issue of the final report. While this may mitigate the risk and should be noted in the report, any opinion must reflect the findings noted at the actual time the testing was performed.
- 4.7 All opinions must be evidence based and supported by documentary or system records which can be supplied to Head of Service and Service managers, Head teachers etc. in discussions and clearance meetings where the final audit report and opinion is agreed. Where Head of Service or Service managers disagree on the evaluation these may be referred to s151 officer for final determination.
- 4.8 More detailed criteria/ rationale relating to how these opinions are evaluated can be defined in the table in Appendix 1
- 4.9 Individual findings reported and the associated recommendations for improvement fall into 3 categories and are focussed on impact and risk. This assists management to prioritise the implementation of recommendations to address or mitigate the risks or breaches in procedures noted with immediate attention being addressed to those high risk or more critical /high impact areas first
- 4.10 Points noted and related recommendations fall into 3 categories as listed in appendix 2 .
- 4.11 Relationship between audit opinions and assurance is important when producing the Annual Governance Statement. The AGS along with the Public Sector Internal Audit Standards requires the Internal Audit Manager to report to Audit Committee by incorporating a Statement of Assurance in respect of the Councils systems of Internal Controls and governance arrangements in the Annual audit report. As a result this statement needs to be evidence based, reliable, consistent in form from one year to the next and able to withstand challenge and scrutiny
- 4.12 It can be seen that when coming to an evaluation of the level of assurance that can be gained from the audit assignment there is an interaction or relationship between the system opinion and the compliance opinion (if there is one). In general it would be reasonable to assume that the potential for immediate improvement is high where there is a generally good / effective system or there is system with few risks (even if considered “high risk”) as managers have the scaffold around which to quickly improve compliance with the existing control processes and procedures.
- 4.13 Where a system of controls is weak, in need or improvement or ineffective, capacity to improve quickly will be limited by resources and time, and improvements may take longer to embed. As a result assurance from such audit opinions that can be gained would be lower.
- 4.14 Where a system of controls is in need of improvement, unfit for purpose or inadequate, the evaluation of compliance is rendered meaningless. Also in general the concept applied is that any assurance attributable to the system can only be as high as the lowest evaluation or opinion. So those areas where the overall opinion or system opinion is inadequate or in need of improvement, assurance has to be limited or may even be non-existent

NB Such evaluations must take into account the system and process under review and its individual risk assessment within the audit universe and its individual materiality and significance.

4.15 The relationship between the opinion/s generated in the report and overall assurance that will support the AGS can be shown in the following tables.

**Systems**

System	Compliance	Assurance gained
Effective	N/a or Effective	High
Effective	Effective with opportunity for improvement	Moderate
Effective	In need of Improvement	Partial
Effective	Inadequate and needs immediate improvements	Partial /minimal *
Effective with opportunity for improvement	N/a or Effective	Moderate
Effective with opportunity for improvement	Effective with opportunity for improvement	Partial
Effective with opportunity for improvement	In need of Improvement	Partial / Minimal *
Effective with opportunity for improvement	Inadequate and needs immediate improvements	Minimal *
In need of Improvement	Compliance opinion irrelevant	Minimal/none *
Inadequate and need immediate improvements	Compliance opinion irrelevant	Minimal/ none *

\*NB Such evaluations must take into account the system and process under review and its individual risk assessment within the audit universe and its individual materiality and significance.

**Establishments and other assignments**

Opinion	Assurance
Effective	High
Effective with opportunity for improvement	Moderate
In need of Improvement	Partial/ minimal*
Inadequate and need immediate improvements	Minimal/ none *

\*NB Such evaluations must take into account the system and process under review and its individual risk assessment within the audit universe and its individual materiality and significance.

4.16 As a result of introducing a standard audit opinion with these 4 tiers, will promote a greater level of assurance on each system of internal controls under review. It also has an added benefit of the Audit Committee receiving reports with a clearly structured risk and assurance level. This will promote the analysis of findings and support the system of Corporate Governance within the Authority.

- 4.17 Approval of this criteria relating to the rationale behind all audit opinions inform the Audit Committee in respect of the categories of reports that will in future be reported and support the Annual Governance Statement process. In addition it will ensure in future the Annual Governance Statement is consistent, transparent and effective.

