



## **AUDIT COMMITTEE**

### **MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON TUESDAY 28TH JANUARY 2020 AT 2.00 PM**

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#### **PRESENT:**

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

#### **Councillors:**

M. Adams, Mrs E. Aldworth, Ms J. Gale, C.P. Mann, 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) and A. Dredge (Committee Services Officer).

G. Hawkins (Grant Thornton – External Auditors).

D. Green (Hymans Robertson LLP).

#### **1. APOLOGIES**

Apologies for absence were received from Councillors J. Bevan, A. Gair, D. Hardacre, Mrs B. Miles and Mrs T. Parry.

#### **2. DECLARATIONS OF INTEREST**

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

#### **3. MINUTES - 15TH OCTOBER 2019**

RESOLVED that the minutes of the Audit Committee held on the 15th October 2019 (Minute No. 1 – 12) were approved as a correct record.

#### **REPORTS OF OFFICERS**

Consideration was given to the following reports.

#### **4. PRESENTATION FROM THE PENSION FUND ACTUARY**

The Chair welcomed Mr D. Green from Hymans Robertson LLP, to the meeting. Mr Green delivered a presentation which provided the Audit Committee with background information (for illustration purposes) in respect of Caerphilly County Borough Council in the Local Government Pension Scheme (LGPS). The Greater Gwent (Torfaen) Pension Fund is hosted by Torfaen County Borough Council in its capacity as the "administering authority" as defined in the Local Government Pension Scheme Regulations. The Council has delegated responsibility for the management of the Pension Fund to a Pension Committee which makes decisions and takes responsibility for the management and investments of the Fund.

Members were advised that Caerphilly CBC has defined LGPS obligations and the LGPS funding complies with strict governance from the UK Government. The Actuary confirmed that the Council has a credible long-term plan to meet its pension liabilities and he explained in detail that the pension deficit figure disclosed in the Financial Statements is calculated in a very different way to the process taken by the Actuary, which makes the deficit seem much larger. He also explained that it is the figures calculated by the Actuary that determine the level of employer contributions into the Fund. Details were provided in relation to the National picture and that of the Local LGPS picture and it was explained how each of the parties interact and how the Fund finances work.

The purpose of the Funding Strategy Statement is to establish a clear and transparent Fund-Specific Strategy that will consider how contributions are set for different types of employer. Contributions vary in different circumstances. Members noted that as part of the governance process, employers are consulted at every (triennial) funding valuation, which outlines the responsibilities of the different parties. The position in respect of the Council's assets and liabilities between 2016 and 2019 was summarised along with the funding position in relation to the whole Torfaen Fund. It was explained what stabilisation means for Council contributions and how the assumptions for each funding plan are reached and how the modelling is used to set a contribution rate so that enough outcomes are 'successful'. In terms of the Council's current contributions, it was explained that these have stabilised with gradual increases. There was an expectation from 2016 that rates would continue to rise. From the 1st April 2020, the stabilisation will continue and strong investment returns have allowed some relief. As a result of the strong returns on investments the Actuary has recommended that employer contributions can be frozen at current levels for the next two financial years.

Members discussed the content of the presentation and Mr Green responded to a number of questions raised. He advised that within the Public Sector, there is no choice but to participate in the LGPS as this complies with the Regulations. There has been a significant rise in costs due to the impact of life expectancy in that on average people are living 10 years longer. He emphasised the importance of what the contributions currently are and what they need to be in the future. In terms of how the finances work, Torfaen Council looks after 57 Employers, all contributing different amounts due to the level of Membership. Caerphilly CBC contributes 26% of the overall contributions which are tracked. It was noted that based on the figures calculated by the Actuary Caerphilly CBC's deficit has halved in the last three years. In concluding, Mr Green explained why assumed investment returns matter, as different assumptions give different answers and a higher assumed return gives a lower present liability value, and therefore a lower deficit (and vice versa).

The Chair thanked Mr Green for delivering the presentation and responding to Members' questions and this was echoed by Members and Officers. The Interim Head of Business Improvement Services and Acting S151 Officer emphasised that in line with the Actuary's calculations a recommendation will be made to Council to freeze the employer contributions at existing levels for the next two financial years.

