



AUDIT COMMITTEE

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

PRESENT:

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

Councillors:

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

Together with:

B. Morris and G. Hawkins (Grant Thornton)

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

1. APOLOGIES

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

2. DECLARATIONS OF INTEREST

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

3. MINUTES – 17TH OCTOBER 2017

RESOLVED that the minutes of the meeting of the Audit Committee held on 17th October 2017 (minute nos. 1 - 10) be approved as a correct record and signed by the Chair.

REPORTS OF OFFICERS

Consideration was given to the following reports.

4. CERTIFICATION OF GRANTS AND RETURNS 2016-17 – CAERPHILLY COUNTY BOROUGH COUNCIL

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

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

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

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

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

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

5. STATUTORY DATA PROTECTION OFFICER

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

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

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

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

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

RESOLVED that for the reasons contained in the Officers report Audit Committee support the proposal to add the DPO role to the responsibilities associated with the Corporate Information Governance Manager and recommended to Cabinet to be endorsed.

6. REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE

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

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

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

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

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

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

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

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

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

7. INTERNAL AUDIT SERVICES PSIAS PEER REVIEW UPDATE

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

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

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

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

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

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

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

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

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

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

8. INTERNAL AUDIT SERVICES – MID-YEAR PROGRESS REPORT

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

It was noted that in August 2016 the Wales Audit Office (WAO) issued a report on its review of arrangements within Caerphilly CBC to address external audit, inspection and regulation recommendations and proposals for improvement.

The WAO report contained a number of proposals for improvement, one of which was to provide summary reports to the Audit Committee highlighting the findings from the work of Internal Audit during the year.

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

The Audit Committee noted that the Audit resource has remained stable at 8.2 full-time equivalents, which is the level identified within the Internal Audit Services Annual Audit Plan agreed by the Audit Committee on 8 March 2017. Sickness levels have remained low with an overall absence level of less than 1% during the first 6 months.

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

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

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

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

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

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

The Committee noted that Internal Audit Services receives and assesses all anonymous communications received by the Authority to ensure that they are properly considered. During the six month period covered by this report 42 anonymous communications have been received and logged by Internal Audit which, where appropriate, were passed to the relevant departments for action. These communications cover a wide range of issues from possible benefit frauds, neighbour disputes, anti-social behaviour and other potential illegal behaviours. However, Internal Audit Services focus on system control failures and staff related issues and only four such issues were raised in the period. Additionally, cheques returned to the Council are also scrutinised within Internal Audit Services to identify system and control issues. 55 cheques have been returned during the reporting period. Both these operations act as a barometer in respect of underlying issues and are used to inform the internal audit planning process in respect of identifying areas that require future coverage.

The report also detailed that Internal Audit Services has led on the co-ordination of the Authority's response to the latest data collection exercise to support the National Fraud Initiative (NFI). The authority has also taken part in a pilot match of additional data (Credit Industry Fraud Avoidance system [CIFAS] fraud data to Housing Benefit data) due to the recognised historical good compliance shown in regard to NFI.

Members thanked the Officer for the report and discussion ensued.

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

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

9. AUDIT COMMITTEE FORWARD WORK PROGRAMME

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

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

The Audit Committee noted the current Forward Work Programme.

10. INFORMATION ITEMS

The Committee received and noted the following information items:-

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

The meeting closed at 3.02pm.

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

CHAIR