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

- 5.1 This report contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in the Act in that consideration is being given to clarifying and improving the future reporting to the Audit Committee

## **6. EQUALITIES IMPLICATIONS**

- 6.1 There are no equalities implications

## **7. FINANCIAL IMPLICATIONS**

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

## **8. PERSONNEL IMPLICATIONS**

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

## **9. CONSULTATION**

- 9.1 All consultation responses have been reflected in this report.
- 9.2 This methodology has been approved by the Corporate Governance Panel

## **10. RECOMMENDATIONS**

- 10.1 The Audit Committee is asked to note the content and endorse the evaluation process that is applied in rating each finding, the opinions and overall level of assurance generated by each assignment, and how it supports and informs the overall AGS process.

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

- 11.1 To ensure that there is transparent and clear criteria relating to the rationale behind all audit opinions.
- 11.2 To inform the Audit Committee in respect of the categories of reports that will in future be reported and support the Annual Governance Statement process.
- 11.3 In addition it will ensure in future the Annual Governance Statement is consistent, transparent and effective, and enhance conformance with the PSIAS.

## **12. STATUTORY POWER**

- 12.1 Local Government Act 2000.

Author: Deborah Gronow Acting Internal Audit Manager  
Tel: 01443 864044 E-mail: gronode@caerphilly.gov.uk

Consultees: Richard Edmunds (Ed) Director of Corporate Services and Education  
Nicole Scammell, Head of Corporate Finance & Section 151 Officer  
Stephen Harris, Interim Head of Business Improvement  
Robert Tranter Head of Legal Services and Monitoring Officer  
Councillor Mrs Barbara Jones Cabinet member for Finance, Performance and Governance

Appendices: - Appendix 1: Audit Report Opinions and Criteria  
Appendix 2: Points Noted and Risk Ratings



## Appendix 1

### Audit report opinions and criteria

Opinion	Rationale or criteria
Effective	<p>All internal high risk controls are in place and are operating effectively</p> <p>No high or medium findings noted</p> <p>Very small number of “merits attention” findings</p> <p>All high level risks are controlled</p> <p>No safeguarding risks identified</p>
Effective with opportunity for improvement	<p>Controls considered adequate but some exceptions exist</p> <p>Small number of medium or low risk / medium or low impact weaknesses noted e.g. minor administrative breaches, which should be relatively straightforward to resolve.</p> <p>Some areas for improvements noted which should be relatively straightforward to implement.</p> <p>All high level risks adequately controlled</p> <p>No immediate risk to assets property, cash, or revenue or risk of breach of Code of Practice, regulations or legislation.</p> <p>No safeguarding risks identified</p>
In need of Improvement	<p>At least one high level risk noted</p> <p>A relatively high number of medium risk weaknesses noted</p> <p>A large number of areas for improvements noted</p> <p>Risk of fraud, theft, loss or misappropriation of assets, cash or data or other regulatory/ legislation or code or practice breach if improvements are not implemented within relative short term. In general these will be reported to Service Managers or Head of Service before finalising report.</p> <p>Potential for illegal or unlawful activity</p> <p>No immediate safeguarding risks</p> <p>System improvements are not immediately required, but there is a need for improvement identified by the findings noted</p> <p>Processes are considered inefficient, ineffective or poor value for money</p> <p>Non-financial risks identified as a result of poor practice e.g. reputational or impact on other stakeholders.</p> <p>Performance or practices identified does not conform to corporate plan or conflict with improvement plans.</p> <p>Some non-compliance with policy and procedures</p>
Inadequate and needs immediate improvements	<p>At least one or more high risk noted together with a number of medium risk findings over a number of separate areas.</p> <p>Safeguarding risk issues noted</p> <p>Actual fraud, theft, losses of assets or cash, overpayments or loss of revenue reported. In general these will be reported to Service Managers or Head of Service before finalising report, and may lead to additional reviews or investigations.</p> <p>Actual illegal or unlawful activity identified</p> <p>Actual breach of regulatory processes, codes of practice or legislation noted</p> <p>Control systems considered not fit for purpose, inadequate/ non-existent and below standard with significant exceptions or unfit for purpose</p> <p>Large scale noncompliance with policies and procedures.</p> <p>Immediate improvements are required to systems and controls</p> <p>High non-financial risks identified or risk of impact on stakeholders</p>

