

AUDIT COMMITTEE

Friday, 13 July 2018

PRESENT: Councillor T.M. Higgins (Chair)

Councillors:

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

Mrs J. James – External Voting Member

Also present as an observer:-

Councillor D.M. Jenkins – Executive Board Member for Resources.

In attendance from the Wales Audit Office:

Mr J. Garcia, Ms A. Lewis, Mr J. Evans and Mr J. Edwards

The following Officers were in attendance:

C. Moore, Director of Corporate Services
H. Pugh, Head of Revenues and Financial Compliance
H. Morgan, Economic Development Manager
A. Bracey, Head of Mental Health and Learning Disabilities
P. Evans, Senior Accountant
C. Powell, Principal Auditor
R James, Performance Planning & Business Officer
J. Jones, Property and Major Projects Manager
P. Edwards, Valuations Manager
A. Jones, Procurement & Contracting Officer
M Mason, Museum Development Manager
S Morgan, Strategic Asset Manager
C. Richards, Senior Safeguarding Manager
R. Copp, Child Protection Co-ordinator
K. Thomas, Democratic Services Officer

Chamber, County Hall, Carmarthen - County Hall, Carmarthen. SA31 1JP. - 10.30 am - 1.35 pm

1. APOLOGIES FOR ABSENCE.

An apology for absence was received from Councillor G. John.

2. DECLARATIONS OF PERSONAL INTERESTS.

Councillor/External Voting Member	Minute Number	Nature of Interest
Mrs J. James	13 – Statement of Accounts 2017-2018	Trustee of the National Botanic Garden of Wales – Loan on the Statement of Accounts

3. APPOINTMENT OF CHAIR FOR THE 2018/19 MUNICIPAL YEAR

UNANIMOUSLY RESOLVED that Councillor T. Higgins be appointed Chair of the Committee for the 2018/19 Municipal Year.

4. APPOINTMENT OF VICE CHAIR FOR THE 2018/19 MUNICIPAL YEAR

UNANIMOUSLY RESOLVED that Councillor G. Morgan be appointed Vice-Chair of the Committee for the 2018/19 Municipal Year.

5. INTERNAL AUDIT PLAN UPDATE 2017/18 AND 2018/19

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 provided a progress report on the Audit Plan 2017/18 and 2018/19 together with a Recommendations Scoring Matrix. Part B provided a summary of completed final reports for 2017/18 relating to key Financial systems (April 2017 to date). Part C related to reviews of other systems and Establishment Audits.

The following issues were raised on the reports:-

- The Head of Revenues and Financial Compliance advised that in respect of the 17/18 Plan, 90% of that had been delivered by the end of March 2018, with the reasons for non-delivery of the remaining 10% being attributable to a number of factors. Those included a 28% loss in productivity days compared to a 7% loss on the 16/17 Plan, vacant posts and maternity leave. With regard to the 18/19 Plan, that was currently achieving a 4.8% delivery compared to the 5% target. She expressed her appreciation to the staff within the Audit Unit for their commitment and diligence.

Arising from the above the Committee considered a suggestion that, due to on-going staffing difficulties, the division's target for 18/19 be reduced from 90% to 80%. However, opinion was that the target should, for the present time, remain at 90% with any reduction being avoided until all avenues to address the staffing issues had been explored.

- In response to a question on the 125 days of work undertaken for the Mid and West Wales Fire Authority and Ceredigion County Council, the Committee was assured that additional resources, via secondment, had been made available to undertake that work.
- With regard to the 90% achievement on the 17/18 Plan, the Head of Revenues and Compliance advised that in addition thereto, the Unit had undertaken additional unplanned investigative work and fulfilled its SLA Agreements with the Fire Authority and Ceredigion County Council. As a consequence, the Unit had, overall, achieved a 104% productivity of total audit plan days as a percentage of approved plan days.
- Reference was made to the percentage of audits achieved against the Plan, and the Committee was reminded that the emphasis was on the quality, not the percentage, of audits undertaken. That quality was essential to enable the Head of Revenues and Financial Compliance to provide an Audit Opinion on the Council and ensuring any identified high risks were addressed and managed.

- Reference was made to report C, and the review undertaken of Property Management. The Committee was assured no loss of revenue had accrued to the Council as a result of the Internal Audit's findings. As a result of those findings a review had been undertaken of the property management systems and a new policy was being finalised for adoption via the Council's political process. If adopted, that would be subject to regular compliance monitoring.

Arising from the above, it was suggested a follow up review be undertaken on the new policy and it be included within the 2019/20 Audit Plan.

