

# Pecyn Dogfennau Cyhoeddus

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

Ty Penallta,  
Parc Tredomen,  
Ystrad Mynach,  
Hengoed CF82 7PG



[www.caerphilly.gov.uk](http://www.caerphilly.gov.uk)  
[www.caerffili.gov.uk](http://www.caerffili.gov.uk)

Am unrhyw ymholiad yn ymwneud â'r agenda hwn cysylltwch â Julie Lloyd  
(Rhif Ffôn: 01443 864246 Ebst: [lloydj4@caerphilly.gov.uk](mailto:lloydj4@caerphilly.gov.uk))

**Dyddiad: Dydd Iau, 15 Ebrill 2021**

Annwyl Syr/Fadam,

Bydd cyfarfod o'r **Pwyllgor Llywodraethu ac Archwilio** yn cael ei gynnal trwy Microsoft Teams ar **Dydd Mawrth, 20fed Ebrill, 2021** am **2.00 pm** i ystyried materion a gynhwysir yn yr agenda canlynol. Mae croeso i chi ddefnyddio'r iaith Gymraeg yn y cyfarfod, a dylid rhoi cyfnod rhybudd o 3 diwrnod gwaith os ydych yn dymuno gwneud hynny.

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

Yr eiddoch yn gywir,

**Christina Harrhy**  
PRIF WEITHREDWR

## AGENDA

Tudalennau

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

A greener place Man gwyrddach



Correspondence may be in any language or format | Gallwch ohebu mewn unrhyw iaith neu fformat

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

I gymeradwyo a llofnodi'r cofnodion canlynol:-

- |   |  |        |
|---|--|--------|
| 3 | Pwyllgor Archwilio a gynhaliwyd ar 26 Ionawr 21.                         | 1 - 8  |
| 4 | Cyfarfod Arbennig o'r Pwyllgor Archwilio a gynhaliwyd ar 16 Mawrth 2021. | 9 - 12 |

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

- |    |  |         |
|----|--|---------|
| 5  | Blaenraglen Waith y Pwyllgor Llywodraethu ac Archwilio.  | 13 - 16 |
| 6  | Diweddariad ar lafar gan Swyddfa Archwilio Cymru.  | 17 - 22 |
| 7  | Cynllun Archwilio 2021 – Cyngor Bwrdeistref Sirol Caerffili.   | 23 - 42 |
| 8  | Gwasanaethau Archwilio Mewnol – Cynllun Archwilio Blynyddol 2021/22.                                     | 43 - 50 |
| 9  | Diweddariad ar Weithredu'r System Olrhain Argymhellion.  | 51 - 56 |
| 10 | Ymateb Cyngor Bwrdeistref Sirol Caerffili i adroddiad Swyddfa Archwilio Cymru, 'Gwella ein Perfformiad'. | 57 - 66 |

- 11 Prawf lles y cyhoedd - Wedi Eithrio

I dderbyn ac ystyried yr adroddiad canlynol sydd ym marn y Swyddog Priodol yn gallu cael ei drafod pan nad yw'r cyfarfod ar agor i'r cyhoedd ac i ystyried yn gyntaf os yw lles y cyhoedd yn golygu y dylai'r cyfarfod gael ei gau i'r cyhoedd ar gyfer ystyriaeth o'r eitem.

- |    |                                       |         |
|----|---------------------------------------|---------|
| 12 | Seibergadernid yn y Sector Cyhoeddus. | 69 - 90 |
|----|---------------------------------------|---------|

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

- |    |  |           |
|----|--|-----------|
| 13 | Ardystio Grantiau a Ffurflenni 2019-20 – Cyngor Bwrdeistref Sirol. | 91 - 102  |
| 14 | Datganiadau Swyddogion am Anrhegion a Lletygarwch.                 | 103 - 108 |
| 15 | Deddf Rheoleiddio Pwerau Ymchwilio 2000.                           | 109 - 110 |

\* Os oes aelod o'r Pwyllgor Craffu yn dymuno i unrhyw un o'r Eitemau Gwybodaeth uchod i gael eu dwyn ymlaen ar gyfer adolygiad yn y cyfarfod, cysylltwch â Julie Lloyd, 01443 864246, erbyn 10.00am ar ddydd Mawrth, 20 Ebril 2021.

**Cylchrediad:**

Cynghorwyr M.A. Adams, Mrs E.M. Aldworth, J. Bevan, C.J. Cuss, Ms J. Gale, D.T. Hardacre, C.P. Mann, B. Miles, Mrs T. Parry, Mrs M.E. Sargent (Cadeirydd), G. Simmonds a J. Simmonds

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

A Swyddogion Priodol.

**SUT FYDDWN YN DEFNYDDIO EICH GWYBODAETH**

Bydd yr unigolion hynny sy'n mynychu cyfarfodydd pwyllgor i siarad/roi tystiolaeth yn cael eu henwi yng nghofnodion y cyfarfod hynny, weithiau bydd hyn yn cynnwys eu man gweithio neu fusnes a'r barnau a fynegir. Bydd cofnodion o'r cyfarfod gan gynnwys manylion y siaradwyr ar gael i'r cyhoedd ar wefan y Cyngor ar [www.caerffili.gov.uk](http://www.caerffili.gov.uk). ac eithrio am drafodaethau sy'n ymwneud ag eitemau cyfrinachol neu eithriedig.

Mae gennych nifer o hawliau mewn perthynas â'r wybodaeth, gan gynnwys yr hawl i gael mynediad at wybodaeth sydd gennym amdanoch a'r hawl i gwyno os ydych yn anhapus gyda'r modd y mae eich gwybodaeth yn cael ei brosesu.

Am wybodaeth bellach ar sut rydym yn prosesu eich gwybodaeth a'ch hawliau, ewch i'r Hysbysiad Preifatrwydd Cyfarfodydd Pwyllgor Llawn ar ein [gwefan](#) neu cysylltwch â Gwasanaethau Cyfreithiol drwy e-bostio [griffd2@caerffili.gov.uk](mailto:griffd2@caerffili.gov.uk) neu ffoniwch 01443 863028.

Gadewir y dudalen hon yn wag yn fwriadol



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD VIA MICROSOFT TEAMS ON TUESDAY 26TH JANUARY 2021 AT 2.00 PM

#### PRESENT:

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

#### Councillors:

M. Adams, Mrs E. Aldworth, C. Cuss, Ms J. Gale, C.P. Mann, B. Miles, T. Parry and J. Simmonds.

#### Together with:

R. Edmunds (Corporate Director for Education and Corporate Services), S. Harris (Head of Financial Services and Section 151 Officer), D. Gronow (Interim Internal Audit Manager), R. Roberts (Business Improvement Manager), L. Lane (Head of Democratic Services and Deputy Monitoring Officer) and E. Sullivan (Senior Committee Services Officer).

G. Jones (Audit Wales), M. Jones (Audit Wales), A. Veale (Audit Wales) and R. Davies (Audit Wales)

The Chair reminded those present that the meeting was being recorded and would be made available to view via the Council's website, except for discussions involving confidential or exempt items. [Click Here To View](#)

#### 1. **APOLOGIES**

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

#### 2. **DECLARATIONS OF INTEREST**

There were no declarations of interest received at the commencement or during the course of the meeting.

#### 3. **MINUTES – 21<sup>ST</sup> OCTOBER 2020**

RESOLVED that the minutes of the Audit Committee held on the 21<sup>st</sup> October 2020 be approved as a correct record.

#### 4. **MINUTES – 16<sup>TH</sup> NOVEMBER 2020**

RESOLVED that the minutes of the Special Audit Committee held on the 16<sup>th</sup> November 2020 be approved as a correct record

## **REPORTS OF OFFICERS**

Consideration was given to the following reports.

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

The Head of Financial Services and Section 151 Officer outlined the Audit Committee forward work programme until June 2021 and welcomed the opportunity to work with Member to populate the programme providing more focus for agenda items.

Concerns were expressed that agendas had become too heavy and Members welcomed the opportunity to revisit the forward work programme with a view to limiting the number of items for consideration, taking a similar approach to that of scrutiny. It was felt that this would provide a greater focus for the meeting and allow more in-depth debate.

The possible need for additional meetings was debated and it was agreed that this could form part of the forthcoming forward work programme discussions.

It was moved and seconded that the forward work programme as presented be approved subject to further discussed as outlined and by hands up this was unanimously agreed.

RESOLVED that the number of agenda items be reduced and refocused and the work programme for the next 12 months be discussed in greater detail with this in mind. The forward work programme as presented was noted.

### **6. VERBAL UPDATE FROM AUDIT WALES**

Representatives from Audit Wales introduced themselves to the Committee and outlined their various areas of expertise and how they would be working with both Local Authorities and Community Councils going forward.

It was noted that regular meetings with the council's Corporate Accountancy Team had already been set and work would be aligned with the Audit Committee cycle to ensure timely reporting. Officers confirmed that they were looking forward to building strong working relationships with Audit Wales.

The Audit Committee welcomed the opportunity to work with Audit Wales in the future.

RESOLVED that the update be noted.

### **7. CAERPHILLY COUNTY BOROUGH COUNCIL – ANNUAL AUDIT SUMMARY 2020**

Mr G. Jones (Audit Wales) outlined the findings of the Annual Audit Summary 2020, which showed the work completed since the last Annual Improvement Report issued in 2019.

Members were referred to the first section of the report which detailed key facts about the Council along with the duties that Audit Wales were required to complete as part of their Auditor General duties.

Mr Jones outlined the various reviews and actions that had been undertaken and the planned work for 2021-22. In terms of continuous improvement, it was noted that the Auditor General had certified that the Council had met its legal duties for improvement planning and reporting and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21. Audit Wales also examined the financial sustainability of the Council and concluded that the Council had a strong financial position, with increasingly high level of usable reserves, a relatively stable level of borrowing, and significant budget underspends in recent years.

Looking forward, Audit Wales outlined its planned works for 2020-21 which would focus on the

key challenges and opportunities facing the Council. Members were advised that these risks could influence the Council's ability to meet its legal obligations in relation to the sustainable development principle, the use of its resources and continuous improvement. The most significant risk being the COVID 19 pandemic and so work for 2021-21 included recovery planning in response to the pandemic, COVID-learning project, assurance and risk assessment and a review of the Council's financial sustainability.

The Chair thanked Mr Jones for his report and Members questions were welcomed.

Clarification was sought in relation to commercialisation in local government and whether Audit Wales had any input into the Council's commercialisation strategy. Members were advised that Audit Wales had met with Officers as part of the field work for the national review but not in an advisory capacity.

A query was raised in relation to the current level of reserves and if Audit Wales felt that these were set at too high a level. The Head of Financial Services & S151 Officer confirmed that annual updates on the level of reserves are presented to the Policy and Resources Scrutiny Committee including details of what the reserves are held for and reminded Members that sums had been earmarked for use in the Place Shaping Plan, details of which would shortly be going through the committee process.

Audit Wales referred Members to a short national report which provided a picture across Wales on reserves and it was noted that Caerphilly CBC was joint third in terms of the level of usable reserves held. A Member queried whether it would be relevant to establish a benchmark for reserve levels. Audit Wales advised caution in relation to benchmarking in this area as the level of reserves should be properly planned for and built into Councils' medium term financial planning, and advised that benchmarking can be meaningless in terms of what a Council is trying to achieve.

Members were reminded that although Caerphilly CBC was joint third in terms of its level of reserves it was also the fifth highest spending authority across Wales with high levels of financial resilience.

The Head of Financial Services & S151 Officer also confirmed that reserves generate significant investment income and also reduce borrowing costs by using short-term balances to defer external borrowing. It was also worth noting that different authorities had different levels of risk and assets, for instance Caerphilly CBC has retained its housing stock.

Having fully considered its content it was moved and seconded that the Annual Audit Summary 2020 be noted and by way of verbal confirmation this was unanimously agreed.

RESOLVED that the Audit Wales Annual Audit Summary 2020 be noted.

## **8. AUDIT WALES REPORT 'RAISING OUR GAME' TACKLING FRAUD IN WALES**

The Audit Committee received a presentation on the Audit Wales report 'Raising our Game' Tackling Fraud in Wales.

The scale and cost of fraud was outlined, and the key national findings were detailed. It was noted that austerity measures had led to reduced internal capacity to investigate fraud and most Councils no longer have dedicated council wide counter fraud teams however internal audit services have filled the gap and undertake the investigations. It was noted that the 2018 report found a considerable variation in the level of commitment being shown by Councils.

Phase 1 and 2 of the study were outlined and the areas of improvement opportunities were detailed in order to strengthen counter fraud capacity and capabilities across local government. Members were advised that the NFI had uncovered £8m of fraud and overpayments across public services in Wales. It was noted that the seven main areas which

generated almost 98% of the fraud and overpayments identified included council tax discount, blue badges, housing benefit, pensions, waiting lists, residential care homes and council tax reduction schemes. The report also highlighted that the COVID 19 pandemic had significantly increased the risk of fraud as public bodies needed to urgently process support payments in very difficult circumstances.

