

AUDIT COMMITTEE

10TH JULY 2015

(NOTE: THESE MINUTES ARE SUBJECT TO CONFIRMATION BY THE
AUDIT COMMITTEE AT ITS NEXT MEETING)

PRESENT: Councillor C.P. Higgins [Chair]

Councillors: H.A.L. Evans, J.D. James, E.G. Thomas G.B. Thomas and
W.G. Thomas.

Sir David Lewis – External Voting Member

In attendance to present the Wales Audit Office reports:-

Mr G. Norman and Mr J. Evans.

Also Present:-

Councillor D.M. Jenkins – Deputy Leader (Resources)

The following officers were also in attendance:-

Mr P. Sexton Head of Audit, Risk & Procurement

Mr C. Moore Head of Financial Services

Mr. R. Staines Head of Public Protection and Housing

Miss H. Pugh Audit & Risk Manager

Mr O. Bowen Chief Accountant

Mr K. Thomas Democratic Services Officer

(Chamber, County Hall, Carmarthen: 10.00 a.m. – 12.47 p.m.)

1. APOLOGIES

Apologies for absence were received from Councillors A.G. Morgan and D.E. Williams.

2. APPOINTMENT OF CHAIR 2015/16

UNANIMOUSLY RESOLVED that Councillor C.P. Higgins be appointed Chair of the Committee for the 2015/16 Municipal Year

3. APPOINTMENT OF VICE-CHAIR 2015/16

UNANIMOUSLY RESOLVED that Councillor A.G. Morgan be appointed Vice-Chair of the Committee for the 2015/16 Municipal Year.

4. DECLARATIONS OF PERSONAL INTERESTS

Councillor	Minute Number	Nature of Interest
H.A.L. Evans	8 – Statement Of Treasurer of Menter Accounts 2014/15 (Page 164)	Gorllewin Sir Gar



AUDIT COMMITTEE

10TH JULY 2015

5. INTERNAL AUDIT PLAN UPDATE 2014/15 AND 2015/16

The Committee considered a report providing an update on progress made on the implementation of the Internal Audit Plan 2014/15 and 2015/16. Part A of the report provided a progress report on the Audit Plan for 2014/15 and 2015/16 together with a schedule of final reports from the 2014/15 Audit Plan. Part B provided a summary of completed final reports for 2014/15 relating to key financial systems (April 2014 to date). Part C referred to reviews where the Chair of Audit and the Audit and Risk Manager agreed that they should be referred to the Audit Committee.

The Audit and Risk Manager advised that in relation to report B, reviews had been undertaken on both the Council's systems for managing VAT and Creditor payments whereby it was found that:-

- With regard to VAT, the review had identified that key controls on its management and administration were operating to acceptable standards with only minor issues having been identified, and that the procedures adopted met statutory, best practice and the Authority's Financial Procedure Rules. Minor improvements had also been made to enable Internal Audit to place an assurance that the systems were operating to a high standard.
- With regard to the Creditor Payments system, the expected key controls in respect of the processing and control of creditor payments were operating to an acceptable standard with only minor issues having been identified including housekeeping issues and certification of payments.

With regard to Part C, that Section focussed on reviews completed since 2014 where systems had one or more fundamental control weakness or, where the Chair of the Audit Committee and the Audit and Risk Manager had agreed an issue needed to be brought to the attention of the Committee. The review in question related to the operation and administration of grants associated with the Welsh Government's Supporting People Programme which commenced in 2003. The report outlined the recent history of the grant programme and to the Audit undertaken on the 2013/14 programme that had identified the following 3 fundamental weaknesses:-

- Non-compliance with the Authority's Financial Procedure Rules;
- Non-compliance with the Authority's Contract procedure Rules and;
- Insufficient monitoring arrangements of the grant.

As a result of the above weaknesses, Internal Audit had been unable to give an assurance that the grant terms and conditions, the Project Grants Manual and the Authority's Financial Procedure Rules had been fully complied with.

