



AUDIT COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON TUESDAY 11TH JUNE 2019 AT 2.00 PM

PRESENT:

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

Councillors:

Mrs E. Aldworth, D. Hardacre, Mrs B. Miles, G. Simmonds and J. Simmonds.

Together with:

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

G. Jones (Wales Audit Office) and G. Hawkins (Grant Thornton – External Auditor).

1. TO APPOINT A CHAIR AND VICE-CHAIR FOR THE ENSUING YEAR

It was moved and seconded that Councillor M.E. Sargent be appointed as Chair and Mr N. Yates be appointed as Vice-Chair of the Audit Committee for the ensuing year. By a show of hands this was unanimously agreed.

2. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors M. Adams, J. Bevan, A. Gair, Mrs J. Gale and C.P. Mann.

3. DECLARATIONS OF INTEREST

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

4. MINUTES – 23RD APRIL 2019

RESOLVED that subject to an amendment in relation to agenda item 5 - 2019 Audit Plan - Caerphilly County Borough Council, the second sentence in the penultimate paragraph should read “*A Member referenced the Sustainable Development Principle and it was explained that under the Well-being of Future Generations Act, Councils must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs*”, the minutes of the Audit Committee held on the 23rd April 2019 (Minute No’s 1 – 13) be approved as a correct record and signed by the Chair.

REPORTS OF OFFICERS

Consideration was given to the following reports.

5. AUDIT COMMITTEE FORWARD WORK PROGRAMME

Members were asked to consider the Draft Forward Work Programme from June to October 2019 and to make any amendments or propose any additional items to be included for future meetings.

The Audit Committee were informed that the Corporate Risk Register (Q4 – 2018/19) scheduled for this meeting had been removed as Officers are currently working on a new performance reporting framework that will consist of details in respect of performance measures, resources, risks and key priorities in respect of each of the Directorates. In future this will be reported on a quarterly basis and the inaugural risk management report will be scheduled for the 15th October 2019 meeting. It was also agreed that the Internal Audit Services – Annual Outturn Report 2018/19 scheduled for the October meeting can be removed as this report had been presented at the last Committee meeting on the 23rd April 2019.

Following consideration and discussion, it was moved and seconded that the Forward Work Programme and agreed amendments be approved. By a show of hands this was unanimously agreed.

RESOLVED that subject to the foregoing, the Forward Work Programme be approved.

6. REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE

The Performance Manager introduced the report which updated members on progress made against proposals/recommendations made by all regulators since the Audit Committee held on the 29th January 2019. Since January 2019 there has been 2 proposals addressed and 9 new ones added onto the register.

The Audit Committee were advised that there are no statutory recommendations to address. There are 12 proposals and 5 Areas for Improvement on the register (totalling 17). Two of the proposals were considered as complete and subject to the agreement of the Audit Committee, this would leave 15 outstanding. Officers had received 3 reports since the last update was provided; A Service User Perspective Review (telephone interview of Housing Tenants), a follow up on WHQS and an Examination of improving the take up of the Flying Start Programme, which is part of the Wales Audit Office (WAO) work on how public bodies are implementing the Well-being of Future Generations Act (Wales) 2015.

The Committee noted that Wales Audit Office (WAO) issue proposals and recommendations to the Council. A proposal is a 'suggestion for improvement' where the Council does not have to act on it, but if it is on the register this must be completed. The Council has a statutory duty to act on recommendations made. The areas for improvement are a new category that looks at how the Council has applied the Sustainable Development Principle in forming actions to deliver the Well-being Objectives. Members were referred to paragraph 5 in the report which details the proposals/areas for improvement that are outstanding as of June 2019.

The Chair thanked the Officer for presenting the detailed report and discussion ensued.

A Member sought clarification regarding the impact of priority 2 in respect of the Overview and Scrutiny – Fit for the Future (referred to in Appendix A). Council agreed on the 16th April 2019 to remove Cabinet Member Statements from Scrutiny Committee agendas and introduce the practice of Cabinet Members introducing reports to Scrutiny and answering questions. The Director referred to the Policy and Resources Scrutiny Committee that he had attended and felt

that the role of Cabinet Members has improved and was impressed with the confidence and in-depth knowledge of the Directorate of the Cabinet Members when delivering their reports.

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 2 proposals 'recommended as completed' within Appendix A be closed down.

7. DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2018/19

The Interim Head of Business Improvement Services and Acting S. 151 Officer presented the report which provided Members with the opportunity to review the draft Annual Governance Statement (AGS) for 2018/19 and make any changes that they felt are required and justifiable. It was explained that the 2018/19 draft statement appended to the report has been updated since 2017/18 particularly in respect of the areas for improvement. The draft 2018/19 statement has been prepared by the Corporate Governance Review Panel which has assessed work undertaken to address issues raised in the previous year's (2017/18) statement. As a result one area has been carried forward to join two new areas as areas for Improvement for the current Statement.

Members were referred to page 32 within the agenda pack and noted that the review of the Council's governance arrangements operating throughout 2018/19 has highlighted three areas where steps will be taken during 2019/20 to further enhance the sound governance arrangements that are in place. The Committee discussed the steps which include General Data Protection Regulations (GDPR), Directorate Performance Assessments (DPAs) and the Future Caerphilly Transformation Strategy, #Team Caerphilly – Better Together.