#### **5. AUDIT COMMITTEE FORWARD WORK PROGRAMME**

The Interim Head of Business Improvement Services and Acting Section 151 Officer presented the Forward Work Programme for 2020 which provided Members with an opportunity to request additional items to be included for future meetings. He advised that the Council's Annual Performance Report will be presented to the Audit Committee at a future meeting, prior to consideration by Council. The Directorate Performance Assessments Report currently scheduled for the meeting on the 21st April 2020 will also be considered by Scrutiny and Cabinet.

Members noted the Forward Work Programme and the Chair thanked the Officer for the update.

## **6. CERTIFICATION OF GRANTS AND RETURNS 2018-19**

Ms G. Hawkins (Grant Thornton) presented her report which set out the arrangements for the External Auditors in certifying claims and returns for the Council under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006. The purpose of the work undertaken was to certify individual claims and to answer the question: '*Does Caerphilly County Borough Council (the Council) have satisfactory arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?*' In completing the certification work, the Auditors concluded *that while the Council had adequate arrangements in place for the submission of its claims, there is scope for improvement.* Work is continuing with the Council to support these improvements in 2019-20.

Members noted that for 2018-19, 11 grant claims and returns were certified (10 in 2017-18) and the Council submitted 91% of its 2018-19 grant claims on time. It was confirmed that all claims have been certified, at a total audit cost of £45,845 (£41,788 for 2017-18). The proportion of claims that were qualified was 2:11 which compares favourably with the long-term Welsh average of 1:4 for 2017-18, the most recent years for which all-Wales data is available.

The Committee were referred to Exhibit 5 which summarises the key issues behind each of the adjustments or qualifications that were made. They related to the areas of Housing Benefit and Authority Tax Subsidy, Teacher's Pension Return and free Concessionary Travel. The recommendations are set out in Exhibit 7. In respect of the error in Housing Benefits, it was recommended that staff receive refresher training in order to maximise quality control checks, with immediate effect.

Members discussed the contents of the report and Ms Hawkins responded to a number of questions raised. She considered that overall, there were not many issues this year and that this was a good report. The numbers of grants have decreased in recent years and it was confirmed that grants will continue to be available due to efficiency savings. Clarification was also provided in that the External Auditors do not audit grants under £100K and that the 2:11 qualified figure in relation to the all-Wales average is nothing for the Council to be concerned about.

The Chair thanked Ms Hawkins for presenting the report and for responding to questions during the course of the debate.

## **7. REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE**

The Interim Head of Business Improvement Services and Acting Section 151 Officer presented the report. Members were provided with an update as to the progress against proposals or recommendations made by all regulators since the last update provided to the Audit Committee in January 2019. It also provided details on new proposals that have been added since that time.

Members were advised that 5 new recommendations have been added onto the register. There are currently 5 statutory recommendations, 10 proposals and 5 areas for improvement on the register, totalling 20. There are 9 proposals which are now considered to be actioned and completed and it was recommended that subject to Members' agreement, for these to be removed from the register. This would then leave 11 outstanding. Details of the proposals and recommendations are set out in paragraph 5.1 of the report.

It was noted that 3 reports had been received since the last update was provided, but only 1 has been put on the register as the other two are still to be formalised and presented to the relevant Scrutiny Committee. The reports are:

- Corporate Safeguarding arrangements for Children's Services (on the register).
- The Well-being of Future Generations 'Steps' examination on 'Preventing unnecessary admissions to hospital and facilitating timely discharges' 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.
- Environmental Health – Follow up review.

It was clarified that Wales Audit Office (WAO) 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, but if it is on the register it has been agreed that it will be acted upon. Recommendations are statutory, which means there is a 'statutory duty' in which to act upon the recommendation. Areas for Improvement are a new category and looks at how the Council has applied the Sustainable Development Principle in forming actions to deliver the Well-being Objectives.

Members discussed the financial resilience and the review of arrangements to address external Audit Inspections. Officers advised that the financial resilience proposal is almost complete with a set of dates scheduled early in the year for a 'Commercial Strategy' to be approved. It was explained that the Organisational Development Strategy was not completed by January 2020, however an Officer has now been appointed to undertake the role. The draft Strategy will be consulted upon and will then be considered by the Policy and Resources Scrutiny Committee and Cabinet thereafter. An update will be provided at the Audit Committee Meeting scheduled on the 9th June 2020.