Subsequent to the Audit, grant awareness training had been provided to the department on areas that included the grants manual, Financial Procedure Rules and budget accounting of expenditure and income, with further training to be provided which would include procurement. An action plan and timetable was also being formulated to address the areas of concern.

The following issues were raised on the report:-

- Reference was made to the Council's policy of transferring responsibility of



AUDIT COMMITTEE

10TH JULY 2015

its sports facilities to sports organisations and to whether the Council provided those organisations with advice on VAT and, if not, would it be possible to signpost them to issues they would need to address with regard thereto e.g registering for VAT. The Head of Financial Services advised that whilst the Council would not be able to provide any direct formal advice, with the onus being on those organisations to seek their own counsel, it may be possible to provide limited informal guidance on the issues they would need to address. The Committee was also advised that Her Majesty's Revenue and Customs operated a VAT helpline which could be contacted direct for advice.

- In response to a question on the minor issues arising from the VAT review, the Audit and Risk Manager advised that the first related to the fact no clear documentation on procedures or guidance notes had been issued to staff, which had now been addressed. The second related to the Council opting not to tax certain categories of properties, and an updated list of those had been forwarded to HMRC, as requested. The third referred to partial exemption calculations not being signed off by a senior officer, those were now being signed off by the Senior Accountant.
- Reference was made to the Supporting People Programme and, in particular, the timescale over which the issues had been on-going. Whilst the development of the Action Plan was welcomed, an assurance was sought that the proper procedures would be put in place to address those issues.

The Head of Public Protection and Housing advised that a number of arrangements had been introduced to address the issues identified by Internal Audit and included the merging of the grants team into the Commissioning and Contract team within the Communities Department, a new senior management team had been put in place, the team was fully resourced and more internal contracts were being issued. The management of the team was being overseen by the Head of Service with the Director of Communities taking an active overview of its operation. Those arrangements, coupled with the robust action plan agreed with Internal Audit, were beginning to realise improvements and he assured the Committee that the conditions were now in place to address the past difficulties and that the Action Plan would be closely monitored.

The Head of Financial Services advised that whilst the Action Plan was now in place, the Committee should be aware that the programme involved contracts with third party providers and the issues would not be resolved in the immediate short term.

In response to the above, views were expressed that the Committee should receive regular compliance reports on the Action plan to monitor progress.

UNANIMOUSLY RESOLVED

- 5.1. that, for monitoring purposes, the 2014/15 and 2015/16 Internal Audit Plan update be received.**



AUDIT COMMITTEE

10TH JULY 2015

- 5.2. That an Action Plan monitoring report on the operation of the Supporting People Programme be submitted to the next meeting of the Committee.**

6. ANNUAL REPORT FROM THE AUDIT AND RISK MANAGER 2014/15

The Committee received the Audit and Risk Manager's Annual report outlining the overall performance of the Internal Audit Section during 2014/15. The Committee noted that the report had been produced in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), which were established in 2013 and were the agreed professional standards for Internal Audit in Local Government. The PSIAS replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006).

The PSIAS set out the requirement for the Head of Internal Audit to report to officers and the Audit Committee to help inform their opinion on the effectiveness of the Authority's Framework of Governance, Risk Management and control.

The report provided an opinion by the Head of Internal Audit of the adequacy and effectiveness of the Council's control environment for the year April 2014 to March 2015, based on the work undertaken in the 2014/15 Internal Audit Plan as approved by the Audit Committee.

It was the overall opinion of the Audit and Risk Manager that the Authority had an adequate and effective control environment in operation. There were clear governance arrangements in place with defined management responsibilities and committee structures in place. Risk Management and the Control Framework were generally sound and operated reasonably consistently. The Authority had an established Constitution, had developed policies and approved Financial Procedure Rules that provided advice and guidance to all staff and members. The opinion was based on delivery of planned Internal Audit work undertaken during 2014/15.

