

# AUDIT COMMITTEE

Monday, 1 July 2019

**PRESENT:** Councillor T.M. Higgins (Chair)

**Councillors:**

K.V. Broom, G.H. John, M.J.A. Lewis (In place of E.M.J.G. Schiavone), A.G. Morgan, B. Thomas and D.E. Williams

**In attendance from the Wales Audit Office:**

Mr T. Buckle, J. Garcia and Ms Alison Lewis

**The following Officers were in attendance:**

Mr C. Moore	-	Director of Corporate Services
Mr I. Jones	-	Head of Leisure
Ms H. Pugh	-	Head of Revenues & Financial Compliance
Mr C. Daniels	-	Senior Sports & Leisure Manager
Mr G. Davies	-	Finance Manager - Corporate
Ms D. Hockenhull	-	Media & Marketing Manager
Ms M. Mason	-	Museum Development Manager
Ms C. Powell	-	Principal Auditor
Mrs M. Evans Thomas	-	Principal Democratic Services Officer
Ms D. Oliver	-	Web Editor

**Chamber, County Hall, Carmarthen, SA31 1JP 2.00 - 4.40 pm.**

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors L. Roberts and E. Schiavone.

**2. DECLARATIONS OF PERSONAL INTERESTS**

Member	Minute Number	Nature of Interest
J. James	5 – Lay Member of the Audit Committee	She is the current lay member.
Cllr. D. E. Williams	12 – Dyfed Pension Fund Accounts 2018-2019	He is Chair of the Dyfed Pension Fund Committee

**3. APPOINTMENT OF CHAIR FOR THE 2019/20 MUNICIPAL YEAR**

**UNANIMOUSLY RESOLVED** that Councillor T. Higgins be appointed Chair of the Committee for the 2019/20 municipal year.

**4. APPOINTMENT OF VICE CHAIR FOR THE 2019/20 MUNICIPAL YEAR**

**UNANIMOUSLY RESOLVED** that Councillor G. Morgan be appointed Vice-Chair of the Committee for the 2019/20 municipal year.

## 5. LAY MEMBER OF THE AUDIT COMMITTEE

[NOTE: Mrs Julie James, having earlier declared an interest in this item, left the chamber prior to the consideration and determination thereof.]

In accordance with the Local Government (Wales) Measure 2011 the Council is required to appoint a minimum of one lay member to serve as a member of the Audit Committee. At its meeting held on 8<sup>th</sup> June, 2015 Council resolved that Mrs Julie James be appointed to this post for the period 1<sup>st</sup> July, 2016 to 30<sup>th</sup> June, 2019.

In order to allow continuity in lay member representation, it was recommended that Mrs James' appointment be extended for a further term of three years, ending on the date of the local government elections in 2022.

Alternatively, the Committee could decide to commence a process of recruitment for a new member, in which case a report would be submitted to the next meeting to agree a job advert, person specification and arrangements for the recruitment process.

**UNANIMOUSLY RESOLVED that Mrs Julie James' period of appointment as a lay member of the Audit Committee be extended for a further period of 3 years, up to the date of the local government elections in 2022.**

Mrs James was recalled to the meeting. She was advised of the Committee's decision and confirmed her acceptance of the extended term of office.

## 6. INTERNAL AUDIT PLAN UPDATE 2018/19 AND 2019/20

The Committee considered a report providing an update on progress made on the implementation of the Internal Audit Plan.

It was noted that Part A(i) provided a progress report on the Audit Plan 2018/19 and 2019/20. Part A(ii) included the recommendations scoring matrix in respect of the Audit Plan 2018/19. Part B provided a summary of completed final reports for 2018/19 relating to key financial systems (April 2018 to date). Report C provided details of priority 1 recommendations relating to reviews of other systems and establishment audits.

The following questions/observations were raised on the report:-

- Reference was made to the error identified in April 2018 relating to debtors invoices which contained the wrong VAT liability indicator and officers were asked how much the error cost in interest charges and whether there were new processes in place to prevent it happening again. The Head of Revenues and Financial Compliance explained that the error was identified by our VAT officers who reported it immediately to HMRC. She confirmed that revised arrangements are in place to prevent this from happening again. She did not have details of the financial penalty with her and would circulate this information to the Committee following the meeting;
- Reference was made to DBS checks made on school staff and officers were asked if there was a requirement for regular checks to be undertaken

for teachers. The Director of Corporate Services advised that there is a designated database which stores information on all school staff including DBS checks, which is monitored.

## **UNANIMOUSLY RESOLVED**

- 6.1 that the report be received;**
- 6.2 that the Committee receive an update report on pool car as soon as the TIC review has been concluded.**

## **7. INTERNAL AUDIT ANNUAL REPORT 2018/19**

The Committee considered a report providing an opinion on the adequacy and effectiveness of the Council's control environment for the year April 2018 to March 2019, based on the work undertaken in the 2018/19 Internal Audit Plan, as agreed by the Audit Committee.