The Chair thanked the Officer for presenting the report and discussion ensued.

A Member sought clarification in respect of paragraph 4.1.3. and the 'clearing out of old data' regarding performance management. Officers explained that the Council has used a performance management software system, Ffynnon, to monitor individual performance indicators however the contract for Ffynnon is not being renewed in 2019. This is being used as an opportunity to clear out considerable amounts of old data that is no longer used. Plans are underway to store the data locally using the Council's servers. A Member expressed his concerns regarding legacy issues linked to GDPR and Officers advised that there is still work to do in respect of email records management, network drives and work in respect of privacy notices.

In response to a member comment it was explained that the Corporate Governance Review Panel consists of Officers who have designated roles as specified within the Panel's Terms of Reference and Councillor Barbara Jones (Cabinet Member for Finance, Performance and Governance) as was previously recommended by external audit. Another group called the 'expert group' is made up of officers who have roles that cut across all service areas, such as the Head of People Services, Head of Corporate Finance etc.

A Member queried the review of induction arrangements for Officers that is being undertaken. Officers explained that some progress has been made with developing an I.T. solution; however, this is still in progress and needs review in line with the impact of the GDPR. Meetings of the HR Strategy Group have been infrequent but the People Services Division is looking to reframe and alter the focus of the group to improve effectiveness moving forward. Appropriate training has and will continue to be delivered where identified. The HR Strategy Group consists of 2 Cabinet Members and Leadership representatives from all frontline Services. Members thanked the Officers for the comprehensive report.

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 draft Annual Governance Statement (AGS) for 2018/19 be approved.

8. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - ACTION PLAN PROGRESS UPDATE

The Internal Audit Manager presented the report which updated the Committee on the completion of the actions previously agreed at the Audit Committee held on the 10th April 2018. This followed the completion of an internal review and an external peer review in late 2017 in relation to the Public Sector Internal Audit Standards (PSIAS). The Standards came into force on 1st April 2013 and introduced a requirement for internal and external assessments to be undertaken periodically to evaluate compliance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

Members were referred to the updated action plan (appended to the report) that shows the progress made and also includes notes setting out how the remaining actions will be dealt with moving forward. Many of the actions are in some way linked to the development and operation of the recently acquired audit management software solution. A Member sought clarification regarding the review and monitoring process and the duration of the software implementation. Officers advised that the emphasis is on implementing the system correctly. The Team are working exceptionally hard and additional resources in IT have been made available to assist in this process. This will take some time to set up, however once completed and operationally embedded into working practices many of the outstanding issues will be resolved.

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 progress made to date in completing the previously agreed actions, be noted.

9. UPDATED CODE OF CORPORATE GOVERNANCE AND TERMS OF REFERENCE FOR THE CORPORATE GOVERNANCE REVIEW PANEL

The Internal Audit Manager presented the report which sought Audit Committee approval of the updated Code of Corporate Governance and the Terms of Reference for the Review Panel. The Panel oversees the annual review of governance arrangements and drafts the Annual Governance Statement (AGS). The documents have been reviewed and updated following the publication of updated guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA/SOLACE) in 2016, prior to consideration by Cabinet on the 2nd October 2019.

The major changes between the two CIPFA/SOLACE publications are that originally there were six fundamental principles of good governance and these have now become seven, and also there is recognition of the impact that the Well-being of Future Generations (Wales) Act 2015 has on future governance structures and processes. Members were referred to Appendix 1 which reflects both changes in the revised local Code. One of the key components of the governance structure as identified within the local Code is the Corporate Governance Review Panel. The Panel plays a pivotal role in the annual governance assessment leading to the production of the Annual Governance Statement (AGS). Reference was made to Section 5 within Appendix 1 that explains that the Council has adopted a system of Directorate Assurance Statements which are completed on an annual basis to coincide with the production of the AGS. These require Directors to review the operation of a wide range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. The completed Directorate Assurance Statements are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging will be included in the Annual Governance Statement itself.

The updated Terms of Reference at Appendix 2 have not changed fundamentally from the previous version with only some updating of post titles and wording improvements being made. A Member suggested that when future updated documents are presented to the Committee that the changes are highlighted within the document for ease of reference and this was agreed by Officers.

Members discussed the membership of the Corporate Governance Review Panel and it was suggested that a Member of the Audit Committee sit on the Panel. Officers confirmed they would email the Committee following the meeting seeking nominations.

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 Code of Corporate Governance and the Terms of Reference for the Corporate Governance Review Panel be approved, prior to their consideration by Cabinet on the 2nd October 2019.

10 – 13. INFORMATION ITEMS

The Committee received and noted the following information items:-

- (i) Annual Review of Complaints Received Under the Council's Corporate Complaints Policy – 1st April 2018 - 31st March 2019.
- (ii) Corporate Governance Panel Minutes held on 2nd April 2019.
- (iii) Regulation of Investigatory Powers Act 2000.
- (iv) Officers Declarations of Gifts and Hospitality - January to March 2019.

The meeting closed at 2.50 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 15th October 2019, they were signed by the Chair.

CHAIR