The following issues were raised on the report:-

- In response to a question, the Audit and Risk Manager confirmed that the staffing complement of 9.4 FTE was sufficient to enable the unit to undertake its role. The Head of Financial Services advised that consideration was currently being given to a new Corporate Graduate Trainee Scheme which could possibly result in 2 Trainee Accountants being placed within the Resources Department. If that were to be realised, the Trainee Accountants would spend a proportion of their time with Internal Audit.
- In response to a question on point 8 of the report relating to the undertaking of quality assurance/peer reviews, the Audit and Risk Manager advised that the specification for those reviews was incorporated within the Public Sector Internal Audit Standards.
- In response to a question on Section 9 of the report appertaining to Fraud, the Head of Audit, Risk and Procurement advised that any incidents of



AUDIT COMMITTEE

10TH JULY 2015

fraud identified by the Council, including any received as a result of whistle blowing, had to be reported to internal audit.

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

7. WALES AUDIT OFFICE REPORTS

The Chair welcomed to the meeting Mr Geraint Norman and Mr Jeremy Evans of the Wales Audit Office.

7.1. AUDIT COMMITTEE UPDATE– JULY 2015

The Committee considered a report providing an update on the audit work undertaken/to be undertaken on the Authority by the Wales Audit Office since the last meeting.

UNANIMOUSLY RESOLVED, that the report be received.

7.2. HOUSING – GOVERNANCE AND PERFORMANCE REVIEW

The Committee considered a report prepared by the WAO on the governance and performance review of the Authority's Housing Services. The report included review findings, conclusions and three proposals for improvement.

The review found that the Service was supported by appropriate governance that was helping to provide quality, affordable housing, improvements in the service were evidenced by an established performance management framework but that performance data could be used more actively to drive improvement.

The following issues were raised on the report:-

- Reference was made to paragraph 17 of the report and to contractors reviewing work undertaken by other contractors. A view was expressed that the approach could result in a risk of contractors providing favourable reviews on each other where such assessments could not be justified. It was suggested that consideration could be given to appointing an independent agent to undertake those reviews.

The Head of Public Protection and Housing advised that the department had accepted the Wales Audit Offices' findings and that a review would now be undertaken of the process. Whilst the scheme had delivered, tenants had advised that it did not always work properly and, as a result of their views, additional Clerks of Works had been employed.

- Reference was made to paragraph 23 of the report and the department was congratulated on its work in returning 115 privately owned properties back to habitable use. Clarification was sought on whether funding for the scheme would continue.



AUDIT COMMITTEE

10TH JULY 2015

The Head of Public Protection and Housing advised that at the present time there was no information available on whether the scheme, which was funded by the Welsh Government and administered regionally by Carmarthenshire, would continue beyond the current second funding tranche. Currently, whilst there was only revenue funding available for one officer to administer the programme, the Department was examining various options to fund another officer to assist in reducing the current estimated 2000 privately owned empty residential properties within the County.

UNANIMOUSLY RESOLVED, that the report be received.

7.3. ASSESSMENT OF THE TRANSFORM, INNOVATE AND CHANGE PROGRAMME

The Committee considered a report prepared by the WAO on the operation of the Council's Transform, Innovate and Change (TIC) programme detailing the review findings, conclusions and three proposals for improvement.

The review found that whilst the programme had robust governance, clear objectives and was contributing to better outcomes and financial savings there was scope to strengthen business cases, risk management, use of performance information and financial analysis.

The following issues were raised on the report:-

- In response to a question on implementation of the Wales Audit Office's findings, the Committee was advised that those had been accepted by the TIC project Board, chaired by the Chief executive, which would ensure the recommendations were taken forward and reflected in the team's work. The proposals were also logged centrally and regular meetings to discuss progress were held with the Audit Office

UNANIMOUSLY RESOLVED, that the report be received.

8. STATEMENT OF ACCOUNTS 2014-2015

(NOTE: Councillor H.A.L. Evans declared an interest in page 164 of the report as she was Treasurer of Menter Gorllewin Sir Gar)

The Committee, in accordance with the Accounts and Audit (Wales) Regulations 2010 received the Authority's Statement of Accounts for 2014/15, incorporating the Dyfed Pension Fund, other trust funds and the Burry port Harbour Account. The Statement brought together all the financial transactions of the Authority and the Pension Fund for the year, and also detailed both the Authority's and its Pension Fund's assets and liabilities as at 31st March, 2015.