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## Appendix 2

### Points noted and risk ratings

High Risk Issues (HR)	<p>These are defined as issues where key / fundamental controls are absent, inadequate or ineffective. The risks have not been managed properly. Impact of control failure is/will be high e.g. financial loss, theft or loss of property or reputational risk or safeguarding issues have been noted.</p> <p>Recommendations in this category must be implemented as the risk is identified as unacceptably high. HR recommendations that cannot be agreed are referred up to the Section 151 officer for final determination.</p>
Medium Risk Issues (MR)	<p>These are defined as issues where some controls are absent or existing controls need to be improved or enhanced. Impact of control failure is/will be relatively lower, and will not be immediate.</p> <p>Recommendations in this category should be implemented to address system risks and weaknesses. MR recommendations that cannot be agreed will be referred to the appropriate level of management for consideration or the S151 if agreement cannot be reached.</p>
Merits Attention (MA)	<p>These are issues which have been identified which are one off minor administrative issues or relate to best practice improvements in procedures, which managers may wish to consider.</p> <p>Recommendations in this category are included for management to consider and deal with as appropriate</p>

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## **AUDIT COMMITTEE - 16TH OCTOBER 2018**

**SUBJECT: AUDIT COMMITTEE FORWARD WORK PROGRAMME 2018/19**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

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

1.1 To report the Audit Committee Forward Work Programme.

### **2. SUMMARY**

2.1 The Audit Committee Forward Work Programme is essential to ensure that the committee agendas reflect its responsibilities in the reviewing and consideration of the Authorities financial affairs and financial statements, including the oversight of the internal and external audit arrangements of the Council and the reviewing and assessment of risk management, internal control and corporate governance arrangements.

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

3.1 The operation of an Audit Committee is to provide direction concerning the accounting records and control systems of the Council and is required by the Accounts and Audit Regulation (Wales) 2005 and Local Government Act 1972. The Audit Committee Forward Work Programme contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2016 by ensuring there is effective overview of financial, governance and risk management procedures:

- 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 Audit Committee forward work programme includes all reports that were identified at the Audit Committee meeting on 24th July 2018. The work programme outlines the reports planned for Audit Committee until April 2019.

4.2 The Audit Committee Forward Work Programme is a working document and is updated regularly when additional reports are identified by Members and Officers. The forward work programme is made up of reports identified by officers and members and the Committee will review this work programme at every meeting going forward.

4.3 The Audit Committee Forward Work Programme is attached at Appendix 1.

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

- 5.1 This report contributes to the well-being goals as set out in links to strategy above. It is consistent with the five ways of working as defined within the sustainable development principle by ensuring the audit function is effective when reviewing the financial, governance and risk management procedures of the Council.

## **6. EQUALITIES IMPLICATIONS**

- 6.1 There are no specific equalities implications arising as a result of this report.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 There are no specific financial implications arising as a result of this report.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 There are no specific personnel implications arising as a result of this report.

## **9. CONSULTATIONS**

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

## **10. RECOMMENDATIONS**

- 10.1 That Members consider any changes and agree the final forward work programme.

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

- 11.1 To improve the operation of the Audit Committee.

## **12. STATUTORY POWER**

- 12.1 Accounts and Audit Regulation (Wales) 2005.

Author: Kim Houghton, Committee Services Officer  
Consultees: Richard Edmunds, Corporate Director for Education and Corporate Services  
Nicole Scammell, Section 151 Officer  
Steve Harris, Interim Head of Business Improvement Services

Appendices:  
Appendix 1 Audit Committee Forward Work Programme

## Audit Committee Forward Work Programme – July 2018 – April 2019

**MEETING DATE: TUESDAY, 16TH OCTOBER 2018**

Report Deadline (Reports to Committee Services – 12noon)	Subject	Purpose	Key Issues	Responsibility
<b>ITEMS FOR DISCUSSION</b>				
<b>26.09.18</b>	Wales Audit Office Report – Overview and Scrutiny Fit for the Future? – Caerphilly County Borough Council	Advise of the outcome of the review undertaken by the Wales Audit Office - Overview and Scrutiny Fit for the Future?	<p>The WAO make a number of proposals for improvements</p> <p>Presented to the Scrutiny Leadership Group on 11<sup>th</sup> October 2018</p> <p>The Scrutiny Leadership Group was asked to consider findings and recommend actions in response to the report. A verbal update on these considerations will be given to the Audit Committee</p>	R. Edmunds
	WHQS - Acceptable Fails Update	To provide members with information on the application and volume of acceptable fails and to explain the process of managing issues with access which impact on the delivery of WHQS.	<p>Categorisation and application of acceptable fails.</p> <p>Volume of acceptable fails.</p> <p>Application of previously achieved classification.</p> <p>Process for dealing with no access properties.</p>	S. Couzens

