



AUDIT COMMITTEE

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

PRESENT:

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

Councillors:

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

Together with:

B. Morris (Grant Thornton).

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

1. APOLOGIES

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

2. DECLARATIONS OF INTEREST

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

3. MINUTES – 8TH JUNE 2016

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

REPORTS OF OFFICERS

Consideration was given to the following reports.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee noted the report.

6. CORPORATE RISK MONITORING

The report provided the Audit Committee with an update on the Corporate Risk Register in accordance with the recommendations to Audit Committee at their meeting 17th September 2013. In addition, the report afforded the Audit Committee the opportunity to satisfy itself that appropriate arrangements are in place for the council's risk management processes to be regularly and robustly monitored and scrutinised.

Members have a critical role to play in evaluating the council's risk management arrangements and in particular understanding how the council identifies, manages and, where possible, mitigates/removes risk. Risk Management is crucial to the effective delivery of council services.

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

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

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

For some time Corporate Management Team (CMT) has identified and monitored the council's key corporate risks. Monitoring arrangements have been strengthened following the introduction of the Risk Management Strategy. CMT now monitor the Council's Corporate Risks on a quarterly basis and report progress to Cabinet on a regular basis. The Strategy identifies that the Corporate Risk Register should be owned and understood by Cabinet and CMT. It also recognised that Audit Committee would be the guardians of the risk management strategy and should satisfy that it is being adhered to.

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

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

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

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

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

Following consideration and discussion, it was moved and seconded that the recommendation in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that for the reasons contained in the Officers report the Audit Committee accepted the Corporate Risk Register update as part of their ongoing commitment to regularly reviewing the Register.

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

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

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

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

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

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

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

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

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

8. 2014/15 NATIONAL FRAUD INITIATIVE UPDATE

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

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

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

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

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

9. INFORMATION ITEMS

The Committee received and noted the following information items:-

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

The meeting closed at 12.23pm.

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

CHAIR