The Committee noted that it was the overall opinion of the Head of Revenues and Financial Compliance that the Authority has an adequate control environment in operation. There are clear governance arrangements with defined management responsibilities and committee structures in place, the control framework is generally sound and operated reasonably consistently. The Authority has an established constitution, has developed policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. Consequently, the Head of Revenues and Financial Compliance was satisfied that sufficient assurance work has been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment. Where weaknesses had been identified through an internal audit review, work had been undertaken with management to agree appropriate corrective actions and a timescale for improvement.

**UNANIMOUSLY RESOLVED that, in line with statutory requirements, the report be received.**

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

The Committee considered its annual Forward Work Programme which detailed the reports to be submitted for consideration during the 2019/20 Audit Committee cycle.

**UNANIMOUSLY RESOLVED that the Audit Committee's Forward Work Programme for 2019/20 be endorsed.**

## **9. PROGRESS REPORTS**

The Committee received the following progress reports for consideration:-

### **9.1. CARMARTHENSHIRE MUSEUMS ACTION PLAN UPDATE**

The Committee considered the Carmarthenshire Museums Action Plan Update report which provided a current review of progress within Carmarthenshire Museums in addressing a number of improvements first identified during the 2016/17 Internal Audit report. Subsequent Internal Audit reviews have acknowledged efforts and the positive progress made by the service to overcome shortcomings within the resources currently available.

It was noted that long standing issues relating to collections management standards cannot be improved within the current service infrastructure and the Action Plan demonstrated that an ambitious strategy was being progressed to address these through a major Collections & Conservation Centre project.

**RESOLVED that the report be received and progress noted.**

## **9.2. LLANELLI LEISURE CENTRE ACTION PLAN UPDATE**

The Committee considered the Llanelli Leisure Centre Action Plan Update which summarised the agreed work and progress to date by the Llanelli Leisure Centre Management Team to improve its processes following the 2018/19 Internal Audit report undertaken in January 2019.

It was pleasing to note that many of the audit issues previously identified have been, or are being, addressed.

**RESOLVED that the report be received and progress noted.**

## **10. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:-**

The Chair welcomed to the meeting Mr Jason Gracia, Mr Tim Buckle and Ms Alison Lewis of the Wales Audit Office (WAO).

### **10.1. CARMARTHENSHERE COUNTY COUNCIL REVIEWS**

The Committee was informed that Councils are making changes to how people can access services by creating communication channels and self-service options for customers to access services online. This is called “channel shift” and Carmarthenshire County Council is channel shifting more service online. Because this is an increasingly important element of customer interaction, the Wales Audit Office decided to undertake a review of the approach the Council is taking in this area and obtain perspectives from service users.

The review was undertaken in two parts, the first part was a review of the Council’s approach to channel shifting services online, looking at how service users are involved in the process. The second part of the review asked service users for their views.

The review sought to ascertain whether the needs, experiences and aspirations of service users informed the design and delivery of services to more closely meet their needs. Overall, it was found that most service users were satisfied with the Council’s online services but the Council needs to establish a process for involving service users in developing its online provision and assessing user satisfaction.

The report concluded with two proposals for improvement:-

1. The Council should develop a systematic approach to involving service users in the future design and development of its online/channel shifted services;
2. The Council should develop ways to capture service user satisfaction data on its online services, so that it can continue to make improvements.

The following questions/observations were raised on the report:-

- Reference was made to the fact that 66% of service users said that they found it very or quite easy to complete the process online as it was felt that this figure was quite low. Officers were asked how many total responses were received, if there were any comparisons with other Local Authorities and if that figure was to be expected. The Committee was advised that the figure was quite low even though the survey was promoted as much as possible. A similar study was undertaken in Neath Port Talbot and the response rate there was also low;
- It was pointed out that there was no action plan attached to the report. The Director of Corporate Services advised that in future no such reports will be presented to Committee until an Action Plan has been completed and included.

**RESOLVED that the report be received.**

## **10.2. WALES AUDIT OFFICE NATIONAL REPORTS**

The Committee considered the following recently published Wales Audit Office national reports:-

- Waste Management In Wales – Preventing Waste
- The Effectiveness of Local Planning Authorities in Wales

**UNANIMOUSLY RESOLVED that the reports be received.**

## **11. STATEMENT OF ACCOUNTS 2018/19**

In accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014, the Committee received for approval the Statement of Accounts 2018/19 in respect of Carmarthenshire County Council. The Statement brought together all the financial transactions of the Authority for the year and also detailed the Authority's assets and liabilities as at 31<sup>st</sup> March, 2019.

It was noted that the Authority had maintained the overall Council Fund net expenditure within budget during 2018/19. Whilst a number of service areas experienced demand led pressures during the year, these were offset by underspends in other services areas.