Clarification was sought in relation to the withdrawal of specialist staff and if Caerphilly CBC had the necessary resources to combat the threat. Mr Jones confirmed that in many instances staff across council's had transferred into the DWP Special Fraud Investigation Service (SFIS) and that posts had not been back filled. Mr Harris confirmed that although staff had transferred to DWP, the Council still worked very closely with them providing information and real time data.

In relation to the seven areas of fraud identified Members queried whether this had been perpetrated by individuals or organised crime and were advised that known frauds were mainly the result of individual actions. However, there are undoubtedly signs of organisational approaches with regard to the rise of cybercrime and system hacks.

The Head of Financial Services & S151 Officer confirmed that a further report would be prepared for the Audit Committee focussing on the implications of the Audit Wales report for Caerphilly CBC.

Having fully considered the presentation and report it was moved and seconded that they be noted and by way of Microsoft Teams this was unanimously agreed.

RESOLVED that the report and presentation be noted.

## **9. 2018/20 NATIONAL FRAUD INITIATIVE UPDATE, LOCAL OUTCOMES AND PLANS FOR THE 2021 EXERCISE**

Consideration was given the report which provided information on the outcomes for the National Fraud Initiative exercise and forward plan for the upcoming NFI exercise in 2021.

Members were advised that the NFI data released to Caerphilly identified 7,234 matches in the data submitted and errors with a value of £42,263 which were now in the process of being recovered. A considerable amount of work was required to review these matches and the vast majority (7205) were cleared as being bona fide. The payment errors that were identified related to private care home payments where notifications of resident's' deaths had not been received and payments had continued. £4,840 related to duplicated invoice payments and £1,174 related to a VAT error. Assurances were given that where appropriate individual audit reports had been issued to make recommendations for improvements in processes. Members were referred to Appendix 3 of the report which contained the completed NFI Self Appraisal Checklist.

Clarification was sought as to whether there were any opportunities to work with other organisations on fraud, it was confirmed that there were several systems in place that assisted in the identification of fraud such as CFAS and SPOTLIGHT. Reference was made to issues that some other authorities had with possible double dipping by businesses applying for COVID grants and Officers confirmed that because of the prudent checks that Caerphilly had undertaken prior to making payments the risks to the authority of fraud had been limited safeguarding the public purse.

The Head of Financial Services & S151 Officer reassured Members that audit services were working diligently to identify potential fraud and take the appropriate action.

Having fully considered the report it was moved and seconded that the recommendations contained therein be approved and by way of Microsoft Teams and verbal confirmation this was unanimously agreed.



RESOLVED that: -

- (i) the Audit Wales report 'The National Fraud Initiative in Wales 2018-20' be noted.
- (ii) the self-appraisal checklist at Appendix 2 and the Caerphilly CBC completed checklist at Appendix 3 be noted.
- (iii) the local outcomes from the work undertaken by the Internal Audit Section be noted.
- (iv) the continued participation by Caerphilly CBC in the NFI be noted.

#### **10. UPDATE OF CORPORATE RISK REGISTER DECEMBER 2020**

Consideration was given to the report which provided an update of the Corporate Risk Register in accordance with the Council's Risk Management Strategy.

Members were referred to section 5.5 of the Officer's report which provided a summary of the movements within the register and it was noted that there was a separate COVID risk register which was continually being updated due to the constantly changing circumstances surrounding the pandemic.

Clarification was sought in relation to the risk rating for Homelessness and Officers confirmed that this was a difficult period for those who are homeless, however the situation was being closely monitored by the Director of Social Services and formed part of the separate COVID risk register.

Reference was made to the Brexit risk rating and whether this would be reducing. Officers confirmed that this was likely to be updated as part of the next review with the likelihood being that the risk rating would reduce.

Reference was made to the risk (ref CR11) Fleet Services, and why this had not been identified earlier. The officer explained that the risk had come onto the register during the Covid period and had then been updated in the intervening time prior to the register coming to committee, this means the committee were seeing a new risk and the update of that risk at the same time.

Members referenced the current Amber rating on Climate Change, and it was felt that this should be increase to a Red rating given the huge implications that the climate had on highways, homes, families, suppliers and possible food shortages.

The Officer confirmed that the risk register would be reported to Cabinet in due course and could if Members wished take that recommendation for them to take into consideration when reviewing.

It was moved and seconded that subject to an amendment in that the risk in relation to Climate Change be changed from medium to high the Risk Register be recommended to Cabinet for approval and by way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the content of the Corporate Risk Register and associated mitigating factors be noted and a recommendation made to Cabinet that the Climate Change Risk be change to High Risk.

#### **11. LOCAL GOVERNMENT AND ELECTIONS (WALES) BILL**

Consideration was given to the report which detailed the key proposals for the Local Government and Elections (Wales) Bill in so far as they directly impact on the work of the Audit Committee.

Members were asked to note the proposed changes to the name and composition of the Audit Committee, which would become the Governance and Audit Committee. Officer's referred Members to section 5.3 of the report which places a Performance Duty on the Council to carry out a 'self-assessment' every year and a 'panel assessment' (known as a peer review) once every 5 years. The self-assessment places a duty on the Council to consult on performance with a specified set of people, including staff, business community and all recognised trade unions. The Performance Duty requires the self-assessment to result in a 'learning summary' and this output must go to the Committee for their input and approval. It was noted that different aspects of the Bill had different timelines, with the name change required by April 2021 and membership changes by the AGM in 2022.

Clarification was sought in relation to the proposed increased number of Lay Members, which would include the Chair and how this would be managed in terms of the recruitment and selection process. Officers advised that this was still in the very early stages and there were much wider aspects of the new legislation currently begin considered by the Corporate Management Team. However, it was anticipated that the recruitment process would take around six months to complete and Officers would look at existing processes as well as good practice in other authorities in preparation.

Members were advised that a further report and action plan would be presented to the Audit Committee in due course.

Having fully considered the report it was moved and seconded that the recommendation contained therein be approved and by way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the report be noted.

## **12-17 INFORMATION ITEMS**

Members noted that Information Item, Annual Review of Complaints received under the Council's Corporate Complaints Policy 1<sup>st</sup> April 201 to 31<sup>st</sup> March 2020 had been called forward for discussion, however due to technical issues the report author was unable to be present. The Member had therefore agreed that the response to her question could be circulate via email following the meeting.

- (i) Regulation of Investigatory Powers Act 2000.
- (ii) Register of Employee's Interest Forms 2019/20
- (iii) Officers Declarations of Gifts and Hospitality – April to June 2020.
- (iv) Officers Declarations of Gifts and Hospitality – July to September 2020.
- (v) Six Monthly Update on the number of Complaints received under the Council's Corporate Complaints Policy.
- (vi) Annual Review of Complaints received under the Council's Corporate Complaints Policy 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

The meeting closed at 16.30 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 20th April 2021, they were signed by the Chair.

---

CHAIR

Gadewir y dudalen hon yn wag yn fwriadol



## **SPECIAL AUDIT COMMITTEE**

### **MINUTES OF THE SPECIAL MEETING HELD VIA MICROSOFT TEAMS ON FRIDAY 19TH MARCH 2021 AT 10.00 A.M.**

#### **PRESENT:**

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

#### **Councillors:**

M. Adams, E. Aldworth, J. Gale, C. Mann, B. Miles, T. Parry, G. Simmonds, J. Simmonds

#### **Together with:**

S. Harris (Head of Financial Services and S151 Officer), L. Lane (Head of Democratic Services and Deputy Monitoring Officer), D. Gronow (Acting Internal Audit Manager), R. Roberts (Business Improvement Manager) and R. Barrett (Committee Services Officer)

### **RECORDING AND VOTING ARRANGEMENTS**

The Chair reminded those present that the meeting was being recorded and would be made available to view following the meeting via the Council's website, except for discussions involving confidential or exempt items - [Click Here to View](#). Members were advised that voting on decisions would take place via Microsoft Forms.

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors J. Bevan, C. Cuss and D. Hardacre, together with Cabinet Member Mrs E. Stenner (Finance, Performance and Customer Service).

#### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest received at the commencement or during the course of the meeting.

### **REPORTS OF OFFICERS**

Consideration was given to the following reports.

#### **3. REVIEW OF CORPORATE COMPLAINTS POLICY AND UNACCEPTABLE BEHAVIOUR POLICY**

Lisa Lane (Head of Democratic Services and Deputy Monitoring Officer) presented the report, which asked the Audit Committee to review and endorse the new Concerns and Complaints

Policy attached at Appendix 1, which is based on the model document issued by the Ombudsman, together with the associated Statement of Principles (Appendix 2), which underpin the complaints handling process. In light of the introduction of the new Policy, Members were also asked to review and endorse the provisions of the existing Policy for dealing with Unacceptable, Persistent or Unreasonable Actions by Complainants (Appendix 3). It was noted that the report and the views of the Audit Committee would be presented to Cabinet for consideration at its meeting on 24<sup>th</sup> March 2021

Members were referred to Section 5 of the report which set out the background to the existing Complaints Policy, the new powers of the Ombudsman under the Public Services Ombudsman for Wales Act 2019 and subsequent actions required by local authorities in relation to their complaints handling processes. In light of new guidance issued by the Ombudsman, the Council has therefore produced a new Model Concerns and Complaints Policy which was set out at Appendix 1 to the report.

To support these changes, Customer Services are undertaking a scoping exercise to streamline the complaints process for customers, and the Ombudsman has also offered to provide further training to all authorities in the coming year as required. The Council's Learning from Complaints Group will continue to review and implement any changes to current practice as set out in the guidance to compliment the Model Concerns and Complaints Policy. This will include a review of the way in which the Council collects data, methods for learning from concerns and complaints and a common means to identify and disseminate good practice.

In terms of complaints handling roles, in line with the guidance's requirement for Cabinet to receive reports on the number and type of complaints, their outcomes and any remedial action taken as a consequence, it was therefore proposed for these reports to be presented to Cabinet on a twice-yearly basis and that the Audit Committee also receive reports twice yearly under their terms of reference.

The Audit Committee were referred to the Ombudsman's Statement of Principles at Appendix 2, which will be promoted on the Council's Website alongside the Concerns and Complaints Policy, and the Committee were also asked to endorse the Council's existing Policy relating to Unacceptable, Persistent and Unreasonable Complainants at Appendix 3, with it intended for this to be published alongside the new Complaints Policy and Statement of Principles.

The Audit Committee discussed the report and asked if they would benefit from the training being offered by the Ombudsman. Officers explained that this training focuses more around the handling and investigation of complaints and is subsequently geared towards Officers.

A Member made three suggestions in relation to accuracy, namely to update Page 5 of the Concerns and Complaints Policy to the new Governance and Audit Committee, and that in regards to the policy for Unacceptable, Persistent and Unreasonable Complainants, Section 4 referring to "*a wider **angle** of issues*" be updated with a more suitable word for "angle", and that dates at Section 9 relating to Policy Review be updated. Mrs Lane confirmed that the name of the Committee would be updated and that she would review the remaining points following the meeting and report the suggestions to Cabinet.

A Member asked whether Section 8 of the Unacceptable, Persistent and Unreasonable Complainants policy regarding Notification to Local Members should be strengthened to include advice to the local members on their contact with restricted complainants. Mrs Lane advised the Committee that the policy related to restricting contact with Officers under the corporate complaints policy and that in relation to ward members contact, advice could be given on a case by case basis by either herself or the Monitoring Officer. A Member also queried if the Council could challenge the Ombudsman on the length of time they take to investigate matters when the Authority is bound by strict timescales. Mrs Lane explained that this issue was not within her remit under this report.

Clarification was sought on how complaints data is reported to Cabinet and concerns were expressed as to whether constituent complaints on matters such as street lighting are accurately reflected in the reports to Cabinet. It was explained that the new process has not yet commenced, and complaints data is currently reported to Audit Committee under the existing process. The Committee discussed the new process in detail and raised concerns on the mechanisms in place for flagging complaints to decision makers and how change may be brought about on policies which have gone through a decision-making process.

Officers explained to the Audit Committee that even if there were large numbers of complaints about a decision, that would not necessarily mean that the decision was not properly made. Officers also explained that moving forward, the new process will improve the value of the data so that the Council can learn from the complaints received and that under the new Performance Management framework, improved recording will be put in place to capture more accurate trend data. The Committee's attention was also drawn to the work being undertaken with Customer Services on the scoping exercise to improve the way the Council collates and reports on data and learns lessons from this data.

In relation to discussion around street lighting complaints, Members requested that they be provided with the total number of complaints received since part-night lighting was introduced. Officers confirmed that they would take this request back to the appropriate Director so that this information could be circulated to Members. Assurances were also given that the key issues raised by the Audit Committee in regards to the Concerns and Complaints Policy and the other matters in the report would be captured and reflected in the update to Cabinet at their meeting the following week.

During the course of debate, one Member also suggested that the policy does provide a mechanism for making sure complaints are brought to Cabinet and reported to the Audit Committee, and that it might not be the case that a complainant has issues with a policy itself, but rather that they have concerns about any unintended consequences, and therefore there should be opportunities for the Council to learn from complaints received and to revisit and adjust a policy to ensure it is working in the way that it is intended.