	Journal Transfer Authorisation Limits	To present the Audit Committee with the option to implement authorisation levels within the software module used by the Authority to process journals entries in its Ledger.	In their 2016-17 ISA260 report Grant Thornton raised an issue around the authorisation of Journals across the authority. Although journal authorisation is possible within the current ledger product it is currently only implemented in one service area. The Authority agreed as part of its response to the recommendation in the auditor's report that it would review its journal authorisation procedures.	N. Scammel
	Customer Services Update	Verbal Update		L. Lucas
	Corporate Risk Register Monitoring (Q2 – 2018/19)	To provide members with information on the management of risk and the process to develop risks	Quarter 2 update	R. Roberts
	Internal Audit Services – Annual Outturn Report 2017/18	To inform members of the activity of the Internal audit section for the year ended 31.03.18	Performance of the section, audits undertaken, opinions generated and overall opinion on internal control.	D. Gronow
	Internal Audit Services – Revised Methodology for Tier 4 Audit Opinion, Risk Ratings and Assurance – Draft Report	To inform members of the methodology to be applied when reporting audit opinions in individual assignments	To assist in the understanding of what factors affect the opinions generated in reports, particularly those that are in need of improvement and to ensure a consistent approach.	D. Gronow



**APPENDIX 1**

**Audit Committee Forward Work Programme 2018/19**

	Audit Committee Forward Work Programme 2018/19	To ensure that the committee agendas reflect its responsibilities in the reviewing and consideration of the Authorities financial affairs and financial statements, including the oversight of the internal and external audit arrangements of the Council and the reviewing and assessment of risk management, internal control and corporate governance arrangements.	It includes all reports that were identified at the Audit Committee on 24 <sup>th</sup> July 2018  Outlines the reports planned for Audit Committee until April 2019	R. Edmunds
<b>INFORMATION ITEMS</b>				
	Caerphilly County Borough Council – Annual Audit Letter 2017-18	The Annual Audit letter from the Auditor General for Wales summarising key messages arising from statutory responsibilities under the Public Audit (Wales) Act 2004 and their reporting responsibilities under the Code of Audit Practice.		S. Harris
	Regulation of Investigatory Powers Act 2000	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)	To provide an update on the number of operations undertaken in accordance with RIPA for the period 1 <sup>st</sup> July to 30 <sup>th</sup> September, 2018.	R. Tranter
	Officers Declarations of Gifts and Hospitality – April to June 2018			L. Donovan

<b>MEETING DATE: TUESDAY, 29TH JANUARY 2019</b>				
<b>Report Deadline (Reports to Committee Services – 12noon)</b>	<b>Subject</b>	<b>Purpose</b>	<b>Key Issues</b>	<b>Responsibility</b>
<b>ITEMS FOR DISCUSSION</b>				
<b>09.01.19</b>	AP Forensic Software			N. Scammell
	Review and Update of the Audit Charter	To present the Audit Committee with proposed changes to the Audit Charter	The current Audit Charter was approved by the Audit Committee on the 10th September 2014. The purpose of this report is to present an updated Charter to the Audit Committee for consideration	R. Harris
	Regulator Proposals for Improvement Progress Update			R. Roberts
	Progress Report on the Public Sector Internal Audit Standard (PSIAS) Action Plan	To update the Audit Committee on progress against the PSIAS Action Plan	At its meeting on the 10th April 2018, the Audit Committee was presented with the Action Plan arising from the internal self-assessment and external peer review of compliance with the PSIAS. This report will provide an update on progress against the Action Plan.	

