

## Audit Committee

Friday, 11<sup>th</sup> September, 2020

**PRESENT:** Councillor T.M. Higgins [Chair]

**Councillors:**

K.V. Broom, K.Davies, J.S. Edmunds (in place of B.A.L. Roberts), G.H. John, A.G. Morgan, B. Thomas 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 Audit Wales:**

Mr J. Garcia and Ms Alison Lewis

**The following Officers were in attendance:**

C. Moore - Director of Corporate Services

R. Hemingway - Head of Financial Services

J. Jones - Head of Regeneration

H. Pugh - Head of Revenues and Financial Compliance

P.R. Thomas - Assistant Chief Executive (People Management & Performance)

G. Davies - Finance Manager

C. Powell - Principal Auditor

M. Evans Thomas - Principal Democratic Services Officer

E. Bryer - Democratic Services Officer

M.S. Davies, Democratic Services Officer

J. Corner - Technical Officer

S. Rees - Simultaneous Translator

**Virtual Meeting : 2.00 p.m. to 4.30 p.m.**

**1. APOLOGIES FOR ABSENCE.**

An apology for absence was received from Councillor B.A.L. Roberts. The Director of Corporate Services informed the Committee that he would have to leave the meeting at 3.30 p.m.

**2. DECLARATIONS OF PERSONAL INTERESTS**

Member	Minute Number	Nature of Interest
A.G. Morgan	3 – Carmarthenshire County Council Statement of Accounts	He is a tenant at Delta Lakes
J. James	3.4 – Carmarthenshire County Council Statement of Accounts 2019/20	She is the Vice-Chair and a Trustee of the National Botanic Garden of Wales.

### **3. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS**

#### **3.1. AUDIT WALES AUDIT OF FINANCIAL STATEMENT REPORT (ISA 260)**

The Committee considered the Audit Wales Audit of Financial Statement Report (ISA 260). The report summarised the main findings arising from the audit undertaken by Audit Wales of the Authority's accounts for 2019/20.

The Auditor General was responsible for providing an opinion as to whether the financial statements gave a true and fair view of the position of Carmarthenshire County Council as at 31<sup>st</sup> March 2020.

Jason Garcia of Audit Wales informed the Committee that Audit Wales intended to issue an unqualified audit report on the accounts, however, there were some issues which needed to be reported to the Committee prior to their approval, details of which were included in the report.

It was noted that a qualified audit opinion is issued where there are material concerns about some aspects of the accounts, otherwise an unqualified opinion is issued. The Committee was pleased to note that Audit Wales intended to issue an unqualified audit opinion on the accounts and this would be issued as soon as the Letter of Representation had been provided. The Committee was also pleased to note that there were no misstatements identified in the financial statements which remained uncorrected.

Congratulations were extended to all officers concerned in the production of a very positive report during extremely challenging times.

**UNANIMOUSLY RESOLVED that the Audit Wales Audit of Financial Statements report for Carmarthenshire County Council for 2019/20 be received.**

#### **3.2. LETTER OF REPRESENTATION**

The Committee considered the Letter of Representation to Audit Wales which had been prepared by the Director of Corporate Services and the Chair of the Audit Committee, in line with the requirements of the Statement on Auditing Standards (SAS440 - Management Representations).

The Committee's formal acknowledgement of the response of the Director of Corporate Services and the Chair of the Audit Committee was also required by Audit Wales.

**UNANIMOUSLY RESOLVED that the Letter of Representation from the Director of Corporate Services and the Chair of the Audit Committee to Audit Wales be formally acknowledged.**

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

The Committee considered a report on Audit Enquiries To Those Charged With Governance.

Audit Wales is required to conduct their financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs, Audit Wales is required to formally seek the Authority's documented consideration and understanding of a number of governance areas that impact upon the audit of the financial statements. These considerations are relevant to both the Council's management and those charged with governance, namely the Audit Committee.

The report detailed those areas of governance on which Audit Wales sought views and the information provided informed their understanding of the Council and its business processes and supported their work in providing an audit opinion on the 2019/20 financial statements.

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

### **3.4. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2019/20.**

[NOTE: Councillor A.G. Morgan and Mrs J. James had earlier declared an interest in this item.]

The Committee considered the Statement of Accounts 2019/20 for Carmarthenshire County Council post audit, in line with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018).

It was noted that a number of amendments had been made to the accounts, as mentioned in the ISA 260, including clarification on some disclosure notes. For the Council Fund, there had been no change to the balances on general or earmarked reserves for the year and similarly no change to the Housing Revenue Account balance at year end. All changes agreed with Audit Wales were reflected in the Statement of Accounts.