Following consideration of the report it was moved and seconded that subject to the provision of their views to Cabinet, the recommendations in the Officer's report be endorsed. By way of Microsoft Forms this was unanimously agreed.

RESOLVED that :-

- (i) the model Concerns and Complaints Policy at Appendix 1, the Statement of Principles at Appendix 2 and the Unreasonable Persistent or Unreasonable actions by Complainants Policy at Appendix 3 be endorsed, prior to their presentation to Cabinet for approval;
- (ii) the proposal for reporting to the Audit Committee on a twice-yearly basis be supported, with it noted that Cabinet will be asked to endorse a proposal that it also receives reports twice yearly.

#### **4. UPDATE OF TERMS OF REFERENCE FOR THE GOVERNANCE AND AUDIT COMMITTEE**

Deborah Gronow (Acting Internal Audit Manager) presented the report, which informed the members of the newly named Governance and Audit Committee of the revised Terms of Reference of the Governance and Audit Committee that come into effect from April 2021. Members were reminded that the Local Government and Elections (Wales) Act 2021 prescribes reforms to the Council's current Audit Committee, some of which will take effect from April 2021, while others come into effect later. The reforms therefore require changes to

be made to the Committee's name and terms of reference to ensure that these are compliant with the new legislation and so that that the Committee are aware of the new responsibilities placed upon them from 1<sup>st</sup> April 2021. The revised terms of reference were appended to the report for Members' information, which will be presented to the annual meeting of Council for the terms of reference and re-naming of the committee to be approved.

It was noted that further changes are in progress and will become effective in 2022, which will require the Committee's terms of reference to be further updated, and in line with these, a further report will be presented to Committee in due course.

The Audit Committee discussed the report and a Member commented on the lack of changes to the Terms of Reference at Appendix 1. Officers explained that there are only minor changes to the document at this stage, as the main changes regarding the new composition of the Committee are not due to be introduced and adopted until 2022. Therefore the appended changes related to the requirement to change the name of the Committee and to add new functions to the remit of the Committee in relation to the Council's performance assessment, panel review and how the Council makes reports and recommendations in relation to the authority's ability to handle complaints effectively.

Members were pleased to have the opportunity to view the changes and to examine these at an early stage, given the significant impact on the structure and role of the Committee moving forward. Officers explained that further guidance will be issued by the WLGA regarding the new Act and there is also the intention for local authorities to set up a working party to look at the more detailed changes that are required due to the wide-ranging remit of the new Act. It was emphasised that the appended terms of reference merely concentrate on the changes that come into effect on 1<sup>st</sup> April 2021 to ensure that the Committee is working under the right terms and conditions, and then more detailed changes will need to be discussed in more detail as advice comes forward in due course from various organisations.

One Member asked when the changes would need to be in place and if the new performance duties would overlap with the role of scrutiny committees. It was explained that further information and guidance in this regard is being produced which will set the building blocks and preparation in place for how the Audit Committee will operate in its new role from next year, and Members will continue to be informed as these future changes progress.

Following consideration of the report, the Audit Committee noted its contents and the revised Terms of Reference as set out at Appendix 1.

The Chair thanked Members and Officers for their attendance and contributions and the meeting closed at 10.55 a.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 20th April 2021, they were signed by the Chair.

---

CHAIR



**GOVERNANCE AND AUDIT COMMITTEE FWP – 20<sup>TH</sup> APRIL 2021**

<b>GOVERNANCE AND AUDIT COMMITTEE – 20<sup>TH</sup> APRIL 2021</b>			
<b>TITLE</b>	<b>PURPOSE</b>	<b>KEY ISSUES</b>	<b>PRESENTING OFFICER</b>
Governance and Audit Committee Forward Work Programme	To present the Governance and Audit Committee Forward Work Programme for approval		S. Harris, D. Gronow
Verbal Update from Audit Wales (Standing Item)			Audit Wales
2021 – Audit Plan- Caerphilly County Borough Council	To provide the Governance and Audit Committee with the Audit Plan for 2021		Audit Wales
Internal Audit Services – Annual Audit Plan 2021/22	To provide the Governance and Audit Committee with the Internal Audit Plan for 2021		D. Gronow
Update on Implementation of Recommendation Tracker			D. Gronow, S. Harris
Caerphilly County Borough Council Response to Audit Wales “Raising our Game”	To provide the Governance and Audit Committee with information on the response to this report		D. Gronow
EXEMPT REPORT - Cyber Resilience in the public sector	To present Audit Wales report on cyber resilience in the public sector		Audit Wales
<b>INFORMATION ITEMS</b>			
Certification of Grants and Returns 2019-20 – Caerphilly County Borough Council			Audit Wales/S. Harris
Officers Declarations of Gifts and Hospitality	To provide the Governance and Audit Committee with the		L. Donovan

**GOVERNANCE AND AUDIT COMMITTEE – 20<sup>TH</sup> APRIL 2021**

<b>TITLE</b>	<b>PURPOSE</b>	<b>KEY ISSUES</b>	<b>PRESENTING OFFICER</b>
	information regarding the Register of Employees' Interests Forms completed by officers of the Council (excluding Schools) regarding Gifts and Hospitality for the last quarter and a comparison with the previous three quarters.		
Regulation of Investigatory Powers Act 2000			L. Lane

**GOVERNANCE AND AUDIT COMMITTEE – 8<sup>TH</sup> JUNE 2021**

<b>TITLE</b>	<b>PURPOSE</b>	<b>KEY ISSUES</b>	<b>PRESENTING OFFICER</b>
Verbal Update from Audit Wales (Standing Item)			Wales Audit Office
Financial Sustainability Assessment 2020/21 – Caerphilly County Borough Council	To present the Audit Wales report on the findings of the 2020/21 Financial Sustainability Assessment for Caerphilly County Borough Council		Audit Wales (Gareth Jones)

**GOVERNANCE AND AUDIT COMMITTEE – 8<sup>TH</sup> JUNE 2021**

TITLE	PURPOSE	KEY ISSUES	PRESENTING OFFICER
Delivering Good Governance – Caerphilly County Borough Council	To present Audit Wales report on the findings of the Delivering Good Governance Review for Caerphilly County Borough Council		Audit Wales (Gareth Jones)
Corporate Risk Register Updates			R. Roberts
Annual Audit Outturn			D. Gronow, S. Harris
CCBC Anti-Fraud Strategy			D. Gronow, S Harris
Regulator Recommendation and Proposal Register'			R. Roberts
<b>INFORMATION ITEMS</b>			
Regulation of Investigatory Powers Act 2000			L. Lane
Officers Declarations of Gifts and Hospitality	To provide the Governance and 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 last quarter and a comparison with the previous three quarters.		L. Donovan
Corporate Complaints Annual Report 2020/2021	To provide an overview of the corporate complaints received		Lisa Lane

**GOVERNANCE AND AUDIT COMMITTEE – 8<sup>TH</sup> JUNE 2021**

<b>TITLE</b>	<b>PURPOSE</b>	<b>KEY ISSUES</b>	<b>PRESENTING OFFICER</b>
	for 1 <sup>st</sup> April 2020 to 31 <sup>st</sup> March 2021. To advise members whether any trends have been identified together with an overview of the lessons learned		

**SPECIAL GOVERNANCE AND AUDIT COMMITTEE – 30<sup>th</sup> SEPTEMBER 2021**

<b>TITLE</b>	<b>PURPOSE</b>	<b>KEY ISSUES</b>	<b>PRESENTING OFFICER</b>
Auditors Report on the Statement of Accounts			

## Caerphilly County Borough Council

Audience: Audit Committee 20 April 2021

Updated: 13 April 2021

### Financial Audit work

Description	Scope	Status
<b>Audit of the Council's 2019-20 Grants and Returns</b>	The audit of Housing Benefit, Teachers Pension, Non-Domestic Rates and two pooled budgets.	Report of findings to Audit Committee on 20 April 2021.
<b>Audit of the Council's 2020-21 statement of accounts</b>		We have commenced our audit planning and interim testing. Audit Plan for 2021 to be presented to Audit Committee on 20 April 2021.

## Performance Audit work

2019-20 Performance Audit Work	Scope	Status
<p><b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b></p>	<p>Examination of the extent to which the Council has acted in accordance with the sustainable development principle when delivering the its approach to preventing avoidable hospital admissions and enabling timely discharges.</p>	<p><b>Complete.</b> Final report issued November 2019</p> <p>Yet to be presented to Scrutiny</p>
<p><b>Corporate Governance Review</b></p>	<p>Our review sought to answer the question: <b>'Is the Council improving its governance arrangements so that they support its transformation agenda'?</b></p>	<p><b>In progress.</b></p> <p>Final report to be presented to June Audit Committee</p>

2020-21 Performance audit work	Scope	Status
<b>Annual Audit Summary</b>	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'. Also now combined with the Annual Audit Letter.	Date TBC
<b>Assurance and risk assessment</b>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>Presentation jointly with Care Inspectorate Wales and Estyn.</p>	<p><b>In progress</b></p> <p>Joint Presentation to Corporate Management Team and Cabinet on 14<sup>th</sup> April 2021.</p> <p>The outcome of that discussion will inform the local risk based projects, if any, within our 2021-22 audit programme.</p>
<b>Recovery Planning</b>	We intend to support and challenge recovery planning in real-time. Collectively we need assurance that recovery takes due account of the multitude of risks, but also that it grasps the opportunities for a different and sustainable future. We have taken the decision to replace the 'prevention' themed work that we set out in audit plans with this work on recovery planning.	<p><b>Ongoing</b></p> <p>First feedback letter issued to Council in late November 2020</p> <p>Further letter to be issued potentially in early summer.</p> <p>Aiming at a summary report potentially in Summer 2021 but depends on the pandemic's trajectory</p>
<b>Financial Sustainability</b>	We have completed <b>Phase 1</b> , publishing local reports to councils and a national report in October 2020.	<p><b>In progress</b></p> <p>Phase 1 – Published 6th October 2020 Link is found <a href="#">HERE</a>.</p>

	<p>We are currently undertaking <b>Phase 2</b> and are scheduled to issue our draft local report in April, for clearance prior to publication. There will be a national report published in the summer.</p>	<p><b>In progress</b> Phase 2 – Project Brief issued 15<sup>th</sup> December 2020. Fieldwork completed early April 2021 Local report issued in draft in April and final report published in May</p>
<p><b>Local risk based work</b></p>	<p>A number of options for local risk based work were presented to Council CMT and Cabinet in early March 2020.</p> <p>The 2020-21 Audit Plan had this work as TBC and due to the pandemic we have yet to agree scope of local risk based work but the scope may be focussed on the outcomes of the Corporate Governance Review</p>	<p><b>Yet to start</b></p> <p>To be confirmed subject to discussion between the Council and Audit Wales</p>
<p><b>Covid 19 learning project</b></p>	<p>To help public bodies capture and share the lessons they are learning, we have established the 'COVID-19 learning project'. Rather than the traditional audit approach of examining actions after the event, our aim here is to get alongside public services to capture and share learning in real time.</p> <p><a href="https://twitter.com/AuditWales_GPX">https://twitter.com/AuditWales_GPX</a></p>	<p><b>Ongoing</b></p>



## Recent National Reports

Report title	Publication date and link to report
Test, Track and Protect	Published 18 March 2021 Link is found <a href="#">HERE</a>
Procurement and supply of PPE during the COVID-19 pandemic	Published 15 <sup>th</sup> December 2020 Link is found <a href="#">HERE</a>
Providing Free School Meals During Lockdown	Published 24 <sup>th</sup> November 2020 Link is found <a href="#">HERE</a>
Preparations for the end of Brexit transition	Published 18 <sup>th</sup> November 2020 Link is found <a href="#">HERE</a>
Covering teachers' absence: Follow-up	Published 12 <sup>th</sup> November 2020 Link is found <a href="#">HERE</a>
Welsh Community Care Information System	Published 15 <sup>th</sup> October 2020 Link is found <a href="#">HERE</a>
The National Fraud Initiative in Wales 2018-20	Published 13 <sup>th</sup> October 2020 Link is found <a href="#">HERE</a>
Commercialisation in Local Government	Published 6 <sup>th</sup> October 2020 Link is found <a href="#">HERE</a>
Better law making: the implementation challenge	Published 24 <sup>th</sup> September 2020 Link is found <a href="#">HERE</a>

## Upcoming national reports

Title	Anticipated Publication date
Personal protective equipment	April 2021
Picture of public services	Late spring 2021

## Upcoming local government national studies

Title	Anticipated Publication date
Local authority discretionary services	April 2021
Emergency services	Spring 2021 – Phase 1
Direct payments	Autumn 2021
Regeneration – town centres	Autumn 2021

## 2021 Audit Plan – Caerphilly County Borough Council

Audit year: 2020-21

Month issued: March 2021

Document reference: 2361A2021-22

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

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

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

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

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

2021 Audit Plan	
About this document	4
My duties	4
Impact of COVID-19	5
Audit of financial statements	5
Performance audit	12
Certification of grant claims and returns	14
Statutory audit functions	15
Fee, audit team and timetable	15

# 2021 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

## My duties

- 2 I complete work each year to meet the following duties.

