



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON TUESDAY 15TH OCTOBER 2019 AT 2.00 PM

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#### PRESENT:

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

#### Councillors:

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

#### Together with:

R. Edmunds (Corporate Director for Education and Corporate Services), S. Harris (Interim Head of Business Improvement Services and Acting Section 151 Officer), R. Harris (Internal Audit Manager), D. Gronow (Audit Group Manager), R. Roberts (Business Improvement Manager) and A. Dredge (Committee Services Officer).

N. Jenkins (Wales Audit Office - WAO).

#### 1. APOLOGIES

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

#### 2. DECLARATIONS OF INTEREST

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

#### 3. MINUTES – 11TH JUNE 2019

RESOLVED that the minutes of the Audit Committee held on the 11th June 2019 (Minute No. 1 – 13) were approved as a correct record.

#### 4. MINUTES – 23RD JULY 2019

RESOLVED that the minutes of the Special Audit Committee held on the 23rd July 2019 (Minute No. 1 – 5) were approved as a correct record.

#### REPORTS OF OFFICERS

Consideration was given to the following reports.

## 5. AUDIT COMMITTEE FORWARD WORK PROGRAMME

The Interim Head of Business Improvement Services and Acting Section 151 Officer presented the Forward Work Programme. He explained that prior to the next meeting, a 12 month programme will be populated in order that the Committee can comment upon and request additional reports to those scheduled for 2020. A Member requested information on the current 3 year Pensions' Audit and the impact on the Council's Pension liability. The Officer advised that all information available had been sent to the Member previously and this can be resent via email following the meeting.

It was agreed at the meeting on the 11th June 2019 that the Pension Fund Actuary be invited to attend this meeting regarding the pension deficit. Unfortunately, the representative was not available to attend and will now be invited to the next meeting of the Audit Committee on the 28th January 2020. In addition, the latest triennial report of the Fund Actuary will be available in December 2019. Therefore, up-to-date information and any further clarification required can be provided to Members at that meeting. Members noted the Forward Work Programme and supported the proposals for the next meeting.

The Chair thanked the Officer for the update.

## 6. ANNUAL IMPROVEMENT REPORT 2018/19

N. Jenkins from the Wales Audit Office (WAO) presented the report that was issued at the end of July 2019. The report outlines the key messages from the (WAO) Annual Improvement Report (AIR). The AIR makes a judgement as to whether the Council are likely to comply with its statutory duty in compliance with the Local Government (Wales) Measure 2009 to 'make arrangements to secure continuous improvement'. She confirmed that for 2018/19 the WAO judgement was that *"The Council is meeting its statutory requirements in relation to continuous improvement and is at a crucial pivotal point in its ambition to transform". This is based on, and limited to, the work carried out by the WAO and relevant regulators. The Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019-20.*

Members were referred to appendix 1 and noted that during the course of the year, the Auditor General did not make any further formal recommendations. However, a number of proposals for improvement were made and their progress will be monitored and relevant recommendations made in the national reports (AIR Appendix 3) as part of the improvement assessment work. Exhibit 1 summarises the work reported on in 2018/19. This includes continuing the delivery of the Flying Start programme and examining the extent to which the council has acted in accordance with the sustainable development principle, within the Wellbeing of Future Generations (Wales) Act 2015. A service user perspective was also undertaken regarding many aspects of the Welsh Housing Quality Standard (WHQS) Programme to include the WHQS follow-up review. In addition, proposals for improvement were undertaken with the Business Improvement Portfolio Board and the Council's Corporate Safeguarding Arrangements.

It was noted that the Council complied with its duty for Improvement Planning and Reporting, through the published Well-being Objectives, and the assessment of performance in the Annual Performance Report for the year 2017/18. No proposals for improvement were made. The WAO provided confirmation certificates that these duties were met and these were received by the Audit Committee as information items on 24th July 2018 and 29th January 2019.

Reference was made to appendix 3 which sets out the National report recommendations for 2018-19, that contains links to access all available reports. Ms Jenkins extended her thanks to Officers and Members for their support during the period of assessment.

A Member sought clarification regarding the absence of a timeline for target improvements and made reference to aligning levers for change within the Business Improvement Portfolio Board and Corporate Safeguarding Arrangements. Ms Jenkins advised that in respect of each piece of work, the WAO would ask the Council to respond in terms of an action plan and updates on progress would be provided at future meetings of an update as to this progress will be reported at the next Audit Committee meeting.

The Chair thanked Ms Jenkins and Officers for delivering the report and responding to questions during the course of the debate.

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 the Annual Improvement Report (AIR) 2018/19 as set out in Appendix 1 be approved, prior to its presentation at Cabinet on the 16th October 2019.

## **7. CORPORATE RISK REGISTER MONITORING (Q1) 2019/20**

The Interim Head of Business Improvement Services and Acting Section 151 Officer presented the report which updated Members on the Corporate Risk Register in accordance with the Council's Risk Management Strategy. The purpose of the report is to allow the Audit Committee an 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. The report also provided an update on changes being made to the overall Performance Reporting Framework through the introduction of Directorate Performance Assessments (DPA's).

Members were advised that under the Council's Risk Management Strategy, the Corporate Management Team (CMT) own, manage, monitor and review the Council's Corporate Risks on a quarterly basis, with six monthly progress reports being presented to Cabinet. The Corporate Risk Register is a 'living document'. Updates are also provided to the Audit Committee, which has the role of reviewing and challenging the Corporate Risk Register and where relevant, resultant action plans for the Council's key strategic and corporate risks. The report focuses on the CMT update as of 30th September 2019.

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

A Member referred to paragraph 5.3 in the report which relates to 'people data such as sickness information' that will be included in the DPA's and questioned if categories for sickness absences are broken down. Officers advised that there are a number of categories linked to sickness absence and further details could be obtained from HR. and distributed following the meeting. Assurances were sought that measures are in place for supporting the wellbeing of staff and Officers advised that work is ongoing with People Services in establishing a Wellbeing Strategy in moving forward.

Members discussed the risks, opportunities and impact of topics within each of the Council's Directorates, as set out in appendix 1. Particular reference was made to the topic of Climate Change. The Committee expressed their concerns as to the current Risk Level for 2019-20 Q1 (Medium) and felt that the Risk level should be increased to Red. Following consideration and discussion and subject to the foregoing, it was moved and seconded that the recommendation in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that the content of the Corporate Risk Register and associated mitigating actions, be supported.

## **8. PROPOSED REPORTING PROTOCOL IN RESPECT OF COMPLETED AUDIT REVIEWS AND RECOMMENDATION TRACKING**

The Internal Audit Manager introduced the report which presented Members with an amended process that will better allow the Committee to support the work of Internal Audit Services and focus on the higher risk issues that need to be addressed.

Members were reminded that at its meeting on the 16th October 2018, the Audit Committee endorsed a new protocol in respect of the reporting of completed audit reviews. It was explained that the introduction of the protocol has identified some operational issues that require fine tuning. This will ensure that the intended outcomes from the auditing process are achieved and Audit Committee time is focussed on the right areas. The timing of invitations to Heads of Service/Head Teachers to attend the Audit Committee must allow time for the agreed action plan to run its course and for an audit follow up assessment to be made. A rolling monitoring report will develop which will aid the Audit Committee to focus on those service areas that most need attention.

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

Members discussed the protocol and sought clarification in respect of the mechanisms involved with the process. It was explained that Internal Audit Services has always had a facility, via the Section 151 Officer, to request Heads of Service to attend the Audit Committee to answer questions or provide explanations. The revised process is intended to bring several strands of audit reporting together to address a number of recommendations made by the external auditor. A formal agreed procedure will provide more timely and more focused information to the Audit Committee and better support to Internal Audit Services.

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

RESOLVED that the revised Protocol set out in this report, be agreed.

## **9. INTERNAL AUDIT SERVICES - MID YEAR PROGRESS REPORT**

The Internal Audit Services Manager presented the report which provided Members with an overview of the work undertaken by Internal Audit Services during the first six months of the current financial year.

Members were advised that whilst undertaking the audit of the financial statements for 2017-18, External Audit recommended audit reports issued by Internal Audit Services be presented to the Audit Committee in a tabular format. This will set out the rating given to each review and the number of recommendations made. For those reports that contain high risk recommendations, a brief indication of the issues identified will also be provided. The updated format will form the basis of future progress reports to the Committee and will be used to enable Members to track the implementation of recommendations over time.