	Audit Committee Forward Work Programme	To ensure that the committee agendas reflect its responsibilities in the reviewing and consideration of the Authorities financial affairs and financial statements, including the oversight of the internal and external audit arrangements of the Council and the reviewing and assessment of risk management, internal control and corporate governance arrangements.	It includes all reports that were identified at the Audit Committee on 16th October 2018  Outlines the reports planned for Audit Committee until June 2019	R. Edmunds
<b>INFORMATION ITEMS</b>				
	Regulation of Investigatory Powers Act 2000	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)	To provide an update on the number of operations undertaken in accordance with RIPA for the period TBC to 30 <sup>th</sup> TBC, 2018/19.	R. Tranter
	Officers Declarations of Gifts and Hospitality	To provide the Audit Committee with the information regarding the Register of Employees' Interests Forms completed by officers of the Council (excluding Schools) regarding Gifts and Hospitality for the period 1 April to 30 June 2018 i.e the first quarter of the financial year 2018/10 and a comparison with the previous three quarters.		L. Donovan

	Corporate Governance Panel Minutes – Date to be confirmed			R. Harris
<b>MEETING DATE: TUESDAY, 23RD APRIL 2019</b>				
<b>Report Deadline (Reports to Committee Services – 12noon)</b>	<b>Subject</b>	<b>Purpose</b>	<b>Key Issues</b>	<b>Responsibility</b>
<b>ITEMS FOR DISCUSSION</b>				
<b>03.04.19</b>	Audit Committee Forward Work Programme	To ensure that the committee agendas reflect its responsibilities in the reviewing and consideration of the Authorities financial affairs and financial statements, including the oversight of the internal and external audit arrangements of the Council and the reviewing and assessment of risk management, internal control and corporate governance arrangements.	It includes all reports that were identified at the Audit Committee on 29th January 2019  Outlines the reports planned for Audit Committee until TBC 2019	R. Edmunds

<b>INFORMATION ITEMS</b>				
	Regulation of Investigatory Powers Act 2000	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)	To provide an update on the number of operations undertaken in accordance with RIPA for the period TBC to TBC, 2019.	R. Tranter
	Officers Declarations of Gifts and Hospitality – April to June 2018			L. Donovan

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24 Heol y Gadeirlan / Cathedral Road  
Caerdydd / Cardiff CF11 9LJ  
Ffôn / Tel: 029 20 320500  
Ebost / Email: [info@wao.gov.uk](mailto:info@wao.gov.uk)  
[www.wao.gov.uk](http://www.wao.gov.uk)

Councillor D Poole  
Interim Chief Executive  
Caerphilly County Borough Council  
Penallta House  
Tredomen Park  
Ystrad Mynach  
CF82 7PG

Reference	CCBC/AAL/1718
Date	3 September 2018
Pages	1 of 2

Cc: Ms Christina Harrhy

Dear Councillor Poole

### **Annual Audit Letter – Caerphilly County Borough Council 2017-18**

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

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

It is the Council's responsibility to:

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

The Public Audit (Wales) Act 2004 requires us to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that we have completed the audit of the accounts.

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

On 2 August 2018 we issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. Our report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in our Audit of Financial Statements report on the 24 July 2018.

- The Council continues to demonstrate effective arrangements in the preparation of its financial statements, enabling the Council to approve the audited financial statements on 31 July 2018, significantly ahead of the statutory deadline of 30 September. The Council has continued to provide good quality draft financial statements and accompanying working papers for audit. These were available for us to commence our audit fieldwork in line with the agreed timetable.
- There were a number of misstatements that were corrected by management. All disclosure corrections were processed with no effect on the Council's reported outturn position.
- We identified a number of recommendations relating to Internal Audit, the Annual Governance Statement, journal controls and depreciation. A number of these issues have been reported in prior years.

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

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

**We issued a certificate confirming that the audit of the accounts was completed on 2 August 2018.**

**Our work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2017-18 accounts or key financial systems.**

A more detailed report on our grant certification work will follow in January 2019 once this year's programme of certification work is complete.

The financial audit fee for 2017-18 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



**Grant Thornton UK LLP  
For and on behalf of the Auditor General for Wales**





## **AUDIT COMMITTEE - 16TH OCTOBER 2018**

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

**REPORT BY: HEAD OF LEGAL SERVICES & MONITORING OFFICER**

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

- 1.1 To advise Members of the numbers of covert surveillance operations undertaken by the Council in accordance with the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA) for the period 1<sup>st</sup> July to the 30<sup>th</sup> September 2018.