## Audit of financial statements

- 3 Each year I audit Caerphilly County Borough Council's (the Council's) financial statements to make sure that public money is being properly accounted for.

## Value for money

- 4 The Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

## Continuous improvement

- 5 Under the Local Government (Wales) Measure 2009 (the Measure) the Council has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements. Some requirements of the Measure will cease during 2021-22 due to changes in legislation arising from the Local Government and Elections (Wales) Act 2021. However, I anticipate that during 2021-22 I will still be required to audit the Council's published assessment of its performance that covers the 2020-21 year.

## Sustainable development principle

- 6 Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

## Impact of COVID-19

- 7 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 financial statements and my financial audit and performance audit work.
- 8 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement, and anticipated sickness absence levels, are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many councils may not be able to prepare financial statements in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and wellbeing of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 9 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 10 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the Council as the 2021 position becomes clearer.

## Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements. This includes:
  - a) an opinion on the on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2021; and
  - b) an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council.

- 12 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
- c) if relevant once the thresholds<sup>1</sup> for audit are known for 2021-22, certifying a return to the Welsh Government which provides information about the Council to support preparation of the UK's Whole of Government Account;
  - d) responding to questions and objections about the financial statements from local electors (additional fees will be charged for this work, if necessary);
  - e) the independent examination of Blackwood Miners' Institute charity; and
  - f) the certification of six grant claims and returns, as set out in **Exhibit 4**.
- 13 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, which means those that might result in a reader of the financial statements being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 14 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 15 I can confirm that there have been no limitations imposed on me in planning the scope of this audit.
- 16 I will also report by exception on a number of matters which are set out in more detail in my Statement of Responsibilities, along with further information about my work.

## Audit of financial statements risks

- 17 The following table sets out the significant risks that I have currently identified for the audit of your financial statements. You should note that my auditing planning is currently ongoing.

<sup>1</sup> Set annually by HM Treasury and the National Audit Office.



**Exhibit 1: financial statement audit risks**

This table summarises the key financial audit risks that I have identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Management override</b></p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>I will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business; and</li> <li>• undertake any additional procedures to address any specific risks of management override which are not addressed by the mandatory work above.</li> </ul>
<p><b>Property, Plant and Equipment (PPE) – Accuracy of the Fixed Asset Register</b></p> <p>Per last year’s Audit of the Accounts Report, there were a high number of corrected misstatements regarding the existence (following duplication and disposals), ownership and valuation of PPE. If the Council does not implement my audit recommendations, there is a risk of material misstatement in the 2020-21 financial statements.</p>	<p>I will:</p> <ul style="list-style-type: none"> <li>• substantively test assets to ensure they exist and are owned by the Council;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register.</li> </ul>

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Other recommendations in last year's Audit of the Accounts Report</b>  Last year, I reported a significant number of recommendations in respect of the financial statements, in areas such as the cashflow statement, creditors, debtors, provisions and PPE (as detailed above).</p>	<p>I will evaluate and test, where necessary, the Council's progress in addressing my recommendations.</p>
<p><b>Impact of COVID-19 – disclosures</b>  Last year, two 'Emphasis of matter' paragraphs were in my audit report, drawing attention to material valuation uncertainties in the financial statements in respect of the valuation of:</p> <ul style="list-style-type: none"> <li>• land and buildings (including Council Dwellings); and</li> <li>• certain pension fund assets.</li> </ul> <p>These uncertainties arose from the COVID-19 pandemic, and the audit opinion was modified in respect of these matters. However, with the pandemic continuing it is possible that similar disclosures may be required this year.</p>	<p>I will review the valuer's valuation reports and the actuary's pension report and consider the impact on my audit of any reported material uncertainties.</p>

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Impact of COVID-19 – quality of the financial statements</b></p> <p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of financial statements. There is a risk that the quality of the financial statements and supporting working papers, around estimates (eg annual leave provision) and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>I will discuss your closedown process and quality monitoring arrangements with the financial statements preparation team and monitor the financial statements preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p><b>Impact of COVID-19 – funding streams</b></p> <p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available various funding streams to the Council. In some cases, these monies provide financial support to the Council itself. In other cases, the funds have been administered by the Council, making payments to third parties on behalf of the Welsh Government.</p> <p>The amounts involved are material to the financial statements and there is a risk of incorrect accounting treatment for COVID-19 funding ie principal or agency arrangement.</p>	<p>I will review the funding streams received from the Welsh Government and confirm that the accounting treatment is appropriate.</p>

Audit risk	Proposed audit response
<b>Area of audit attention</b>	
<p><b>Cardiff Capital Region City Deal</b>  City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves ten councils.</p> <p>The councils have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. This significant programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address including the potential consolidation of the joint committee's financial statements, if they are material.</p>	<p>Liaising closely with the external auditors of the other councils, my audit team will:</p> <ul style="list-style-type: none"> <li>• monitor progress with the City Deal Project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements; and</li> <li>• consider the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</li> </ul>
<p><b>McCloud judgement</b>  In 2015, the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. The final remedy is expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>I will review the provision previously made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government pension schemes.</p>

Audit risk	Proposed audit response
<b>Area of audit attention</b>	
<p><b>Sensitive disclosures</b></p> <p>I judge some of the disclosures in the financial statements, such as related parties and the remuneration of senior officers and councillors, to be material by nature, with a far lower level of materiality. These disclosures are therefore inherently more prone to material misstatement.</p>	<p>I will enhance my examination of all areas that I determine to be material by nature, to ensure that they are complete and accurate.</p>

## Other matters

18 There are two further matters on which my audit team will undertake early work in preparation for the 2021-22 audit.

### Exhibit 2: Other matters

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

Other matters	
<p>CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The Council will however need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.</p>	<p>I will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>
<p>The potential need to audit the Council's financial return in respect of the UK's Whole of Government Account (WGA), as referred to in <b>paragraph 12</b>.</p>	<p>If necessary, I will examine the 2020-21 WGA return in accordance with the requirements of HM Treasury and the National Audit Office.</p>

### Other matters

The Local Government and Elections Act includes provision for the establishment of a Corporate Joint Committee (CJC) to deliver services currently provided by the Council.

I will undertake an early review of the preparations that the Council is making for accounting arrangements related to the transfer of services to the CJC.

## Performance audit

- 19 In addition to my Audit of Financial Statements, I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out on **page 4** in relation to value for money and sustainable development.
- 20 In response to the pandemic, I have adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 21 For 2021-22, I intend to build on this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 22 Given the high degree of commonality in the risks facing councils at this time I also intend to deliver a number of thematic projects examining risks common to all councils.
- 23 I have consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015. This consultation was extended due to the pandemic.
- 24 In my consultation I have set out and sought views on proposals to:
- a) continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;
  - b) integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and
  - c) strengthen and expand the co-ordination of work with the Future Generations Commissioner.
- 25 I have written to the 44 public bodies designated under the Act setting out the results of the consultation and how I intend to approach this work over the reporting period 2020-2025.

- 26 In view of the above factors, I intend to retain a high degree of flexibility in my local performance audit programme at the Council and will continue to update the Council as the audit programme changes.
- 27 For 2021-22 this work is set out below.

### Exhibit 3: Performance Audit Programme 2021-22

This table summarises the performance audit programme for 2021-22

Performance audit programme	Brief description
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Further details to follow.
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>For the Council the project is likely to focus on:</p> <ul style="list-style-type: none"> <li>• financial position;</li> <li>• self-assessment arrangements;</li> <li>• recovery planning;</li> <li>• implications of the Local Government and Elections (Wales) Act; and</li> <li>• carbon reduction plans.</li> </ul>
Thematic work – Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.

Performance audit programme	Brief description
Local risk-based project	Further updates to be provided to the Audit Committee following further discussion with the Council.

## Certification of grant claims and returns

28 I have been requested to undertake certification work on the Council's grant claims and returns as set out in **Exhibit 4**.

### Exhibit 4: summary of grant claim certification work

This table summarises my anticipated 2020-21 programme of grant-claim certification work.

Name of scheme	2019-20 expenditure (£)	Significant issues identified
Housing Benefit Subsidy	52,248,390	Recurring error in the calculation of earned income.
Non-Domestic Rates	37,187,891	None.
Teachers' Pensions	17,795,025	One minor amendment made.
Pooled Budget – Gwent Frailty	16,457,801	None.
Section 34 Learning Disability and Other	1,739,344	Cell entry omitted from claim entry for Other.
Section 34 Wanless	934,850	None.



## Statutory audit functions

- 29 In addition to the audit of the financial statements, I have statutory responsibilities to receive questions and objections to the financial statements from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- a) Section 30 Inspection of documents and questions at audit; and
  - b) Section 31 Right to make objections at audit.
- 30 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

- 31 My fees and planned timescales for completion of the audit are based on the following assumptions:
- a) the signed financial statements submitted for audit are provided by the agreed date, which takes into account the impact of COVID-19, and to the quality standard expected (having been subject to a robust quality-assurance review);
  - b) information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - c) appropriate access is provided to enable my audit team to deliver the audit in an efficient manner;
  - d) all appropriate officials will be available during the audit;
  - e) you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - f) Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 32 I will be liaising with the Head of Internal Audit to establish the extent of the work undertaken for 2020-21 and its impact on our audit approach, especially if there is a significant shortfall against the planned work.

## Fee

33 Your estimated fee for 2021 is set out in **Exhibit 5**, alongside last year's fee.

### Exhibit 5: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	2021 fee estimate (£) <sup>2</sup>	2020 fee estimate (£)	2020 actual fee (£)
Financial audit accounts work <sup>3</sup>	235,000	250,000	367,000
Performance audit work <sup>4</sup>	104,700	104,700	104,700
Grant certification work <sup>5</sup>	34,000	45,000	33,619
<b>Total fee</b>	<b>373,700</b>	<b>399,700</b>	<b>505,319</b>

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

35 If I receive questions or objections, I will discuss potential audit cost at the time.

## Audit team

36 The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

<sup>2</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>3</sup> Payable November 2020 to October 2021.

<sup>4</sup> Payable April 2021 to March 2022.

<sup>5</sup> Payable as work is undertaken.

## Exhibit 6: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Director and Engagement Lead – Performance Audit	029 2032 0599	<a href="mailto:Huw.Rees@audit.wales">Huw.Rees@audit.wales</a>
Anthony Veale	Engagement Lead – Financial Audit	029 2032 0585	<a href="mailto:Anthony.Veale@audit.wales">Anthony.Veale@audit.wales</a>
Mark Jones	Audit Manager (Financial Audit)	029 2032 0631	<a href="mailto:Mark.Jones@audit.wales">Mark.Jones@audit.wales</a>
Rhodri Davies	Audit Lead (Financial Audit)	029 2032 0637	<a href="mailto:Rhodri.Davies@audit.wales">Rhodri.Davies@audit.wales</a>
Colin Davies	Audit Manager (Performance Audit)	029 2032 0666	<a href="mailto:Colin.Davies@audit.wales">Colin.Davies@audit.wales</a>
Gareth Jones	Audit Lead (Performance Audit)	029 2032 0548	<a href="mailto:Gareth.Jones@audit.wales">Gareth.Jones@audit.wales</a>

## Timetable

- 37 The key milestones for the work set out in this plan are shown in **Exhibit 7**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

**Exhibit 7: Audit timetable**

Planned output	Work undertaken	Report finalised
2021 Audit Plan	January to March 2021	April 2021
<p><b>Audit of Financial statements work:</b></p> <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> <li>• Audit of Financial Statements Addendum Report</li> </ul>	July to September 2021	September 2021  October 2021 <sup>6</sup>  October 2021
<p><b>Performance audit work:</b></p> <ul style="list-style-type: none"> <li>• Annual Audit Summary</li> <li>• Well-being of Future Generations</li> <li>• Assurance and risk assessment</li> <li>• Springing Forward</li> <li>• Improvement reporting audit</li> <li>• Local risk-based project</li> </ul>	Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each study.	
<p><b>Grants certification work:</b></p> <ul style="list-style-type: none"> <li>• Housing Benefit</li> <li>• Non-Domestic Rates</li> <li>• Teachers' Pensions Return</li> <li>• Section 33 NHS (Wales) Act 2006 Pooled Budgets</li> <li>• Two Section 34/194 NHS (Wales) Act 2006 Money Transfers Returns</li> </ul>	October to December 2021	Separate reports for each grant, with various deadlines.

<sup>6</sup> Full Council is scheduled to consider the audit of financial statements, and our audit report, on 14 October 2021.

Planned output	Work undertaken	Report finalised
Annual Audit Summary	N/A	December 2021
2022 Audit Plan	January to March 2022	April 2022

- 38 I can confirm that, except for one member of the audit team, my team members are all independent of the Council and your officers.
- 39 The exception relates to a team member's parent being one the Council's headteachers. My Compliance Department has reviewed this circumstance and concluded that there should be a partial work restriction. Therefore, the team member will not undertake, or otherwise become involved in, the audit of the local education authority within the Council, including any audit of payroll. I have updated my audit plan and work allocations to safeguard this independence issue.