It was explained that the Well-being of Future Generations 'steps' examination of 'improve the take up of Flying Start' will be shared with the Education Scrutiny Committee and an update will be provided to the Audit Committee thereafter. The Committee referred to the Corporate Safeguarding Report - agenda item 15 (Information Item). The report had been presented to the Social Services Committee in October 2019 but had not been called forward for discussion at this meeting. An update from G. Jenkins (Assistant Director – Children's Services) would be provided to the Committee following the meeting. A Member referenced the Savings Planning Report as set out in Appendix A which had been presented to Cabinet previously. The Officer advised that to strengthen financial planning arrangements, savings templates have been developed to capture detailed information on future savings proposals. These will include consideration of the Wellbeing of Future Generations (Wales) Act 2015. The savings templates were used for all savings proposals included in the Draft Budget Proposals for 2020/21. The format and content of the templates will be kept under review to ensure that they remain fit for purpose.

Members requested an update regarding the Asset Management (Land and Property) Strategy Review. The Officer advised that the Strategy goes back to September 2013. The Strategy had been updated and obtained Cabinet approval in May 2019. There are 22 Service Asset Management Plans (SAMPS) and 14 SAMPS have now been completed. The remaining 8 are in various stages of completion between 25%-75%. It is anticipated the proposal will be completed later this year as those that are due to be completed are signed off. After this the monitoring of the SAMPS will then move into day to day business. It was

agreed that further details shall be obtained from the Interim Head of Property Services and emailed to the Committee following the meeting.

The Chair thanked the Officer for delivering the report and responding to questions raised during the course of the debate.

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 for the reasons contained in the Officer's Report, the 9 Proposals and Recommendations set out within Appendix A, are closed down due to completion.

## **8. CORPORATE RISK REGISTER (Q2 2019/20)**

The Interim Head of Business Improvement Services and Acting Section 151 Officer presented the report. Members were provided with an update of the Corporate Risk Register in accordance with the Council's Risk Management Strategy. The report also provided an update on the changes that have been made to the overall Performance Framework particularly in relation to risk.

It was explained 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 presented to Cabinet. Updates are also provided to Audit Committee, which has the critical role of reviewing and challenging the Risk Register and where relevant, resultant action plans for the Council's key strategic and corporate risks. The report contains the most recent information which had been considered by CMT on the 9th December 2019.

It was noted that no new risks have been added to the register since it was presented to Audit Committee on 15th October 2019. However, the key change is the Brexit Risk (CRR 01) which has become a Low risk. The Committee were advised to keep this item on the register for a further 11 months due to the uncertainty around Brexit. The Climate Change (CRR 04) risk has increased from Medium to High following discussions at the last meeting. All other risk levels have remained the same. Members discussed the risks referred to within the register and felt that on balance, the Brexit Risk should be categorised as Medium, due to the level of uncertainty and this proposal was unanimously supported by the Committee.

The Chair thanked the Officer for delivering the report and responding to questions raised during the course of the debate.

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

RESOLVED that:

- (i) the Brexit Risk (CRR 01) currently categorised as Low Risk, is changed to Medium Risk;
- (ii) the content of the Corporate Risk Register and associated mitigating actions, be supported.

## **9. INFORMATION ITEMS (Agenda Items 9 – 15):**

- (i) Regulation of Investigatory Powers Act 2000.

- (ii) Annual Audit Letter - Caerphilly County Borough Council 2018-19.
- (iii) Caerphilly Certificate of Compliance - Audit of Caerphilly County Borough Council's Assessment of 2018-19 Performance.
- (iv) Officers Declarations of Gifts and Hospitality.
- (v) Six monthly update on the number of Complaints received under the Council's Corporate Complaints Policy.
- (vi) Corporate Governance Review Panel Minutes - 24th September 2019.
- (vii) Corporate Safeguarding Review Report.

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 9th June 2020, they were signed by the Chair.

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CHAIR