In the preparation of the accounts movements were made to and from the following earmarked reserves:-

- The Corporate Retirement Fund
- MEP Capital Funding
- The City Deal Reserve
- The Brexit Reserve
- The Tour of Britain Reserve

The Committee was requested to retrospectively approve these movements and to retrospectively approve the creation of the Brexit and Tour of Britain Reserves.

It was noted that the Committee had attended a briefing session on the Statement of Accounts earlier in the week which provided them with the opportunity of seeking clarification etc. on all aspects of the Statement of Accounts.

The Chair thanked all the officers involved in the production of an excellent set of accounts.

## **UNANIMOUSLY RESOLVED**

**11.1 that the Statement of Accounts 2018/19 for Carmarthenshire County Council be received;**

**11.2 that the movement to and from the Earmarked Reserves, as detailed in the report, be retrospectively approved;**

**11.3 that the creation of the Brexit and Tour of Britain Reserves be retrospectively approved.**

## **12. DYFED PENSION FUND ACCOUNTS 2018-2019**

[NOTE: Councillor D.E. Williams declared an interest in this item.]

The Committee considered the Dyfed Pension Fund Statement of Accounts for 2018/19 which were produced in accordance with the Accounts and Audit (Wales) Regulations 2014. The Statement brought together all the financial transactions of the Dyfed Pension Fund for the year and also detailed its assets and liabilities as at 31<sup>st</sup> March, 2019.

It was reported that the Fund's net assets had increased by £135.6m from 2017/18 to 2018/19 mainly due to the increase in market value of the investment assets. With regard to Fund expenditure, benefits payable and transfers out increased by

£5.1m to £87.6m with contributions and transfers in increasing by £8.5m to £81.8m on the income side.

It was noted that total membership of the Fund had increased by 736 from 46,514 in 2017/18 to 47,250 in 2018/19 representing an increase of 1.58%

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Statement of Accounts 2018/19 be received.**

### **13. BURRY PORT HARBOUR FINANCIAL STATEMENT 2018-19**

The Committee considered the Burry Port Harbour Financial Statement 2018-19, prepared in accordance with the Harbours Act 1964, which required Statutory Harbour Authorities to prepare an annual statement of accounts relating to the harbour activities.

The accounts were in the form of a separate annual income and expenditure account and statement of balances. The net cost of the harbour activities in 2018-19 was £533k and all activities were fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March, 2019 totalled £975k. The net cost of £558k (2017-18 £332k). The increase of £201k mainly consisted of an increase in capital expenditure £325k offset by £124k decrease in net operating costs.

The following question was raised on the report:-

- Officers were asked how the performance of the new provider is being monitored. The Director of Corporate Services informed that officers received a presentation earlier in the week on the performance and progress made by the new provider. The Head of Leisure explained that the company is required to produce progress reports on dredging activity and they have been proactive to date in this regard.

**UNANIMOUSLY RESOLVED that the Accounting Statement for the Burry Port Harbour Authority for 2017-18 be received.**

### **14. WALES PENSION PARTNERSHIP FINANCIAL STATEMENT 2018-19**

The Committee considered the Wales Pension Partnership Financial Statement for 2018/19 which was produced in accordance with the Accounts and Audit (Wales) Regulations 2014.

Carmarthenshire County Council, as Host Authority, has the administrative responsibility for the Wales Pension Partnership. Smaller local government bodies in Wales must prepare annual accounts following proper practices and the relevant guidance states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The Statement indicated that the total income and expenditure of the Wales Pension Partnership in 2018-19 totalled £2.3m. Net costs of £158k were split equally and recharged to the 8 Welsh Pension Funds.

**RESOLVED** that the Wales Pension Partnership Financial Statement 2108-19 be received.

**15. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE**

Reference was made to the fact that there was no-one present from the Education & Children Department at the Risk Management Steering Group meeting held on 11<sup>th</sup> April and officers were asked if that posed a risk in itself and whether deputies were allowed to attend. The Head of Revenues and Financial Compliance explained that the situation had not arisen previously and it was something that the Group would need to consider.

**UNANIMOUSLY RESOLVED** that the minutes of the Grants Panel held on 8<sup>th</sup> February, 2019 and the Risk Management Steering Group held on 11<sup>th</sup> April, 2019 be received.

**16. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE HELD ON 22ND MARCH, 2019**

It was pointed out that the officers in attendance from the Wales Audit Office, Mr J. Evans, Mr J. Garcia and Mrs A.M. Harkin, were not listed as being present at the meeting.

**UNANIMOUSLY RESOLVED** that the minutes of the meeting of the Audit Committee held on the 22<sup>nd</sup> March, 2019 be signed as a correct record, subject to the inclusion of the above-mentioned amendment.

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**CHAIR**

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**DATE**