Audit Wales

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)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



## GOVERNANCE AND AUDIT COMMITTEE – 20<sup>TH</sup> APRIL 2021

**SUBJECT:** INTERNAL AUDIT SERVICES: ANNUAL AUDIT PLAN 2021/22

**REPORT BY:** ACTING INTERNAL AUDIT MANAGER

--

### 1. PURPOSE OF REPORT

- 1.1 To seek Governance and Audit Committee approval for the Internal Audit Services Annual Audit Plan for the financial year 2021/22.

### 2. SUMMARY

- 2.1 The report provides details of the resources and planned work programme for Internal Audit Services for 2021/22.

### 3. RECOMMENDATIONS

- 3.1 The Governance and Audit Committee is asked to approve the Internal Audit Services Annual Audit Plan for the 2021/22 financial year.

### 4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Governance and Audit Committee is aware of the resources and planned work programme for Internal Audit Services for 2021/22, and to enable Internal Audit Services to carry out its function.

### 5. THE REPORT

- 5.1 The Internal Audit Services Annual Audit Plan for the 2021/22 financial year is attached as Appendix 1
- 5.2 Due to the continuing uncertainties relating to the type of work that is able to be performed this year due to COVID-19, and the impact of current staffing vacancies in Internal Audit Services, the ability to accurately plan work is restricted. As a result, the work planned is based on the approach that high-risk financial systems, corporate risks such as safeguarding, fraud and IT will be prioritised in the first instance. Control Risk Self-Assessments will be further developed and rolled out and

work will be conducted remotely.

5.3 It is anticipated that as information regarding the pandemic becomes more certain and the Internal Audit staffing compliment increases, the Internal Audit Plan can be flexed to adapt as necessary.

5.4 A mid-year progress report will be presented to the Governance and Audit Committee.

### **Conclusion**

5.5 The Governance and Audit Committee is asked to approve the 2021/22 Internal Audit Services Audit Plan and to note that a mid-year progress report will be presented to the Committee.

## **6. ASSUMPTIONS**

6.1 There are no assumptions in this report.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 The Council will be unable to deliver its Well-being objectives in the absence of effective corporate governance arrangements.

7.2 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met, in that a prosperous Wales and a resilient Wales requires an effective Internal Audit service to protect public funds.

7.3 There are no other equalities implications arising from this report in relation to other equalities issues.

## **8. FINANCIAL IMPLICATIONS**

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

## **9. PERSONNEL IMPLICATIONS**

9.1 There are some personnel implications arising from the assumptions regarding the staffing resources and vacancies within the team.

## **10. CONSULTATIONS**

10.1 Any comments received from consultees have been included within the report.



## **11. STATUTORY POWER**

### 11.1 Local Government and Elections Act 2021

Author: D Gronow, Acting Internal Audit Manager  
Tel: 01443 863425 Email: [gronode@caerphilly.gov.uk](mailto:gronode@caerphilly.gov.uk)

Consultees: R. Edmunds, Corporate Director for Education & Corporate Services  
(Email: [edmunre@caerphilly.gov.uk](mailto:edmunre@caerphilly.gov.uk))  
S. Harris, Head of Financial Services & S151 Officer  
(E-mail: [harrisr@caerphilly.gov.uk](mailto:harrisr@caerphilly.gov.uk))

Appendices:

Appendix 1 – Internal Audit Services Annual Audit Plan 2021/22

Gadewir y dudalen hon yn wag yn fwriadol

**CAERPHILLY COUNTY BOROUGH COUNCIL****INTERNAL AUDIT SERVICES****ANNUAL AUDIT PLAN 2021/22****1. Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) and the Council's own Financial Regulations require that an annual Audit Plan should be prepared to ensure that there is an effective and efficient use of audit resources.
- 1.2 Following on from recommendations made by the Authority's External Auditors the plan has been split to show available man-days per quarter. This has been based on the FTE of staff and current working patterns and it can be seen that there are currently a number of vacant posts which have arisen as a result of staff resignations, retirements and one staff member being on a long-term secondment to Track and Trace. The return of this member of staff and the filling of the vacancies have been put into the man days calculation with the expectation that the team will be back up to full strength by the final quarter of the calendar year.
- 1.3 Paragraph 2.1 below covers staffing resources available in more detail.
- 1.4 In order to evaluate the available man-days per quarter the overheads have been apportioned taking account of the patterns of bank holidays etc. so minor variances will occur between each quarter and year by year.
- 1.5 Other overheads have been estimated to arise evenly over the period, including sickness absence. In view of uncertainty around holidays and travel currently, annual leave has been allocated evenly each quarter for ease of forecasting. Overheads also include other managerial provisions not directly allocated to audit assignments. Obviously, there may be further variances due to unforeseen events which would affect the number of available man days.
- 1.6 Additional overheads have been generated by the granting of a programme of professional study to 2 staff members including the trainee auditor. This has been done with a view to strengthening the capacity and resilience of the section moving forward.
- 1.7 On the basis of the comments above the overheads and available audit days per quarter have been estimated and are shown in the table below.

	<b>1.4.21- 30.6.21</b>	<b>1.7.21- 30.9.21</b>	<b>1.10.21- 31.12.21</b>	<b>1.1.22- 31.3.22</b>	<b>Total for year</b>
<b>Overheads</b>	147	138	191	209	685
<b>Available man days</b>	154	229	307	407	1097
<b>Total</b>	301	367	498	616	1782
<b>No of staff</b>	5 (4.6 fte)	6 (5.6 fte)	8 (7.6 fte)	10 (9.4 fte)	
<b>Vacancies</b>	5	4	3	0	

- 1.8 Priority will always be given to high-risk areas whether known or emerging, as in prior years, although the methods of conducting the audits will continue to be remotely or via desktop interrogations at least until January 2022. However, this will be under constant review as advice relating to safe working practices continues to evolve and will need to adapt should there be any local or national measures introduced. Work is being planned to undertake and extend the use of control risk self-assessments to cover the locations and establishments that cannot be visited but as the main offices begin to open up it is anticipated that office-based corporate systems and financial audits will be able to be undertaken using reports and transactional information gathered from these systems and electronic scanned documents, however this is a constantly evolving situation.
- 1.9 It has been decided that no routine establishment visits will be undertaken to residential care homes or schools at least until January 2022 and limited visits may take place with regard to other locations before that date provided adequate measures are in place and this is in line with advice and guidance. This will be assessed in line with the emerging advice and guidance and as already stated this approach will be under review throughout the year.
- 1.10 There are also a number of time-limited assignments that are required to be undertaken such as grants which have deadlines set by the funding bodies and where known these have been built into the plan.
- 1.11 Due to the current reduced staffing numbers the majority of the time available will initially be applied to prioritise high-risk areas and time limited work. The effect of this being that the 2021/22 plan will continue to evolve over time. Due to this uncertainty and the requirement that audits may need to be responsive to issues that develop and risk that may be identified no specific allocation of time to various service areas has been prepared at this stage.

## **2. Staffing**

- 2.1 The establishment level of the Internal Audit Section for 2020/21 continues to be 10 members of staff, which includes some part-time staff, however there are currently 4 vacant posts and one staff member on a long-term secondment with Track and Trace at least until June 2021. The staffing numbers also includes a fixed-term trainee post that is linked to a professional programme of study. This full complement of staff continues to be in line with the Welsh average, however there is an effect due to the vacant posts. The Head of Financial Services S151 Officer has plans to undertake a review of staffing within Financial Services which will also cover Internal Audit Services. The 2021/22 plan has been devised based on a gradual filling of the vacant posts back to the previous level so any changes in the timescale of that or a restructure will undoubtedly impact on the staffing resources available.

## **3. Plan**

- 3.1 The Audit Section maintains a "list" of all auditable areas called the Audit Universe and this is used as a source upon which to build the plan. This is a dynamic document and is updated to reflect new or changing service areas or establishments.
- 3.2 In prior years due consideration was given to previous years' coverage, the risk register, input from service areas and directorates, emerging issues and "local factors" as well as

themed areas linked to priorities highlighted in the Public Sector Internal Auditing Standards. However, in view of the impact of the Covid-19 pandemic a different approach has been needed for the 2021/22 financial year in order to maintain adequate coverage of high-risk areas, which will concentrate on areas such as revenues, payroll and exchequer.

- 3.3 Audit time will also be allocated to new or changed process and risks arising from Covid-19, including IT, data protection and PCI.
- 3.4 High-risk corporate areas such as Governance and Safeguarding will also continue to receive coverage and there will also be some work performed on developing a Corporate Risk Strategy. The Acting Internal Audit Manager is also supporting one strand of the Corporate Review in relation to Financial Resilience which will involve a review and refresh of Financial Regulations.
- 3.5 The 2020/21 NFI first set of data matches were released in January 2021. Audit resource will be allocated to investigating these matches when they are published.

#### Recommendation tracking and reporting

- 3.6 As reported elsewhere the MK Insights system allows the updating of progress on audit recommendations. This is now functional and is in use in all audits although some IT issues have been experienced with the portal. The system will allow recommendations to be tracked and followed up and will identify those that are completed, due and overdue actions. It also has a reporting function to allow reports to be provided to the Governance and Audit Committee that will support and inform the AGS process and provide assurance on an ongoing basis that agreed recommendations are being implemented by managers. Time will be needed on an ongoing basis to further develop this and routinely embed the use of the management information generated.

#### Establishments

- 3.7 Prior to the Covid-19 pandemic the majority of council establishments would receive a visit over a three to five-year period. However, it is proposed that no routine establishment audits visits take place at least until January 2022. Audit coverage will be maintained by introducing / extending the use of Control Risk Self Assessments supported by some verification on a sample basis where evidence can be provided electronically.

#### Contract Audit

- 3.8 Data suggests that the need for traditional final account/contract audit is reducing. This is also considered to be a low risk area however a small amount of time may be needed to verify release of contract retentions upon request from the client service areas.
- 3.9 However, Internal Audit staff will continue to work closely with staff from Procurement Services to promote a high level of contract compliance throughout the Council.

#### Computer Audit

- 3.10 The audit team does not have a dedicated IT audit specialist, and this will be part of the future discussions on what and how much coverage is deemed necessary.

- 3.11 As most systems and processes are IT based the ongoing systems reviews are being updated to include an element of what was previously considered to be IT Audit. The less technical IT systems reviews have been merged into the systems work stream and existing work programmes will be adjusted to cover the new approach.
- 3.12 An audit of user access levels, is planned and also during the year, if further specific issues arise or additional risks are identified consideration will be given to how best to address these issues.



## GOVERNANCE AND AUDIT COMMITTEE – 20<sup>TH</sup> APRIL 2021

**SUBJECT: UPDATE ON TRACKING OF AGREED AUDIT REPORT  
RECOMMENDATIONS**

**REPORT BY: ACTING INTERNAL AUDIT MANAGER**

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

- 1.1 To provide members of the Governance and Audit Committee with an update on progress on the implementation of the audit report recommendation tracker, and to provide data on findings identified by audit work.

### **2. SUMMARY**

- 2.1 The ISA 260 report in 2018 stated that the Audit Committee does not have oversight of the recommendations made by Internal Audit. The report recommended that a tracking document should therefore be produced which shows the progress of the Internal Audit recommendations.
- 2.2 Following that an exercise took place to procure an Audit Management system and Pentana MK was subsequently purchased. This system allows reporting and tracking of agreed recommendations arising from audits. This report provides an update on the implementation of this system.

### **3. RECOMMENDATIONS**

- 3.1 Members note the implementation of the Pentana MK system and the reporting of progress on agreed recommendations that this will facilitate.
- 3.2 Members consider the frequency of reporting of recommendations and the tracking of progress to the Governance and Audit Committee.

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that the Governance and Audit Committee is aware of the progress on this matter and is informed of the number of findings identified.

## 5. THE REPORT

- 5.1 There was an outstanding recommendation from a prior ISA 260 report which had recommended that a tracking document should be introduced which showed the progress of recommendations arising from Internal Audit reports.
- 5.2 The Institute of Internal Auditors (IIA) has published guidance that states that the follow up and tracking of agreed recommendations by management is important as it ensures that management have implemented the agreed actions, and this has addressed the risks identified.
- 5.3 Previously Internal Audit relied on a manual system of following up Audit Reports by the overall audit opinion rather than at a more granular level of the individual findings and their risk ratings.
- 5.4 Management are responsible for addressing the risks highlighted in Internal audit reports and implementing control processes to reduce or eliminate the risks identified. Recommendations that are not addressed may expose the authority to unnecessary risks. Therefore, it is key to ensure that high risk findings are adequately dealt with and mitigated or eliminated by appropriate management actions.
- 5.5 The Pentana MK system was procured in 2019 and it was introduced later in that year. The intention was to perform all new audits using the system, and the expectation at that time was that audits would be concluded, and recommendations would be generated and trackable all within the system before the end of the 2020/21 financial year.
- 5.6 The version of Pentana MK in use has the facility to assign recommendations to Officers and link to their emails so that once a recommendation has been agreed and a planned implementation date set, the system is able to generate reports to management on recommendations raised, due and overdue. Such reports would then be able to provide information to the Governance and Audit Committee who would then be able to assess progress or make further enquiries as necessary.
- 5.7 The system is also able to generate automatic reminders to officers that the deadline for agreed recommendations is approaching and also to advise them if the deadline has passed. The intention being that they will be able to either advise Internal Audit that the agreed actions have been implemented, that they are in hand or that they may need to change the due date. This system also has the capability for the managers to log into the recommendation tracker for their own reports via an online portal and update any actions taken and also attach files or other supporting information. However, some network related IT issues have delayed the roll out of this portal, so it is currently being managed manually by audit staff. The intention is to activate the user's portal as soon as the IT issues have been resolved. Some training and guidance is anticipated to be required to support the rollout of this portal.
- 5.8 As members are aware the COVID-19 pandemic affected audit work such that audits were temporarily suspended, and not recommenced until the second half of 2020/21. Time has been prioritised on completing those audits that were unfinished when audits were suspended.
- 5.9 Work has been continuing and as at 8<sup>th</sup> April 2021 there were 255 findings that had been raised within the MK system since the date of implementation within the tracker module. The system identifies and risk rates findings, these are linked at the



agreement stage of the draft report to agreed recommendations. Accordingly, it is possible that risk ratings may change during the draft report discussion process if additional information is provided to the auditors.