UNANIMOUSLY RESOLVED:

- 5.1 That for monitoring purposes, the 2017/18 Internal Audit Plan Progress Report and the 2018/19 Update be received,**
- 5.2 That the 90% achievement target for the 2018/19 Audit Plan be retained for the present time and any reduction to 80% be avoided until all avenues to address the staffing issues had been explored,**
- 5.3 That the Committee's appreciation be conveyed to the Internal Audit Staff for their work over the previous year,**
- 5.4 That a follow up review of Property Management be included within the 2019/20 Audit Plan.**

6. INTERNAL AUDIT ANNUAL REPORT 2017/18

The Committee received for consideration the Annual Report of the Head of Revenues and Financial Compliance, produced in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), that provided an opinion on the adequacy and effectiveness of the Council's control environment for the year April 2017 to March 2018, based on the work undertaken in the 2017/18 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 had an adequate and effective control environment in operation. There were clear governance arrangements with defined management responsibilities and committee structures in place, risk management and the control framework was 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. As a consequence, the Head of Revenues and Financial Compliance was satisfied sufficient assurance work had been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment. Where any 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.

Reference was made to the independence of the Head of Revenues and Financial Compliance in the Authority's Internal Audit and whether the Annual Report could reflect that independence. The Director of Corporate Services confirmed the report would be amended accordingly. He also referred to that independence in respect of any audits to be undertaken on services for which the Head of Revenues and

Financial Services was responsible. He advised that a protocol had been prepared with regard thereto which would be submitted to the Committee's September Meeting for consideration.

Arising from the above, the Director referred to the Council's Benefits Service, which fell within the Head of Revenues and Financial Compliance's remit. He confirmed the Revenues Service Manager currently reported directly to him and those arrangements would continue following that Manager's forthcoming retirement

UNANIMOUSLY RESOLVED:

- 6.1 That, in line with statutory requirements, the report be received,**
- 6.2 That the protocol prepared for the audit of services for which the Head of Revenues and Financial Services was responsible be submitted to the Committee's September meeting.**

7. AUDIT COMMITTEE FORWARD WORK PROGRAMME

The Committee considered its Forward Work Programme for the 2018/19 municipal year.

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

- The Head of Revenues and Financial compliance referred to the progress report on the delivery of internal audit recommendations scheduled for March 2019 and advised it would be prepared on an exception basis only in respect of any recommendations not adopted.
- In response to a question on the timetable for the submission of reports on the Single Tender Action and the Local Government Study – Intermediate Care Fund, it was confirmed the Intermediate Care Fund Report would be submitted when ready. Any report appertaining to a Single tender action would be submitted as and when required.

UNANIMOUSLY RESOLVED that the Audit Committee's 2018/19 Forward Work Programme be endorsed.

8. EXTERNAL ASSESSMENT OF INTERNAL AUDIT

The Committee received for consideration the External Assessment of the Authority's Internal Audit undertaken in accordance with the Public Sector Internal Audit Standard (PSIAS) that required an external assessment of a local authority's internal audit services to be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

The Committee noted that the Standards allowed for two possible approaches to external assessments i.e. a full external assessment or, an internal self-assessment validated by an external reviewer. Carmarthenshire had adopted the internal self-assessment approach. which had revealed the Authority to be generally conforming to 34 (76%) of the Standard's requirements, partial compliance to 10 (22%) and 1 (2%) was not applicable. As a consequence, it had been concluded the Council's Internal Audit Service generally conformed with the PSIAS and the impact of the partial non-conformance was not considered to be

significant. Overall, it was considered Internal Audit complied with the Standards in all significant areas and operated independently and objectively.

Reference was made to the Action Plan appended to the report and clarification sought on who would be responsible for its monitoring as a view was expressed it should not be undertaken by the Authority. It was confirmed the issue would be raised with the Welsh Chief Auditor's Group.

UNANIMOUSLY RESOLVED that the report be received.

9. SUPPORTING PEOPLE PROGRAMME GRANT UPDATE

In accordance with Minute 6 of its meeting held on the 6th January, 2017 the Committee received the 6 monthly progress report on the Supporting People Service's Action Plan, summarising the work undertaken to date to achieve improvements in the grant and contract management processes, as identified in the 2015/16 Internal Audit of the Supporting People Programme Grant 2015/16. It was noted that good progress was being achieved against the action plan which was being monitored by the Supporting People Planning Group, chaired by the Director of Community Services.

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

- Reference was made to page 69 of the report and clarification sought on whether the Welsh Government had responded to the findings of its Public Accounts Committee, published in May 2018, for the improved administration of the Grant. It was confirmed the Welsh Government had published its response on the 2nd July whereby it had accepted some, but not all of the points raised. That response had been submitted to the Public Accounts Committee on the 6th July, 2018.
- The Committee was reminded that at its meeting held on the 15th December, 2017, it had requested a report on the procurement regulations and the authority's compliance therewith. Clarification was sought on the current position.

The Procurement and Contracting Officer confirmed the Authority, together with its relevant partners, was diligently working through the issues identified to ensure it met client needs and was also developing associated action plans. For example, a new delivery service had been developed with regard to the Domestic Abuse Strategy which would be subject to tender in the near future. Work was also being undertaken on all projects to ensure value for money and to whether they should be re-tendered, or de-commissioned as no longer meeting client needs.

- In response to a question, the Procurement and Contracting Officer confirmed the authority was compliant with a number of the procedures and where it was not, work was being undertaken on those specific contracts to ensure compliance for the future.

UNANIMOUSLY RESOLVED:

6.1 that the report be received;

6.2 that the next six monthly progress report include reference to the Council's procurement process.

10. MUSEUMS ACTION PLAN UPDATE

In accordance with Minute 3 of its meeting held on the 24th March, 2017 the Committee received an update on the Museums Action Plan which summarised the agreed work and progress to date by the Museums Team to improve its processes.

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

- Reference was made to the valuing of the Council's Museums collection and to whether the Council could access the expertise of the Museums Service in that task. The Museums Development Manager advised that whilst there were varying guidelines and good practice available in that regard any valuation process had to meet the requirements of the individual organisation. Similarly, the valuing of individual objects could be undertaken in a variety of ways and the authority would need to employ the services of a commercial valuer to value its collection.
- In response to a query on the potential of the Guildhall in Carmarthen being used to signpost visitors to the Council's museum facilities, it was confirmed that as that property had been leased to a third party that option was not available. However, the new owners had agreed the first floor of the premises could be made available to visitors to the county and discussions with regard thereto were being undertaken with the Museums Division.
- In response to a question on the April 2019 target date for agreement on an approach to value the remainder of the Authority's collections, the Museums Development Manager advised that initially, priority was being afforded to the provision of a Collections Management System. Thereafter, work could commence on the collections.
- The Museums Development Manager confirmed the Authority had a policy in place for the rotation and changing of exhibits within its museums and it liaised closely with various community groups and the Education Department with regard thereto.

UNANIMOUSLY RESOLVED:

10.1 That the Museums Action Plan Update be received;

10.2 That the Committee receive a further progress report in 12 months

11. CORPORATE RISK REGISTER

In accordance with Minute 7 of its meeting held on the 23rd March, 2018 the Committee received for consideration a report on the two risks relating to 'Delivering Effective Safeguarding Arrangements' and 'Effective Demand for Social Care'.

The Head of Revenues and Financial Compliance referred to the second of the two risks and requested that consideration thereof be deferred until the next meeting of the Committee.

The Head of Mental Health and Learning Disabilities reported that with regard to the risks identified in relation to 'Delivering Effective Safeguarding Arrangements' those were considered high and multidisciplinary. In addressing those risks, the authority had put in place a number of measures including the establishment of a

Corporate Steering Group, development of a Safeguarding Risk register and, subsequent to the introduction of the new Social Services and Well-Being Act, a new regional Safeguarding Board together with local operational groups. The Regional Safeguarding Board examined and ensured compliance with the Act, whilst the local groups ensured local service delivery. She confirmed that great strides had been made in safeguarding over the previous 12 months with regular monthly meetings being held and the submission of reports to the Health and Social Care Scrutiny Committee.

The Committee received verbal updates from the Senior Safeguarding Manager and the Child Protection Co-ordinator on the operation and organisational arrangements of their respective services to secure efficient service delivery

The following questions/issues were raised on the report:

- In response to a question on the level of support available to the transient population within the county, some of whom could be vulnerable, it was reported that, whilst not a major problem within the county, any person presenting or being referred to the Council was provided with a co-ordinated county wide response and the appropriate level of assistance.
- Reference was made to a number of drug related deaths within a certain area of the County and the Committee advised that investigations were on-going regionally with the council's partners to ascertain if any of those involved safeguarding issues.
- Reference was made to the fact that subsequent to the Committee's meeting in March, where the Committee had requested information on the Safeguarding Risk, the Corporate Risk Register had not been updated. The Department was therefore requested to ensure its updating.
- Reference was made on the need to assure the Committee that any identified risks were being addressed. The Committee was reminded that the Corporate Risk Register would be agendaed for discussion at its next meeting where it would be afforded that opportunity. It was also reminded that in addition to the deferral to its next meeting of the risk 'Effective Demand for Social Care' it had requested that two additional risks identified at its March meeting be agendaed for its September meeting