### **2. SUMMARY**

- 2.1 To provide an update on the number of operations undertaken in accordance with RIPA for the period 1<sup>st</sup> July to 30<sup>th</sup> September 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 Investigatory Powers Commissioner's 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 the Investigatory Powers Commissioner's Office.

4.4 Members are advised that for the period 1<sup>st</sup> July, 2018 to 30<sup>th</sup> September, 2018 there have been three RIPA operations undertaken as follows

4.4.1 Directed Surveillance (the covert surveillance of individuals)

1 relating to the sale of alcohol/e-cigarette liquid containing nicotine to persons under the age of 18 years

1 relating to the sale of alcohol to persons under the age of 18 years.

4.4.2 Covert Human Intelligence Sources

This is the use of either undercover officers or informants who establish or maintains a personal or other relationship with a person for the covert purpose of obtaining information, or access to information or covertly disclosed information obtained by the use of such a relationship. A covert purpose is one calculated to ensure that one of the parties to the relationship is unaware of the purpose.

1 relating to the sale of nitrous oxide.

**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: Robert Tranter, Head of Legal Services & Monitoring Officer  
(trantrj@caerphilly.gov.uk)

Consultees: Lisa Lane, Deputy Monitoring Officer & Corporate Solicitor  
(lanel@caerphilly.gov.uk)

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## AUDIT COMMITTEE - 16TH OCTOBER 2018

**SUBJECT: OFFICERS DECLARATIONS OF GIFTS AND HOSPITALITY  
APRIL TO JUNE 2018**

**REPORT BY: HEAD OF PEOPLE SERVICES**

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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 April to 30 June 2018 ie the first quarter of the financial year 2018/19 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 April to 30 June 2018.

### 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 April to 30 June 2018 and the previous three quarters for comparison. The declarations for the previous quarters have been adjusted to reflect the new Directorate structures.

Directorate	Number of declarations received - Gifts			
	April – June 2018	Jan – March 2018	Oct – Dec 2017	July – Sept 2017
<b>Communities</b>	0	0	1	0
<b>Education and Corporate Services</b>	1	0	4	0
<b>Social Services and Housing</b>	0	0	1	1
<b>Total</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>1</b>

- 4.7 The table below details the number of declarations regarding Hospitality submitted by Directorate for the period 1 April to 30 June 2018 and the previous three quarters for comparison. This includes 1 agency employee. The declarations for the previous quarters have been adjusted to reflect the new Directorate structures.

Directorate	Number of declarations received - Hospitality			
	April – June 2018	Jan – March 2018	Oct – Dec 2017	July – Sept 2017
<b>Communities</b>	3	0	1	1
<b>Education and Corporate Services</b>	0	0	0	0
<b>Social Services and Housing</b>	0	0	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>1</b>

- 4.8 The Head of People Services 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, Head of People Services.

Consultees: Nicole Scammell, Head of Corporate Finance and Section 151 Officer  
Robert Tranter, Head of Legal Services and Monitoring Officer  
Cllr Colin Gordon, Cabinet Member for Corporate Services

Appendices:

Appendix 1 - Declarations of Gifts and Hospitality – 1 April to 30 June 2018

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**Appendix 1**  
**Declarations of Gifts and Hospitality – 1 April to 30 June 2018**

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
Education and Corporate Services	IT	E Government Development Officer	Box of chocolates received by post from supplier. Approximate value £21. Donated to Mayors Charity	Gift	Head of IT	Accepted
Communities	Infrastructure	Transportation Engineering Manager	Invitation from external consultant to attend the Corporate Institution of Highways and Transportation (CIHT) annual dinner; list of events previously approved for attendance. Value unknown. Accepted for professional networking and to represent CCBC.	Hospitality	Head of Infrastructure	Accepted
Communities	Infrastructure	Contract Supervisor	Invitation from external contractor to attend the Civil Engineering Contractors Association (CECA) Wales dinner annual dinner; list of events previously approved for attendance. Value unknown. Accepted on grounds of business and professional development opportunities.	Hospitality	Head of Infrastructure	Accepted
Communities	Infrastructure	NEC Project Manager (Agency)	Invitation from external contractor to attend the Civil Engineering Contractors Association (CECA) Wales dinner annual dinner; list of events previously approved for attendance. Value unknown. Accepted on grounds of business and professional development opportunities.	Hospitality	Head of Infrastructure	Accepted

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