5.10 The chart below shows the current findings by risk rating, using the criteria previously agreed by the committee.

### Audit findings by risk rating

This chart below shows the total number of recommendations classified by risk rating

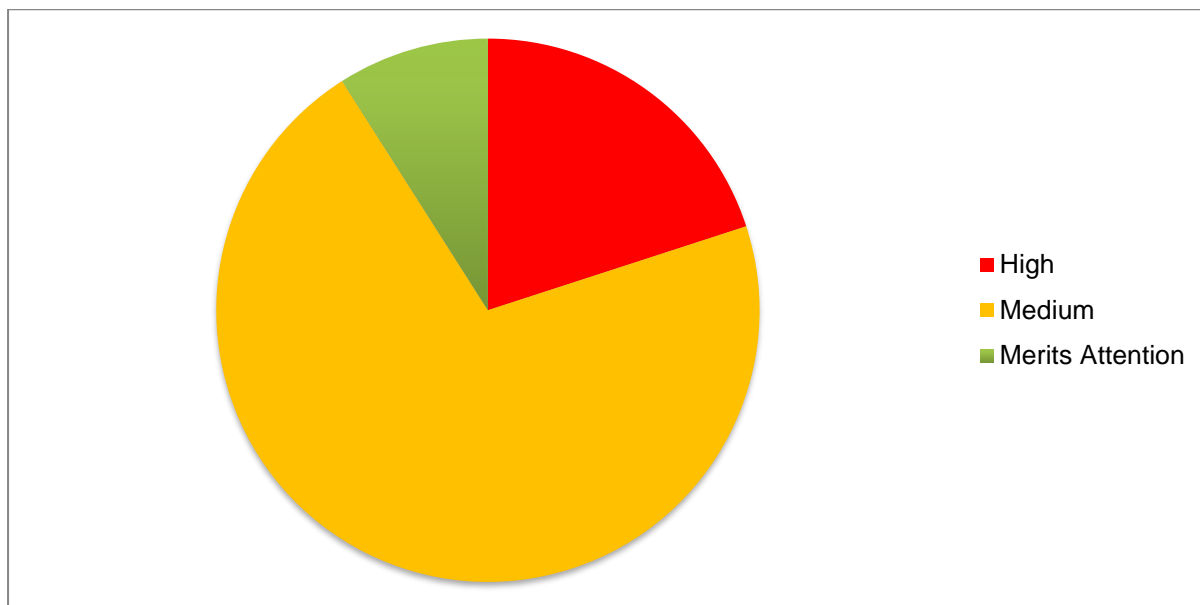


Table showing number of recommendations classified by risk ratings

Risk Rating	Total
High	51 (20%)
Medium	181 (71%)
Merits Attention	23 (9%)
<b>Total</b>	<b>255</b>

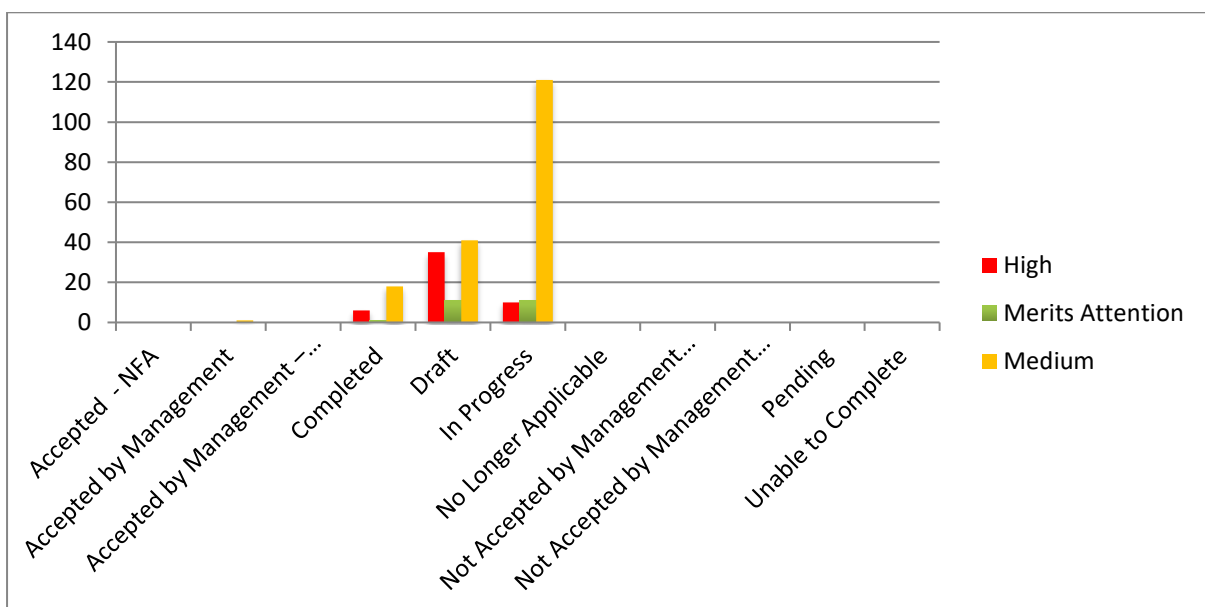
5.11 It can be seen that the significant majority of all findings are considered to be medium risk.

5.12 The stage of completion of these can also be reported in the following matrix and it can be seen that the majority of these are identified as either draft which means that the draft report has not yet been agreed or in progress which means that the recommendation has not yet reached its due date. However, it is expected that as time goes on this pattern will change as more recommendations are issued, agreed, and subsequently implemented.

## Recommendation Matrix: Risk Rating & Status

Status	High	Medium	Merits Attention	Total
Accepted by Management	0	1	0	1
Completed	6	18	1	25
Draft	35	41	11	87
In Progress	10	121	11	142
<b>Total</b>	<b>51</b>	<b>181</b>	<b>23</b>	<b>255</b>

5.13 It can also be displayed in the following chart which shows the relative proportions of each.



5.14 It will be the intention of the Internal Audit Section to provide this detail to the Governance and Audit Committee on a regular basis, at a frequency that can be agreed but it is suggested that this is at least twice a year.

5.15 The Pentana MK system also allows further management information to be extracted and it is anticipated that it will be possible in future to inform the Governance and Audit Committee on details such as overdue actions and this will be developed in due course as familiarity with the reporting functionality develops.

### Conclusion

5.16 The report informs the Governance and Audit Committee on the progress of the implementation of the recommendation tracker and the increased detail of reporting that will now be possible.

5.17 It is also considered that this recommendation of the ISA 260 report is now completed.

## **6. ASSUMPTIONS**

6.1 There are no assumptions in this report.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 The Council will be unable to deliver its Well-being objectives in the absence of effective corporate governance arrangements.

7.2 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met, in that a prosperous Wales and a resilient Wales requires an effective Internal Audit service to protect public funds.

7.3 There are no other equalities implications arising from this report in relation to other equalities issues.

## **8. FINANCIAL IMPLICATIONS**

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

## **9. PERSONNEL IMPLICATIONS**

9.1 There are no personnel implications arising from this report

## **10. CONSULTATIONS**

10.1 Any comments received from consultees have been included within the report.

## **11. STATUTORY POWER**

11.1 Local Government and Elections Act 2021

Author: D Gronow, Acting Internal Audit Manager  
Tel: 01443 863425 Email: [gronode@caerphilly.gov.uk](mailto:gronode@caerphilly.gov.uk)

Consultees: R. Edmunds, Corporate Director for Education & Corporate Services  
(Email: [edmunre@caerphilly.gov.uk](mailto:edmunre@caerphilly.gov.uk))  
S. Harris, Head of Financial Services & S151 Officer  
(E-mail: [harrisr@caerphilly.gov.uk](mailto:harrisr@caerphilly.gov.uk))

Gadewir y dudalen hon yn wag yn fwriadol



## GOVERNANCE AND AUDIT COMMITTEE – 20<sup>TH</sup> APRIL 2021

**SUBJECT: CCBC RESPONSE TO “RAISING OUR GAME - TACKLING FRAUD IN WALES”**

**REPORT BY: ACTING INTERNAL AUDIT MANAGER**

--

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

- 1.1 The purpose of this report is to provide the Governance and Audit Committee with a response to the report by the Auditor General together with information on any findings that are pertinent to Caerphilly and any future actions that may need to be considered.

### **2. SUMMARY**

- 2.1 As reported to the Audit Committee in January 2021, the Auditor General for Wales published a report in June 2019 titled “Counter fraud arrangements in the Welsh Public Sector” . This report “Raising Our Game - Tackling Fraud in Wales” is based on more extensive work and a number of recommendations have been made by the Auditor General.

### **3. RECOMMENDATIONS**

- 3.1 Members note the Caerphilly responses to the report and consider future actions that may be needed.

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that the Governance and Audit Committee has an up to date view on the current counter fraud position in Wales and how Caerphilly CBC is responding.

### **5. THE REPORT**

- 5.1 The Auditor General published a report in June 2019 titled ‘Counter-Fraud Arrangements in the Welsh Public Sector’, the report gave an overview of the scale of fraud in the Welsh public sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. The

report was followed by a one-day conference organised by the Public Accounts Committee in July 2019. The report was presented to Audit Committee in October 2019.

- 5.2 A subsequent report of the Auditor General for Wales, 'Raising Our Game' Tackling Fraud in Wales, was published in July 2020. This latest report was based on a more extensive programme of fieldwork, between November 2019 and February 2020, at a sample of Public Sector organisations in order to understand counter-fraud arrangements in place at each audited body.
- 5.3 This report was presented by Audit Wales to the Audit Committee in January 2021. The report refers to the scale of fraud in the Welsh public sector and it was suggested in the 2019 report that the sums lost annually in Wales to fraud could be anywhere between £100 million and £1 billion, although the precise figures are unknown they do give an indication of the magnitude of the potential risk to Welsh public sector finances. The report also highlighted the importance of appropriate investment in counter-fraud arrangements
- 5.4 The foreword notes the Welsh Government's positive response to the June 2019 publication, and the conference organised by the Public Accounts Committee in July 2019, and the Permanent Secretary's commitment to provide Wales-wide leadership in raising the profile of counter-fraud activity. The foreword concludes, with a recognition of the risk of fraud associated with the COVID-19 pandemic and outlines the extended scope of the National Fraud Initiative (NFI) to help identify fraudulent COVID-19 support grant claims.
- 5.5 The report examined seven 'key themes' that it considered all public bodies need to focus on, in raising their game to tackle fraud more effectively. The overall question was "Are the arrangements for preventing fraud and detecting fraud in the Welsh public sector effective?" In particular: -
- Leadership and Culture – Does the top tier demonstrate a commitment to counter -fraud and provide the necessary leadership to fight fraud?
  - Risk management and Control framework – Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
  - Policies and Training – Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
  - Capacity and Expertise – Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
  - Tools and Data - Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?
  - Collaboration – Does the organisation have an appropriate response to fraud?
  - Reporting and Scrutiny – Does the organisation have proper reporting and scrutiny in place to ensure counter-fraud culture and framework is operating effectively?
- 5.6 The report has 15 recommendations which have been raised on a national basis under each of the themes noted above: -
- **Leadership and Culture**

**R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a coordinating role where it can,

while recognising that individual bodies remain responsible for their own counter-fraud activities

**R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.

- **Risk management and Control framework**

**R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.

**R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.

- **Policies and Training**

**R5** All bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks. All bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing, and responding to fraud risks.

**R6** Staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting, and responding to fraud.

**R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.

- **Capacity and Expertise**

**R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.

**R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.

**R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling /sharing of resources in order to maximise the availability of appropriately skilled staff.

- **Tools and Data**

**R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforces the tone from the top that the organisation does not tolerate fraud.

**R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.

- **Collaboration**

**R13** Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.

- **Reporting and Scrutiny**

**R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.

**R15** Audit committees must become fully engaged with counter-fraud, providing support and direction, monitoring, and holding officials to account.

5.7 Caerphilly's current position regarding the 7 themes examined and the recommendations detailed above can be reported as follows.