UNANIMOUSLY RESOLVED

11.1 That the report on the Delivering Effective Safeguarding Arrangements' be received,

11.2 That consideration of the report on the risk of 'Effective Demand for Social Care' be deferred to the next meeting of the Committee

12. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:-

12.1. WALES AUDIT OFFICE LOCAL REPORTS

The Committee considered the Wales Audit Office Local Report produced in relation to an evaluation undertaken, in 2017, of the Council's Review of People Performance Management. The findings noted that whilst the Council had undertaken a thorough and comprehensive review of its people performance management processes and developed clear and targeted recommendations, a

period of seven months had elapsed subsequent to the reviews conclusions, where no action had been taken to either address the report's recommendations or on the development of an action plan. Preparation and implementation of that action plan was considered important to prevent risks, otherwise, they would continue to exist

In response to a question relating to the time which had elapsed since the report's publication, the Committee was advised that the People Management Steering Group had recently met to discuss its findings and had been charged with responsibility for progressing preparation of the action plan. A progress report thereon was scheduled for consideration by the Committee at its September meeting.

Reference was made to the work to be undertaken by the Steering Group and to the time frame for implementation. It was confirmed the timelines would be determined by the Steering Group.

Arising from the above, it was suggested the report to be presented to the September Audit Committee should detail actions undertaken on the reports' recommendations together with explanations for any not progressed.

UNANIMOUSLY RESOLVED

12.1.1 That the Wales Audit Office Local Report be received.

12.1.2 That the progress report on the Council's Review of People Performance Management 2017 to be presented to the September Audit Committee include any action taken on the reports' recommendations together with explanations for any not progressed.

12.2. CARMARTHENSHIRE COUNTY COUNCIL AUDIT COMMITTEE UPDATE - JULY 2018

The Committee received for consideration a Wales Audit Report produced on both financial and performance audit work at the Council.

In response to a question on the monitoring of recommendations arising from the Annual Improvement Report, it was confirmed that would be undertaken by the Council and a report thereon was scheduled for consideration at the Audit Committee's September meeting. However, any follow-up work undertaken by the Wales Audit Office may be included within a subsequent audit of the Council's Improvement Plan.

In response to a question on the tracking and capturing of Wales Audit recommendations, it was reported that the Council's PIMS system was used in that regard.

UNANIMOUSLY RESOLVED that the Wales Audit report be received.

12.3. WALES AUDIT OFFICE NATIONAL REPORTS

The Committee considered the following Wales Audit Office National Reports:-

1. Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities;
2. Well Being of Future Generations (Wales) Act 2015: Reflecting on Year One;
3. Speak my Language: Overcoming language and communications barriers in public service.

The following issues were raised on the reports:-

- The Head of Mental Health and Learning Disabilities updated the Committee on work undertaken by the Council over the previous twelve months to address accommodation needs for Adults with Learning Disabilities resulting in the production of a Draft Accommodation Strategy and the development of a predictor tool for future needs. Work was also being undertaken with both the Councils Housing Service and Registered Social Landlords to provide a range of alternative accommodation to meet all peoples needs e.g. communal living/residential care. She offered to provide an update to the Committee's September Meeting.
- In response to a question relating to page 164 of the report appertaining to the fact only 12 local authorities engaged with service user representative groups, the Head of Mental Health and Learning Disabilities confirmed Carmarthenshire was one of the 12. Such engagement and consultation with service users and carers was considered critical in achieving service change and was afforded high priority within the Division.

UNANIMOUSLY RESOLVED

12.3.1 That the Wales Audit Office National Reports be received.

12.3.2 That an update report on the Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities be submitted to the September meeting of the Audit Committee

13. STATEMENT OF ACCOUNTS 2017-2018

The Committee considered the Authority's Statement of Accounts for 2017/18, produced in accordance with the Accounts and Audit (Wales) Regulations 2014 which brought together all the financial transactions of the Authority for the year and also detailed the Authority's assets and liabilities as at 31st March, 2018.