It was reported that the Authority had maintained the overall Council Fund net expenditure within budget during 2014/15 and the following results were reported within the Movement in Reserves Statement:-



AUDIT COMMITTEE

10TH JULY 2015

- Council Fund (generally available for new expenditure) – Transfer from balance £175k;
- Balances held by schools under local management schemes – Transfer from balances £244k;
- Housing Revenue Account – Decrease in balance £4,448m

Whilst a number of service areas across the Authority had experienced demand led pressures during the year, those had been offset by under-spends in other service areas, specifically on capital financing costs and a higher than estimated collection level on Council Tax. The resultant outturn meant that the Authority transferred a total of £175k from its general reserves, being less than the budgeted figure for the year of £801k.

The Committee's attention was drawn to the following movements to and from earmarked reserves and it was requested to retrospectively approve those movements-

The Major Development Fund – Transfer of £1.317m to support major developments in the future;

Fleet Management – Transfer of £876k to meet fleet replacement costs;

MEP Capital Funding - £3.430m set aside in the 2014-2015 budget to meet the cost of prudential borrowing to finance the Modernising Education Provision programme which would now be utilised in 2014-2015;

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

The following issue was raised on the report:-

- Page 24 reported on the completion of the WLGA led Peer Review of the Council's decision making arrangements. Clarification was sought on whether the Wales Audit Office would be examining the outcome of that review. The Committee was advised that the Audit Office had reserved the right to look at the Council's findings and it was anticipated they would be reviewed in October, following the Council's September meeting.

UNANIMOUSLY RESOLVED

- 8.1. that the Statement of Accounts for 2014/15 (Carmarthenshire County Council and the Dyfed Pension Fund) be received;
- 8.2. that retrospective approval be granted for the movements to and from the Earmarked Reserves, in particular transfers to:-
 - The Major Development Fund;
 - Fleet Management Fund;
 - MEP Capital Fund;



AUDIT COMMITTEE

10TH JULY 2015

9. BURRY PORT HARBOUR FINANCIAL STATEMENT

The Committee was advised that in accordance with the Harbours Act 1964 statutory harbour authorities were required to prepare an annual statement of accounts relating to the harbour activities. Carmarthenshire County Council was the Harbour Authority in respect of Burry Port Harbour and whilst the harbour activities had been included within its Statement of Accounts (minute 8 above refers) a separate annual income and expenditure account had been prepared as required under the 'smaller body' threshold defined by the Accounts and Audit (Wales) Regulations 2014.

It was noted that the net cost of the Harbour Activities in 2014-15 was £214k and all activities were fully funded by the Council. Fixed assets held at 31st March 2015 totalled £4,130m

UNANIMOUSLY RESOLVED that the Accounting Statement for Burry Port harbour for 2014-15 be received.

10. MINUTES OF THE CORPORATE GOVERNANCE GROUP

The Committee received the minutes of the Corporate Governance Group held on the 30th March 2015.

Reference was made to Minute 2 and to the issue of whether the Chair of the Audit Committee should attend meetings of the Grants Panel as an observer. Views were expressed supporting the suggestion which could address culture issues within the authority and lead to members and officers working together in gaining trust and inclusivity.

The Committee was advised that, as indicated in the Group's minutes, the matter had been referred to the Council's Monitoring Officer to assess the constitutional aspect of the request. If appropriate, the request could then be referred to Council for its consideration.

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Corporate Governance Group held on the 30th March, 2015 be received.

11. MINUTES OF THE RISK MANAGEMENT STEERING GROUP

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Risk Management Steering Group held on the 26th March, 2015 be received.

12. MINUTES OF THE GRANTS PANEL

UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on 22nd April and 10th June, 2015 be received.

13. MINUTES

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 27th March, 2015 be signed as a correct record.



AUDIT COMMITTEE

10TH JULY 2015

SIGNED:

DATE:

