

# AUDIT COMMITTEE

13<sup>TH</sup> SEPTEMBER 2019

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

**Councillors:**

K.V. Broom, G.H. John, A.G. Morgan, B. Thomas and  
W.T. Evans (In place of E.M.J.G. Schiavone)

**Also present as an observer:**

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

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

Mr J. Evans, Mr J. Garcia, Ms A.M. Harkin, Ms S. Leahy and Ms A. Lewis,

**The following Officers were in attendance:**

P.R. Thomas, Assistant Chief Executive – People and Performance;  
C. Moore, Director of Corporate Services;  
R. Hemingway, Head of Financial Services;  
H. Pugh, Head of Revenues and Financial Compliance;  
C. Powell, Principal Auditor;  
N. Thomas, Senior Outdoor Recreation Manager;  
G. Davies, Treasury Management Officer;  
J. Owen, Democratic Services Officer.

**Chamber, County Hall, Carmarthen – 2:00pm - 4:10pm**

**1. APOLOGIES FOR ABSENCE.**

Apologies for absence were received from Councillor E. Schiavone,  
Councillor D. E. Williams and Mrs J James.

**2. DECLARATIONS OF PERSONAL INTERESTS.**

There were no declarations of personal interest.

**3. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS:-**

**3.1. WALES AUDIT OFFICE AUDIT OF FINANCIAL STATEMENTS REPORT  
(ISA 260)**

The Committee received the Audit of Financial Statements (ISA 260) for Carmarthenshire County Council for 2018-19 which summarised the findings from the audit undertaken. The Committee noted that the report set out the Auditor General's views on the financial statements and whether they give a true and fair view of the financial position of Carmarthenshire County Council at 31<sup>st</sup> March 2019 and its income and expenditure for the year then ended.

It was also noted that the Auditor General's intention was to issue an unqualified report audit report on the financial statements once the Authority had provided the WAO with the Letter of Representation, which was to be approved on the agenda of the meeting.

The hard work and commitment in the preparation of the County Council's accounts were acknowledged by the Director of Corporate Services and the Committee.

The Committee acknowledged that the misstatements had been corrected by management as set out with explanations in Appendix 3.

The report included detailed information regarding some issues that had arisen from the audit which included:

- Additional pension liability (McCloud)
- Provision of Working papers
- Asset Valuation

The Committee noted that it was likely that the Council would face some significant challenges in meeting future accounts delivery deadlines. It was highlighted that one of the key challenges was the potential likelihood that next year the Authority will need to develop Group Accounts once the three companies recently formed by the Council expand in size. To assist the Council to continue to deliver a high-quality set of financial statements and a full set of supporting working papers next year in line with its account's closedown deadlines, the Wales Audit Office would work closely with officers during the Autumn to learn lessons from the 2018-19 accounts preparation and audit processes.

Queries raised in relation to the report:-

In response to a number of queries raised in relation to the identified asset valuation issue, together the Director of Corporate Services and the Wales Audit Officer explained the background and nature of the issue to the Committee. A comment was raised that whilst processes should have been in place which would have avoided this issue occurring the Committee felt reassured that it had been identified during an audit process.

With regard to monitoring significant matters raised it was proposed that an update report on the asset valuations be returned to the committee consideration in 6 months.

**UNANIMOUSLY RESOLVED that;**

**3.1.1 the report be received;**

**3.1.2 an update report be provided to the Audit Committee in 6 months time in respect of the Asset Valuations**

### **3.2. LETTER OF REPRESENTATION TO WALES AUDIT OFFICE CARMARTHENSHIRE COUNTY COUNCIL**

The Committee was advised that in accordance with the Statement of Auditing Standards (SAS440 – Management Representations), the Wales Audit Office required a Letter of Representation to be prepared on an annual basis by the Director of Corporate Services and signed by the aforesaid Officer and the Chair of the Audit Committee. In addition, the Wales Audit Office required the Committee responsible for approving the accounts under Regulation 8 of the Accounts and Audit Regulations to formally acknowledge the response of the Director of Corporate services.

**UNANIMOUSLY RESOLVED that the Letter of Representation to the Wales Audit Office prepared by the Director of Corporate Services be acknowledged.**

### **3.3. AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT**

The Committee had been circulated with a report detailing responses to requests made by the Wales Audit Office [WAO] of both management and the Audit Committee in order for the WAO to meet the requirements set out in International Standards on Auditing (ISAs) to formally seek the Authority's documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements. These considerations were relevant to both the Council's management and 'those charged with governance' (the Audit Committee). The information provided informed the WAO's understanding of the Council and its business processes and supported the WAO's work in providing an audit opinion on the 2018-19 financial statements.

**UNANIMOUSLY RESOLVED to approve the responses to the requests made by the Wales Audit Office of both management and the Audit Committee as detailed in the report.**

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

The Committee considered the Authority's Statement of Accounts for 2018/19, 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 31<sup>st</sup> March, 2019.

The Committee noted that as stated in the earlier agenda item 3.1 (Wales Audit Office Audit of Financial Statements Report) a number of amendments had been made to the accounts, which included clarification on some disclosure notes. The Committee acknowledged that all changes agreed with WAO had been reflected in the Statement of Accounts presented for approval.

It was reported that there had been no changes to the Council Fund balances on general or earmarked reserves for the year, and similarly no change to the Housing Revenue Account balance at year end.

It was also reported that the Authority had maintained the overall Council Fund net expenditure below the original budget, resulting in a transfer from the Revenue Account to Council Fund balances of £593k and that the planned transfer of £5.8m from Housing Revenue Account balances occurred during the year.

At the Balance Sheet date the Council Fund General Balances stood at £10.4m, the Housing Revenue Account £14.3m and the balances held by schools under LMS was in deficit by £393k.

**UNANIMOUSLY RESOLVED that the Carmarthenshire County Council Statement of Accounts 2018/19 be received.**

#### **4. DYFED PENSION FUND STATEMENT OF ACCOUNTS:-**

##### **4.1. DYFED PENSION FUND AUDIT OF FINANCIAL STATEMENTS REPORT**

The Committee received for consideration the report of the Wales Audit Office on the audit undertaken of the Dyfed Pension Fund Accounts which considered whether the financial statement gave a true and fair view of the financial position of the Dyfed Pension Fund at 31<sup>st</sup> March, 2019 and its income and expenditure during that year.

The Committee's attention was drawn to the detailed report where the Wales Audit Office found that there were no misstatements identified in the financial statements which remained uncorrected. A number of minor misstatements had been corrected by management.

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

##### **4.2. LETTER OF REPRESENTATION TO WALES AUDIT OFFICE - DYFED PENSION FUND**

The Committee was advised that in accordance with the Statement of Auditing Standards (SAS440 – Management Representations) the Wales Audit Office required a Letter of Representation to be prepared on an annual basis by the Director of Corporate Services and signed by the by the aforesaid Officer and the Chair of the Audit Committee In addition, the Wales Audit Office required the Committee responsible for approving the accounts under Regulation 8 of the Accounts and Audit Regulations to formally acknowledge the response.

**UNANIMOUSLY RESOLVED that the Letter of Representation to the Wales Audit Office from the Director of Corporate Services and the Chair of the Audit Committee to Wales Audit Officer – Dyfed Pension Fund be acknowledged.**

#### **4.3. AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT OF THE DYFED PENSION FUND**

The Committee had received the Authority's responses to the Welsh Audit Office on a number of governance areas that impacted on the audit of the financial statements. These considerations were relevant to both the Dyfed Pension Fund's management and 'those charged with governance' (the Audit Committee). The information provided informed the WAO's understanding of the Dyfed Pension Fund and its business processes and supported its work in providing an audit opinion on the 2017-18 financial statements.

**UNANIMOUSLY RESOLVED to approve the responses to the requests made of both management and the Audit Committee as detailed in the report.**

#### **4.4. DYFED PENSION FUND STATEMENT OF ACCOUNTS 2018-2019**

In accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014, the Committee received for approval the post-audit Statement of Accounts 2018/19 in respect of the Dyfed Pension Fund. The Statement brought together all the financial transactions of the Pension Fund for the year, and detailed its assets and liabilities as at 31<sup>st</sup> March, 2019.

**UNANIMOUSLY RESOLVED that the Statement of Accounts 2018/19 for the Dyfed Pension Fund post audit be approved.**

#### **5. 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.

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 2018-19 was £533k, and all activities had been fully funded by Carmarthenshire County Council. The fixed assets held at 31<sup>st</sup> March 2019 total £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.

**UNANIMOUSLY RESOLVED that the Accounting Statement for the Burry Port Harbour Authority for 2018-19 be received and approved.**

## **6. WALES PENSION PARTNERSHIP ANNUAL RETURN / AUDIT 2018/19**

The Committee received the Wales Pension Partnership (WPP) Annual Return/Audit 2018/19 for their consideration and approval. The Committee were made aware that due to the timing of the next Wales Pension Partnership's Joint Governance Committee meeting, the final approval of the 2018/19 audited annual return and audit report had been delegated by the Joint Committee to the host authority's (Carmarthenshire County Council) Audit Committee for 2018/19 only.

The Committee noted that Joint Committees with income and expenditure below £2.5 million, the requirement was that accounts were prepared in the form of an annual return. With Joint Governance Costs of £2.3 million for 2018/19, an annual return had been prepared for the Wales Pension Partnership.

**UNANIMOUSLY RESOLVED that the 2018/19 audited annual return and audit report for the Wales Pension Partnership be approved.**

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

### **7.1. WALES AUDIT OFFICE LOCAL REPORTS**

The Committee considered Wales Audit Office local reports related to:

- Annual Improvement Report –Carmarthenshire County Council 2018-19
- Review of Risk Management Arrangements - Carmarthenshire County Council

**UNANIMOUSLY RESOLVED that the Wales Audit Office Local Reports be received.**

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

The Committee considered the recently publish Wales Audit Office National Report – Integrated Care Fund.

**UNANIMOUSLY RESOLVED that the Wales Audit Office National Report be received.**

## **8. INTERNAL AUDIT PLAN 2019/20 UPDATE**

The Committee considered a report which included:-

- Part A(i) Internal Audit Plan 2019/20 progress report;
- Part A(ii) Internal Audit Plan 2019/20 Recommendations Scoring Matrix and
- Report B - Summary of Completed Final Reports 2018/19 Relating to Key Financial Systems (April 2018 to date) which included the summaries of the Audit Final Reports for Key Systems for:-
  - Creditors
  - Housing Benefits
  - Cash and Bank

**UNANIMOUSLY RESOLVED** that the 2018/19 Internal Audit Plan update be received.

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

The Committee considered the Annual Forward Work Programme which detailed expected Agenda Items for the 2019/20 Audit Committee Cycle.

It was proposed that updates with regard to the Council arm's length companies be added to the Forward Work Programme. The Head of Revenues and Financial Compliance stated that as requested these would be included within the 2019/20 Audit Committee Forward Work Programme.

**UNANIMOUSLY RESOLVED** that:

- 9.1 the Forward Work Programme be received**
- 9.2 updates on the Carmarthenshire County Councils arm's length companies be included on the Audit Committee's Forward Programme 2019/20.**

## **10. PROGRESS REPORTS:-**

### **10.1. WALES AUDIT OFFICE REPORT EVALUATION OF THE COUNCIL'S REVIEW OF PEOPLE PERFORMANCE MANAGEMENT PROGRESS UPDATE - SEPTEMBER 2019**

The Committee received an update on the progress being made in addressing the 9 recommendations which had emerged from the Council's Review of People Performance Management. This was being monitored by the People Strategy Governance Board (PSGB) which was chaired by the Director of Education & Children. The Board had been charged with developing a detailed action plan and work had been undertaken to prioritize those areas that had been highlighted such as Waste and Leisure.

With regard to the update provided for Recommendation 1 a query was raised that the update had not included any information that the review had been completed which was a concern in terms of its high risk nature. The Assistant Chief Executive – People and Performance, in the absence of the Director of Education & Children stated that he was an integral part of the corporate risk group and assured the Committee that this group was monitoring the ongoing work.

**UNANIMOUSLY RESOLVED:**

**10.1.1 that the report be received and the progress being made be noted;**

**10.1.2 that a progress report be submitted to the Committee in 12 months.**

**10.2. 2018/19 INTERNAL AUDIT OF PEMBREY COUNTRY PARK**

The Committee received a summary report of the 2018/19 Internal Audit of Pembrey Country Park which included the findings and recommendations arising from the audit.

The Scope of the review undertaken was on the systems and procedures in operation to assess the extent to which:

- The recommendations agreed in the previous Internal Audit report had been fully actioned;
- The income due had been collected in full, promptly banked and was accurately accounted for in accordance with the requirements of Financial Procedure Rules;
- Adequate arrangements exist for the procurement of goods, services and the new barrier system; and
- Adequate arrangements exist for the safeguarding of the Authority's assets.

The Committee noted that the review resulted in an acceptable assurance rating and the continued identified improvements in relation to administration at the Park.

It was reported that since the implementation of the new management structure, significant staff training had been undertaken for operational and financial procedures and that many of the audit issues previously identified had been addressed.

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



### **10.3. 2018/19 INTERNAL AUDIT OF THE SKI CENTRE**

The Committee received a summary report of the 2018/19 Internal Audit of the Ski Centre located within Pembrey Country Park which included the findings and recommendations arising from the audit.

Pembrey Country Park comprises of one of the most visited outdoor attractions in Wales. The Ski Centre is integral to the success of the Country Park, which includes a ski slope, a toboggan run, a bicycle hire point and a café.

A review of the Ski Centre was undertaken on the systems and procedures in operation to assess the extent to which:

- The recommendations agreed in the previous Internal Audit report had been fully actioned;
- The income due had been collected in full, promptly banked and was accurately accounted for in accordance with the requirements of Financial Procedure Rules;
- Adequate arrangements exist for the procurement of goods and services;
- Adequate arrangements exist for the safeguarding of the Authority's assets;
- The sale of shop stock was complete / in hand;
- All relevant staff had been subject to a Disclosure and Barring check;
- Staff rotas tallied against submitted timesheets.

Whilst it was reported that the 2018/19 review of the Ski Centre had resulted in a LOW assurance rating, the Committee noted that the review had identified a number of areas, where improvements were required, relating in the main to:

- Control over till access, income recording and reconciliation, and cash holding;
- Document retention to evidence procurement decisions.

#### **UNANIMOUSLY RESOLVED:**

**10.3.1 that the report be received**

**10.3.2 that a progress report be submitted to the Committee in 6 months.**

## 11. INTERNAL AUDIT CHARTER

The Committee received an updated Council Internal Audit Charter for consideration. The External Quality Assessment, undertaken on the Council's Internal Audit Service in 2018, identified that the Internal Audit Charter required updating in order to be brought in line with the requirements of the Public Sector Internal Audit Standards (PSIAS).

It was reported that the agreed action in order to address this recommendation was that the Internal Audit Charter would be reviewed and revised by September 2019.

The purpose of the Charter was to define what Internal Audit is and explain its purpose, authority and responsibility.

The Committee noted that the Charter had been written in accordance with the PSIAS and that the Internal Audit Charter would be reviewed every two years.

**UNANIMOUSLY RESOLVED that the updated Carmarthenshire County Council Internal Audit Charter be endorsed.**

## 12. GRANTS MANUAL

The Committee received an updated Grants Manual which outlined the Authority's grant management framework and included four key steps with regard to developing the project, offer of grant funding, delivering the grant funded project through to project closure.

The Grants manual supported the Financial Procedure Rules which serves to assist and guide staff. The Grants Manual sets out the Authority's adopted approach to developing and delivering all grant funded projects. It works alongside the Authority's Project Management Toolkit and together provide a fully encompassing guide.

The Committee were made aware that the Authority received grants from a number of funding sources and that the Grants Manual had recently been reviewed and updated to reflect current grants management requirements, in order to meet general funding body obligations, internal processes and procedures, and audit requirements.

**UNANIMOUSLY RESOLVED that the updated Grants Manual be endorsed.**

## 13. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE

**UNANIMOUSLY RESOLVED that the following minutes be received:-**

- Risk Management Steering Group Minutes – 30<sup>th</sup> July 2019
- Corporate Governance Group Minutes – 13<sup>th</sup> March 2019

14. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE HELD ON 1<sup>ST</sup> JULY, 2019

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 1<sup>st</sup> July, 2019 be signed as a correct record.

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
DATE