5.8 **Leadership and Culture**

The Council sets high standards for Members and Officers and allegations are always robustly dealt with. The Council developed a number of Anti-fraud policies, and these can be found on the Council's intranet pages. These are The Anti-Fraud Bribery and Corruption Policy, Anti Money Laundering Policy and Payment Card Industry Policy, Whistleblowing Policy, IT Security Policy and Codes of Conduct. Since these policies were first developed the nature and types of fraudulent activity has expanded to exploit every opportunity that presents itself, and the current COVID pandemic has intensified this, so it is considered that these policies will benefit from a review and refresh if necessary, particularly to reflect the current situation with staff working in an agile fashion. It should be noted that the IT Security Forum agreed to pause the review of the IT Security Policy until a clear stance on agile working was agreed, in order to future proof the policy as much as possible.

5.9 In addition to the refresh or updating of these policies these should also be linked with the development of a holistic Counter Fraud Strategy in order to ensure we are remaining up to date with the evolving nature of fraud risk.

5.10 Audit staff have contacted the Wales Fraud Officers group with a view to engaging with them and events organised by the Audit Wales Good Practice Exchange have also been attended, and the Head of Financial Services & S151 Officer is considering whether we should engage with the fraud prevention service CIFAS. The Acting Internal Audit Manager has also contacted NAFN (National Anti-Fraud Network) with a view to registering for their notifications and alerts.

5.11 While errors, such as duplicated payments are identified and irregularities such as cash and bank issues and on rare occasions frauds are sometimes detected during audit work, frauds identified are quite rare. However, it is accepted that some proactive counter fraud work needs to be included in the audit plan, and this may need to be supported by resources such as training.

5.12 **Risk management and Control framework**

The Council acknowledges the increasing risk of fraud and the evolving and



developing threats of fraud, particularly in relation to Cyber fraud, and acknowledges that work is required to perform an assessment on how the Council prevents, detects, and pursues monies or assets obtained fraudulently and considers how services that are more susceptible to fraud manage that risk.

- 5.13 Fraud risk has been identified as an issue that will need to be more clearly linked to all plans and strategies going forward, this will also be considered when the Counter-Fraud strategy is undergoing consultation and development.
- 5.14 Cyber fraud risk has been identified as a particular threat nationally and internationally as a result of the COVID-19 pandemic as working from home practices have evolved rapidly in response the pandemic and the need for a separate Cyber Risk strategy has been considered. The WG has commissioned Bobs Business to undertake a managed phishing exercise that will be undertaken this year. The IT Section is developing a Cyber Security Strategy which will raise the profile of cyber security across the organisation. The Corporate Management Team (CMT) receives a monthly cyber security briefing.
- 5.15 The Internal Audit Section does consider risk in the preparation of the annual plan and it would be anticipated that the work on fraud risk assessment will inform future Internal Audit plans.
- 5.16 **Policies and Training**  
As previously mentioned, the Council has a number of policies, procedures, and reporting mechanisms to prevent and detect fraud, bribery, and corruption. These include The Anti-Fraud Bribery and Corruption Policy, Anti Money Laundering Policy and Payment Card Industry Policy, Whistleblowing Policy, IT Security Policy, Register of Gifts and Hospitality, and Codes of Conduct, and also appropriate Data Governance policies. However, it is acknowledged that some of these may need review and refreshing / updating particularly to reflect the current situation with staff working in an agile fashion. Therefore, consideration should be given to formally developing a Fraud Risk Assessment and a Corporate Anti-Fraud Strategy and further consideration be given to how to integrate these documents into the general risk management framework and other policy documents. In addition, with the current increased risk challenges that are arising from the COVID-19 pandemic and changes in working practices including remote working and reliance on IT records, further new policies may be needed to address these issues.
- 5.17 Detailed data / information governance training material has been developed by the information governance team and templates have been devised which could be utilised for counter fraud training purposes. This approach is being adopted in PCI (Payment Industry Card) training where staff who accept card income must complete an annual refresh of training. The council also has a new learning management system which could be adopted as this system has the advantage of tracking completed training and identifying those who have not yet undertaken training. These options will need further exploration in order to identify the optimum solution.
- 5.18 The Information Unit has issued training on Information Governance and undertaken awareness raising for staff via Management Network on Data and Cyber Security. Consideration could be given to delivering further fraud awareness, training and updates using Management network. Also, the use of IT in preparing video or webinar sessions could also be investigated. All staff are required to undertake Data Governance training annually, and this is monitored and reported via the Service area Information Governance Stewards.

- 5.19 IT security, OLAS Purchase Ledger and Proactis teams will send out alerts to users where they have become aware of attempted frauds or phishing emails, however consideration will need to be given to developing more formal anti-fraud awareness training and this could also be included in the Intranet as a resource for staff when the Intranet is redeveloped. One of the Service Reviews commissioned as part of the Team Caerphilly initiatives covers increasing awareness and training on Financial Regulations and Best Practice and it is considered that the issue of Fraud awareness could be reviewed as part of this process
- 5.20 **Capacity and expertise**  
As already reported the Council does not have a formal fraud risk assessment process or a fraud response plan in place so these will need to be considered when the Anti-Fraud Strategy is developed.
- 5.21 The Head of Financial Services & S151 Officer purchased a specialist piece of software called AP Forensics which is able to undertake a number of data matches and fuzzy logic searches on purchase ledger files, and this tool has been very successful in identifying duplicated payments. This is a very powerful tool and is able to also identify other issues such as payroll /purchase ledger matches or VAT issues, but the creation of the reporting routines and subsequent monitoring of the output would benefit from some additional resource.
- 5.22 The Council needs to identify if it needs to become more proactive in relation to fraud risk and capture and respond to emerging threats and in order to do this anti-fraud awareness may need to be further embedded within the culture of the organisation. One way to do this could be by means of considering fraud risk as an element of the Corporate Reviews, however detailed procedures will need to be developed and adopted within the process.
- 5.23 Like most authorities in Wales specific fraud investigation officers were redeployed when the DWP Single Fraud Investigation Service was set up. Internal Audit have undertaken or supported investigations since that time although no specific officers are allocated to these roles. Internal Audit will investigate frauds that are reported to them or identified as part of their work; however, this specific work is not resourced separately and may divert time from other areas of the audit plan.
- 5.24 **Tools and Data**  
Notwithstanding the above, the results of AP forensics, NFI data matches and Data tank who undertake the Council tax single person discount checks, tend to indicate that the number of identified frauds are low. The Council is an active participant in the NFI and the outcomes of the NFI work is reported to the Governance and Audit Committee when the work is completed. Any specific issues identified are also reported to individual service managers for investigation if necessary.
- 5.25 Where frauds have been identified they are fully investigated and passed to the appropriate bodies such as DWP Single Fraud Investigation Service (SFIS) or Police where appropriate and external investigations are supported.
- 5.26 The Acting Internal Audit Manager has attended a presentation by CIFAS in relation to subscribing and receives the 2-weekly Fraud Threat update, which is a newsletter that summarises the current intelligence on fraud threats and latest phishing emails, cyber threats and other issues identified by them. Subscribers can access a daily briefing which provides more detailed information. The Acting Internal Audit Manager has also requested to register for NAFN which is an organisation that also provides

alerts on frauds and other relevant issues.

**5.27 Collaboration**

Caerphilly CBC is an active participant in the NFI and has constructive dialogue with them and the Acting Internal Audit Manager is the point of contact for the exercise. Consideration is being given to joining an All -Wales group membership of CIFAS as this facility can be used for Insurance, Council Tax, NNDR Grants, procurement and other financial data matching. The Council also subscribes to the CIPFA fraud updates and the CIFAS fortnightly update. The Acting Internal Audit Manager has made contact with the Wales Fraud officers group and has requested to be included on information exchanges that occur when authorities alert this group of known fraud attempts. Events organised by the Audit Wales Good Practice Exchange have also been attended by Internal Audit staff. Officers are also members of other groups that share information in relation to fraud alerts and notifications. Where Internal Audit becomes aware of national or regional alerts and notifications e.g. suspected phishing attempts or bank mandate fraud etc this is passed onto relevant sections internally such as IT security, payroll, and purchase ledger.

5.28 The Council always responds promptly to information received via direct or anonymous reports which are filtered through the Internal Audit Section to the appropriate service areas for further investigation and in some cases these are also referred to external bodies such as the Police or the DWP SFIS if relevant.

5.29 Where fraud is found as a result of work performed it is shared with relevant departments, HR or with other bodies such as the Police as necessary.

5.30 In order to have a clear fraud response plan it will be necessary to ensure that staff are aware of what to do and who to contact if they have concerns or need advice. This needs to be set out clearly in policies and supporting documents such as Financial Regulations and underpinned with awareness raising and further embedded in the corporate culture of the organisation. As indicated above the development of an Anti -Fraud strategy together with a refresh of the relevant policies will do this.

**5.31 Reporting and Scrutiny**

One of the Governance & Audit Committee's core functions is to consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements. Regular reports are provided to keep members updated. In addition, the Committee also reviews the risk register on a regular basis and is able to request officers attend as necessary if further information or reports are required on any specific matters.

5.32 However, it should be noted that Whistleblowing reports go to the Standards Committee, so it is necessary to consider an appropriate process to ensure that the Governance and Audit Committee sees the whole picture.

5.33 It also needs to be recognised that where potential fraud is under investigation or frauds have been identified, investigations may take some time particularly where third parties such as the DWP SFIS or the Police are involved, and it may be longer if cases are taken to court. In these cases only limited information may be provided to members until these investigations are concluded. However, it is important to understand that this is necessary so that cases can be successfully concluded.

5.34 The Council has in the past publicised investigations and prosecutions so this

approach could be reviewed as appropriate. The Council will need to determine its appetite for publishing frauds, this needs careful consideration and may need a case by case approach depending on the specific issues of each case.

- 5.35 Furthermore consideration may need to be given as to whether the reporting is effective or could be improved so that cases being reported to the right people at the right level in the organisation at the right time.

### **Conclusion**

- 5.36 The Governance and Audit Committee is asked to note the report and also consider what if any further action or information is needed in order that the authority is able to meet the recommendations noted in the report.

## **6. ASSUMPTIONS**

- 6.1 There are no assumptions in this report.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

- 7.1 The Council will be unable to deliver its Well-being objectives in the absence of effective corporate governance arrangements.
- 7.2 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met, in that a prosperous Wales and a resilient Wales requires an effective Internal Audit service to protect public funds.
- 7.3 There are no other equalities implications arising from this report in relation to other equalities issues.

## **8. FINANCIAL IMPLICATIONS**

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

## **9. PERSONNEL IMPLICATIONS**

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

## **10. CONSULTATIONS**

- 10.1 Any comments received from consultees have been included within the report.

## **11. STATUTORY POWER**

- 11.1 Local Government and Elections Act 2021

Author: D Gronow, Acting Internal Audit Manager  
Tel: 01443 863425 Email: gronode@caerphilly.gov.uk

Consultees: R. Edmunds, Corporate Director for Education & Corporate Services  
(Email: edmunre@caerphilly.gov.uk)  
S. Harris, Head of Financial Services & S151 Officer  
(E-mail: harrisr@caerphilly.gov.uk)  
S. Richards, Head of Education Planning and Strategy  
(Email: richase@caerphilly.gov.uk)  
L. Lucas, Head of Digital and Customer Services  
(Email: lucasej@caerphilly.gov.uk)

Appendices:

Appendix 1 [https://www.audit.wales/sites/default/files/2020-11/raising\\_our\\_game\\_tackling\\_fraud\\_in\\_wales\\_english.pdf](https://www.audit.wales/sites/default/files/2020-11/raising_our_game_tackling_fraud_in_wales_english.pdf)

Gadewir y dudalen hon yn wag yn fwriadol



## GOVERNANCE AND AUDIT COMMITTEE – 20<sup>TH</sup> APRIL 2021

### PUBLIC INTEREST TEST – EXEMPTION FROM DISCLOSURE OF DOCUMENTS SCHEDULE 12A LOCAL GOVERNMENT ACT 1972

**SUBJECT:** CYBER RESILIENCE IN THE PUBLIC SECTOR

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

I have considered grounds for exemption of information to be presented to the Committee and make the following recommendations to the Proper Officer:-

#### EXEMPTIONS APPLYING TO THE REPORT:

Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime (para 18).

#### FACTORS IN FAVOUR OF DISCLOSURE:

There is a public interest in the way in which the Council deals with information and data.

#### PREJUDICE WHICH WOULD RESULT IF THE INFORMATION WERE DISCLOSED:

The report contains details on cyber resilience and advice from the UK's National Cyber Security Centre in relation to cyber events. The information has been provided in confidence.

#### MY VIEW ON THE PUBLIC INTEREST TEST IS AS FOLLOWS:

That paragraph 18 should apply. My view on the Public Interest Test is that whilst there is a need to ensure transparency and accountability of a Public Authority, this must be balanced against the fact that cyber resilience is of critical importance and the disclosure could risk provoking cyber-attacks. It is considered that this outweighs the need for the information to be made public. Further and crucially the advice has been provided in confidence meaning that the press and public must be excluded from the meeting.