It was reported that the Authority had maintained the overall Council Fund net expenditure within budget during 2017/18 and the following results were reported within the Movement in Reserves Statement:-

- Council Fund (generally available for new expenditure) – transfer to balance £480k;
- Balances held by schools under local management schemes – transfer from balances £195k;
- Housing Revenue Account – increase in balance £6,103m including £3.8m to support the Authority's Affordable Homes Strategy

It was noted that 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 anticipated collection level on Council Tax.

The resultant outturn meant the Authority had transferred £480k to its general reserves, against a budgeted transfer of £200k from the reserves.

The Committee's attention and retrospective approval was sought in relation to the following movements to and from earmarked reserves:-

The Corporate Retirement Fund – £750k to support the Authority's redundancy and early retirement policy enabling it to provide for the actuarial strain on the Pension Fund arising from any early retirement or redundancy;

The Major Development Fund – Transfer of £2.041m to support major developments in the future;

MEP Capital Funding - £3.533m set aside in the 2017-2018 budget to meet the cost of prudential borrowing to finance the Modernising Education Provision programme - to be utilised in 2018-2019;

The City Deal Reserve – Transfer of £2m to meet potential future expenditure in respect of City Deal Projects.

Reference was made to the establishment by the Council of arms-length companies relating to the provision of housing and Llesiant Wellbeing together with the change in status of CWM Environmental from an arms-length to a TEKEL company. Clarification was sought on how those companies would be reflected within future Statements of Accounts. The Director of Corporate Services confirmed the arms-length companies would be reflected within the notes attached to the statement of Accounts and would include details of any loans provided. With regard to CWM, a formal Statement of Accounts would need to be produced for submission to its Shareholders Board

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.

UNANIMOUSLY RESOLVED

13.1 That the Carmarthenshire County Council Statement of Accounts 2017/18 be received;

13.2 to retrospectively approve the movements to and from the Earmarked Reserves, in particular transfers to

- The Corporate Retirement Fund
- The Major Development Fund
- MEP Capital Funding

13.3 To retrospectively approve the creation of the City Deal Reserve

14. DYFED PENSION FUND ACCOUNTS 2017-2018

DURATION OF MEETING

At 1.30 p.m. during consideration of this item, the Committee's attention was drawn to Corporate Procedure Rule 9 'Duration of Meeting' and the fact the meeting had been underway for three hours. It was therefore

UNANIMOUSLY RESOLVED that Corporate Procedure Rules be suspended to allow for the consideration of the remaining agenda items.

The Committee considered the Dyfed Pension Fund Statement of Accounts for 2017/18, produced in accordance with the Accounts and Audit (Wales) Regulations 2014 which brought together all the financial transactions of the Dyfed Pension Fund for the year and also detailed its assets and liabilities as at 31st March, 2018.

It was reported that the Fund's net assets had increased by £97m from 2016/17 to 2017/18 with the increase mainly attributable to an increase in the market value of the investment assets. With regard to Fund expenditure, benefits payable and transfers out increased by £2.4m to £82.5m with contributions and Transfers In increasing by £1.6m to £73.4m on the income side.

It was noted that total membership of the fund had increased by 555 from 49,959 in 2016/17 to 46,514 in 2017/18 representing an increase of 1.2%

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Statement of Accounts 2017/18 be received.

15. BURRY PORT HARBOUR FINANCIAL STATEMENT 2017-18

The Committee considered the Burry Port Harbour Financial Statement 2017-18, 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.

In compliance with the Account and Audit (Wales) Regulations 2014, those 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 2017-18 was £3,353k and all activities were fully funded by Carmarthenshire County Council. Fixed assets held at 31st March, 2018 totalled £1,000k. The net cost of £3,353k consisted of a cash contribution of £138k (2016/17 - £85k) and a contribution to cover capital charges being £3,315k (2016-17 - £170k) with the increase being due to a revaluation loss on the harbour assets.

It was also noted that as from the 1st April 2018, the authority had granted a long term lease to the Marine & Property Group Ltd to take over the running and management of the Harbour which would result in further investment and development of the harbour thereby increasing its future financial viability and sustainability.

As a consequence of the lease valuation, it was noted that the basis of the valuation of the harbour assets had changed resulting in the revaluation loss.

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

16. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE

UNANIMOUSLY RESOLVED that the following minutes be received:-

- **Grants Panel – 16th May, 2018**

17. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COMMITTEE HELD ON 23RD MAY 2018

The Committee noted that the reference in the title to the 23rd May was incorrect and it should read '23rd March, 2018'

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 23rd March, 2018 be signed as a correct record.

CHAIR

DATE