



## 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.

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CHAIR