The information is not affected by any other statutory provision, which requires the information to be publicly registered.

On that basis I feel that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting. In any event the information has been provided in confidence so the press and public must be excluded from the meeting.

#### RECOMMENDED DECISION ON EXEMPTION FROM DISCLOSURE:

On that basis I feel that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, and that the report should be exempt. Further the information has been provided in confidence meaning the press and public must be excluded from the meeting.

**Signed:**  
**Post:** Head of Legal Services and Monitoring Officer

**Date:** 30<sup>th</sup> March 2021

I accept/~~do not accept~~ recommendation made above.

**Signed:**  
**Proper Officer**

**Date:** 30<sup>th</sup> March 2021

Gadewir y dudalen hon yn wag yn fwriadol



By virtue of paragraph(s) 18 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

Gadewir y dudalen hon yn wag yn fwriadol

## Certification of Grants and Returns 2019-20 – Caerphilly County Borough Council

Audit year: 2019-20

Date issued: February 2021

Document reference: 2286A2021-22

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

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

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

Summary of certification work outcomes	4
Recommendations	9
Fees	11

# Certification of Grants and Returns 2019-20

## Summary of certification work outcomes

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
- 2 We undertook our work with the aim of certifying individual claims and to answer the question:  
'Does Caerphilly County Borough Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
- 3 We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of its 2019-20 grant claims. Our conclusion for 2019-20 is based on the following overall findings:
  - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2019-20 grants was in place throughout the year; and
  - there is scope to improve the Authority's arrangements for submitting its grant claims for audit.
- 4 For 2019-20 we certified six grant claims, five fewer than in 2018-19, due to the updated certification arrangements.
- 5 The Authority submitted all of its 2019-20 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of £33,719.
- 6 1:6 of the claims were qualified; this compares well with the Welsh average of 1:4 for 2018-19.

<p><b>Introduction and background</b></p>	<p><b>This report summarises the results of work on the certification of the Authority's 2019-20 grant claims and returns</b></p> <ul style="list-style-type: none"> <li>• As contractors to the Wales Audit Office, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.</li> <li>• For 2019-20, we certified 6 grants with a total value of £135,534,621.</li> <li>• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.</li> </ul>
<p><b>Timely receipt of claims</b></p>	<p><b>Our analysis shows that all grants received during the year were received by the Authority's deadline.</b></p>
<p><b>Certification results</b></p>	<p><b>We issued unqualified certificates for five grants and returns but a qualification was necessary in one case. Details are included in Table 9 on page 8 of this report.</b></p>
<p><b>Audit adjustments</b></p>	<p><b>Adjustments were necessary to two of the Authority's grants and returns as a result of our auditor certification work this year. Details are included in Table 9 on page 8 of this report.</b></p>
<p><b>The Authority's arrangements</b></p>	<p><b>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas, as detailed in the body of this report.</b></p>
<p><b>Fees</b></p>	<p><b>Our overall fee for certification of grants and returns for 2019-20 is £33,719. (£32,535 in 2018-19 for the equivalent grant claims.)</b></p>

- 7 Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2019-20 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 8 A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

#### Key information for 2019-20

---

Overall, we certified 6 grants and returns:

- **3 were unqualified with no amendment**
- **2 were unqualified but required some amendment to the final figures**
- **1 required a qualification to our audit certificate**



Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Housing Benefit and Authority Tax Subsidy (BEN01)	30/4/2020	29/4/2020	No				
2	Teachers' Pension (PEN05)	30/6/2020	30/6/2020	No			432.60	
3	Gwent Frailty Partnership (HLG01)	8/5/2020	21/4/2020	No				
4	Section 28a Annual Voucher – Wanless (HLG03)	30/9/2020	3/7/2020	No				
5	Section 28a Annual Voucher – Learning and Disability (HLG03)	30/9/2020	3/7/2020	No			Disclosure only	
6	Non-Domestic Rate (LA01)	29/5/2020	29/5/2020	No				
	Total				1	£0	£432.60	3

9 This table summarises the key issues behind each of the adjustments or qualifications that were identified on **pages 4 to 7**.

Ref	Summary observations	Amendment
1	<p><b><u>Housing Benefit and Authority Tax Subsidy</u></b></p> <p>Two issues were identified from testing:</p> <ul style="list-style-type: none"> <li>• Rent Rebates – Total Expenditure (Benefit Granted) – this is an error that has also been identified in prior years, where the average weekly income was calculated incorrectly. This did not impact on the benefit paid.</li> <li>• Rent Rebates – Total Expenditure (Benefit Granted) – a lower LHA cap had been incorrectly applied to a case resulting in an underpayment of benefit. The cap was incorrectly applied disregarding the need for a live-in carer at the property. As this would always result in an underpayment of benefit this did not impact on the subsidy received.</li> </ul>	£0
2	<p><b><u>Teachers' Pension Return</u></b></p> <p>The 2019/20 certificate was overstated by £432.60 as it was accounted for in the 2018/19 form, but not paid until 2019/20. The Authority confirmed with Teachers' Pension that the amount of £432.60 was to be removed from the Additional contributions paid figure.</p>	£432.60
3	<p><b><u>Section 28a Annual Voucher – Learning and Disability</u></b></p> <p>A figure was omitted from the original submission. This error was disclosure only and did not impact on the funding received by the Authority.</p>	£0 (disclosure only)
	<b>Total effect of amendments to the Council's claims and returns</b>	<b>£432.60</b>

## Recommendations

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

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

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Unapproved / <ul style="list-style-type: none"> <li>• ineligible expenditure included – Housing Benefit</li> </ul>	The Authority's subsidy claim may be qualified. This will lead to a partial loss of subsidy if the total error made exceeds a permitted threshold set by the Department for Work and Pensions. If overpayments are not classified correctly, the Authority will not realise the level of its total error. Some claimants will be overpaid, and the Authority may have to request a repayment.	One issue identified within the qualification letter has been recurring for a number of years.  We recommend that the council implement training to address the following issues prior to the next certification process: <ul style="list-style-type: none"> <li>• correctly calculate the weekly income of a claimant with a focus on what pay elements are included and excluded.</li> </ul>	1	We will deliver awareness and refresher training to the assessment staff to address this issue. Unfortunately, human error is difficult to completely eliminate but we will reiterate and stress the fundamental importance of accuracy. We will also continue to carry out Quality Control checks to target this issue and to mitigate the possibility of this reoccurring.	Amanda Main  31 March 2021

## Fees

11 Our overall fee for the certification of grants and returns has been outlined below:

Breakdown of fee by grant/return	2018-19	2019-20
Housing Benefit and Authority Tax Subsidy (BEN01)	£18,724	£18,886
Teachers' Pension (PEN05)	£3,045	£3,013
Gwent Frailty Partnership (HLG01)	£2,004	£2,969
Section 28a Annual Voucher – Wanless (HLG03)	£1,449	£1,700
Section 28a Annual Voucher – Learning and Disability (HLG03)	£1,449	£1,700
Non-Domestic Rate (LA01)	£2,563	£2,564
Planning, admin & reporting	£3,301	£2,887
<b>Total fee</b>	<b>£32,535</b>	<b>£33,719</b>

Audit Wales

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)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



## **GOVERNANCE AND AUDIT COMMITTEE – 20TH APRIL 2021**

**SUBJECT: OFFICERS DECLARATIONS OF GIFTS AND HOSPITALITY  
OCTOBER TO DECEMBER 2020**

**REPORT BY: HEAD OF PEOPLE SERVICES**

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

- 1.1 The purpose of the report is to provide the Governance and Audit Committee with information regarding the Register of Employees' Interests Forms completed by officers of the Council (excluding Schools) regarding Gifts and Hospitality for the period 1 October to 31 December 2020 ie the third quarter of the financial year 2020/2021 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 period 1 October to 31 December 2020.

### **3. RECOMMENDATIONS**

- 3.1 The Governance and Audit Committee are asked to note the contents of this report.

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 The recommendation is designed to ensure members of the Governance and Audit Committee have an oversight of the position in relation to officers' Gifts and Hospitality.

### **5. THE REPORT**

- 5.1 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 help maintain and improve the high standards of conduct within Local Government and protect employees from misunderstandings and confusion.

- 5.2 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.
- 5.3 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.
- 5.4 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.
- 5.5 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.
- 5.6 The table below details the number of declarations regarding Gifts submitted by Directorate for the period 1 October to 31 December 2020 and the previous three quarters for comparison.

Directorate	Number of declarations received - Gifts			
	Oct – Dec 2020	July - Sept 2020	April - June 2020	Jan – March 2020
<b>Communities</b>	0	0	0	0
<b>Education and Corporate Services</b>	1	0	0	0
<b>Social Services and Housing</b>	2	0	0	3
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>



- 5.7 The table below details the number of declarations regarding Hospitality submitted by Directorate for the period 1 October to 31 December 2020 and the previous three quarters for comparison.

Directorate	Number of declarations received - Hospitality			
	Oct – Dec 2020	July - Sept 2020	April – June 2020	Jan – March 2020
Chief Executive	0	0	0	1
Communities	0	0	0	0
Education and Corporate Services	0	0	0	2
Social Services and Housing	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

## 5.8 Conclusion

The Head of People Services will continue to monitor the declarations submitted and work with Heads of Service to improve their understanding, promote best practice and corporate compliance of the Code of Conduct where appropriate.

## 6. ASSUMPTIONS

- 6.1 There are no assumptions made within this report.

## 7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 As this report is for information only an Integrated Impact Assessment is not required.

## 8. FINANCIAL IMPLICATIONS

- 8.1 None

## 9. PERSONNEL IMPLICATIONS

- 9.1 The personnel implications are included in this report.

## 10. CONSULTATIONS

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

## 11. STATUTORY POWER

11.1 Local Government Act 2000.

Author: Lynne Donovan, Head of People Services  
(donovl@caerphilly.gov.uk)

Consultees: Richard Edmunds, Corporate Director – Education & Corporate Services  
(edmunre@caerphilly.gov.uk)  
Robert Tranter, Head of Legal Services & Monitoring Officer  
(trantrj@caerphilly.gov.uk)  
Stephen Harris, Head of Financial Services & Section 151 Officer  
(harrisr@caerphilly.gov.uk)  
Cllr Colin Gordon, Cabinet Member for Corporate Services  
(gordocj@caerphilly.gov.uk)

Appendices:  
Appendix 1 Declarations of Gifts and Hospitality 1 October to 31 December 2020

**Appendix 1**  
**Declarations of Gifts and Hospitality 1 October to 31 December 2020**

<b>Directorate</b>	<b>Service Area</b>	<b>Post Title of Employee Making the Declaration</b>	<b>Type of Declaration</b>	<b>Details of Declaration</b>	<b>Post Title of Head of Service, Director or Chief Executive who authorised the declaration</b>	<b>Outcome</b>
Education and Corporate Services	Corporate Finance	Admin Assistant	Gift	Flowers and a gift card from a service user. Approx value £15.	Head of Financial Services & S151 Officer	Accepted
Social Services and Housing	Adult Services	Care Assistant (x2)	Gift	Christmas gift, personalised bangle from a service user. Approx value £70.	Assistant Director	Accepted

Gadewir y dudalen hon yn wag yn fwiadol



## GOVERNANCE AND AUDIT COMMITTEE - 20<sup>TH</sup> APRIL 2021

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

**REPORT BY:** HEAD OF DEMOCRATIC SERVICES AND DEPUTY MONITORING OFFICER

### 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> January 2021 to 31<sup>st</sup> March 2021.

### 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> January 2021 to 31<sup>st</sup> March 2021.

### 3. RECOMMENDATIONS

- 3.1 None. This report is for information only.

### 4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure compliance with statutory requirements.

### 5. THE REPORT

- 5.1 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 this Act, advice and guidance is found within the Codes of Practice issued by the Investigatory Powers Commissioner's Office.
- 5.2 The Authority has a corporate policy, which provides guidance on how surveillance should be used by the relevant officers.
- 5.3 Public Authorities undertaking covert surveillance of individual members of the public are subject to inspection by the Investigatory Powers Commissioner's Office.

5.4 Members are advised that for the period 1<sup>st</sup> January to 31<sup>st</sup> March 2021 there have been no RIPA operations undertaken.

## 5.2 **Conclusion**

The report advises members that there have been no applications made in relation to RIPA operations for the period 1<sup>st</sup> January to 31<sup>st</sup> March 2021.

## 6. **ASSUMPTIONS**

6.1 There are no assumptions contained in this report.

## 7. **SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 As this report is for information there is no requirement for an Integrated Impact Assessment to be completed.

## 8. **FINANCIAL IMPLICATIONS**

8.1 There are no financial implications arising from this report.

## 9. **PERSONNEL IMPLICATIONS**

9.1 There are no personnel implications arising from this report.

## 10. **CONSULTATIONS**

10.1 There has been no consultation undertaken on this report as it is for information only.

## 11. **STATUTORY POWER**

11.1 Regulation of Investigatory Powers Act 2000.

Author: Lisa Lane Head of Democratic Services and Deputy Monitoring Officer

Consultees: Robert Tranter Head of Legal Services and Monitoring Officer