The Officer referred to Tables 1, 2 and 3 set out in paragraphs 5.7 to 5.10 in the report. Table 1 forms the basis of ongoing performance reporting and sets out the high risk areas identified in the current period. Table 2 provides an update on the audit reviews completed and reported in previous periods. Table 3 provides the Committee with an indication of some of the topics currently being worked on by internal audit staff and will in future periods be reported within Table 1, once completed. It was noted that this is a transitional report and the revised format of reporting will be under constant review in the coming months. This will ensure the intended purpose is achieved and the content, style and clarity is suitable for the Audit Committee. Members then discussed the high risk areas identified in the current period

for each individual audits, which included some Primary Schools, Day Centres and a Tourist Information Centre.

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

RESOLVED that the content of the report, be noted.

## **10. 2016/18 NATIONAL FRAUD INITIATIVE UPDATE**

The Audit Group Manager delivered the report which informed Members of the work carried out by Internal Audit staff on the 2016/18 National Fraud Initiative (NFI). She explained that every two years the National Fraud Initiative matches data across Public Sector organisations and systems in the UK in order to help public bodies identify potentially fraudulent claims, payment errors and other erroneous payments or frauds. The results of the NFI exercise were published by the Wales Audit Office in October 2018 and the full document is available on the Members' portal. The latest biennial national counter fraud exercise has helped Welsh Public bodies identify £5.4 million of fraud and erroneous payments.

Members noted that In respect of the work undertaken for Caerphilly County CBC, excluding Council Tax Single Person Discount matches, there were 6,242 individual data matches reported. The exercise returned circa 100 match reports. Following investigations by Internal Audit an amount of £92,684 was identified as fraud or error and action is being taken to recover these sums. £78,472 was already recovered by the time the exercise was concluded and work is continuing in respect of the remaining amount. The process also matches other data such as concessionary bus passes, blue badges and residents parking permits where there is an indirect effect on public funds, so the results reported for CCBC do not include an estimation of these values.

The Officer advised that a different process is now employed within Council Tax to investigate Single Persons Discount issues, details of which are set out in paragraph 2.5 in the report. Due to the separate nature of the 2 NFI matching processes the figure is reported separately within the report.

Members then discussed the breakdown of results that had been recorded as at the 31st October 2018 (since 2015). These included frauds identified which were under investigation and errors identified with a total value of £92, 684. A Member requested further information in respect of Creditor Payment Errors. The Officer advised that the figure quoted included duplicated payments and other payment errors made by council staff and this can be addressed by ensuring good practice in moving forward. She gave an example of Purchase Ledger and confirmed that the information inputted must be identical otherwise the system will not recognise the contact. Emphasis was placed on the importance of detecting and preventing false matches and it was noted that the majority of payments have now been recovered due to the new technology in place.

The Chair thanked the Officer for their report.

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

RESOLVED that the content of the report, be noted.

## **11. COUNTER FRAUD ARRANGEMENTS IN THE WELSH PUBLIC SECTOR – PUBLICATION BY THE WALES AUDIT OFFICE**

The Audit Group Manager introduced the report that provided details of a recent publication by the Wales Audit Office in respect of the counter-fraud landscape across the Welsh public sector. This follows the publication of the 2018 National Fraud Initiative report which provided some insight into aspects of public sector fraud in Wales but does not provide a robust evaluation of the underlying arrangements for prevention and detection. This latest publication describes the allocation of resources, collaboration between organisations, scrutiny arrangements and overall impact.

Members were pleased to note that Welsh Government (WG) had requested Caerphilly CBC to take part in the pilot exercise and in response Officers provided answers to a set of standard questions to WG.

In response to a Members question, the Officer advised that Caerphilly does not have its own Fraud Team, however there is a link Officer that feeds information back and is a point of contact for queries..

The Chair thanked the Officer for her report and for responding to questions raised.

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

RESOLVED that the content of the report, be noted.

## **12. INFORMATION ITEMS (Agenda items 11- 15):**

The Committee received and noted the following information items:-

- (i) Register of Employees' Interests Forms 2018/19.
- (ii) Officers Declarations of Gifts and Hospitality April to June 2019.
- (iii) Certificate of Compliance for the Audit of CCBC 2019-20.
- (iv) Regulation of Investigatory Powers Act 2000.
- (v) Final Audit of Financial Statements Report for 2018/19.

The meeting closed at 3.40 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 28th January 2020, they were signed by the Chair.

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CHAIR