The Director of Corporate Services referred to paragraph 3.3.6.3 on page 20 of the report and drew the Committee's attention to the reference to all scrutiny members having the power to call in executive decisions. He clarified that any three Council members had this power and he proposed that this be amended. He also referred to the reference in the same paragraph to a call-in period of 3 days for executive decisions. He advised the Committee that the call-in period is actually 5 days so this reference would also need to be amended. He added that this information was replicated later on in the report in paragraph 3.3.7.7 so this paragraph would also need to be amended.

The Director wished to record his thanks to the Head of Financial Services, Finance Manager and their staff for all their hard work in successfully completing the Statement of Accounts under very difficult circumstances.

**UNANIMOUSLY RESOLVED that the Statement of Accounts 2019/20 for Carmarthenshire County Council post audit be approved.**

#### **4. BURRY PORT HARBOUR FINANCIAL STATEMENT 2019/20**

The Council was required to approve the 2019/20 post-audited accounts of the Harbour Authority in order to comply with the Accounts and Audit (Wales) Regulations 2014. The Audit Committee had delegated powers to approve the Accounts in line with the Local Government Measure.

Carmarthenshire County Council has a range of statutory powers and duties for the purposes of improving, maintaining and managing the Burry Port harbour through the Burry Port Harbour Revision Order 2000. In accordance with the Harbours Act 1964, statutory Harbour Authorities are required to prepare an annual statement of accounts relating to harbour activities. In compliance with the Accounts and Audit (Wales) Regulations 2014, these accounts are in the form of a separate annual income and expenditure account and statement of balances. In April 2018 the Authority granted a long-term lease to The Marine & Property Group Ltd, who took over the running and management of Burry Port Harbour and consequently the activity on the statement was much reduced. The net cost of the harbour activities in 2019/20 was £76k, (2018-19 £533k) and all activities are fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March 2020 total £950k. The decrease in costs year on year of £457k mainly consisted of a decrease in capital expenditure of £545k and a decrease of £5k in operating costs offset by a £83k decrease in income.

**UNANIMOUSLY RESOLVED that the audited Accounting Statement for Burry Port Harbour Authority for 2019/20 be approved.**

#### **5. TO CONSIDER DOCUMENTS PREPARED BY AUDIT WALES**

##### **5.1. AUDIT WALES LOCAL REPORT - FINANCIAL SUSTAINABILITY ASSESSMENT - CARMARTHENSHIRE COUNTY COUNCIL**

The Committee considered the Audit Wales report relating to the Financial Sustainability Assessment of Carmarthenshire County Council. This assessment was undertaken on all Local Authorities in Wales.

The assessment sought to assess the sustainability of each Council's short to medium-term financial position. This included a focus on the financial strategy of each Council as well as reviewing the financial indicators of each Council's financial position in relation to:-

- performance against budget;
- delivery of savings plans;
- use of reserves;
- council tax; and
- borrowing.

The Committee noted that overall Audit Wales found that the Council has maintained a sustainable financial position to date but will need to continue to develop its approach to delivering savings in light of anticipated budget pressures. The Council's strategy has helped it to maintain a strong financial position to date

**UNANIMOUSLY RESOLVED that the Audit Wales report relating to the Financial Sustainability Assessment of Carmarthenshire County Council be received.**

## **5.2. AUDIT WALES NATIONAL REPORTS**

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

- Raising Our Game – Tackling Fraud in Wales (July 2020)
- Rough Sleeping in Wales – Everyone’s Problem, No-one’s Responsibility (July 2020)
- Findings from the Auditor General’s Sustainable Development Principle Examinations (May 2020)

The following question was asked in relation to the report:-

- Asked if recommendations from national reports are picked up by the relevant executive and also, in relation to any recommendations which impact upon the Audit Committee, how did officers intend to ensure that the Committee is fully engaged in the process. The Head of Revenues and Financial Compliance explained that the policy team is responsible for co-ordinating national reports. Work has already commenced on the issue of tackling fraud and this information will be populated onto the Authority’s PIMS system. Regular reports on anti- fraud will be presented to the Corporate Management Team and an annual report will be presented to the Audit Committee;

**UNANIMOUSLY RESOLVED that the abovementioned Audit Wales national reports be received.**

## **6. INTERNAL AUDIT PLAN UPDATE 2020/21**

The Committee considered a report providing an update on progress made on the implementation of the Internal Audit Plan 2020/21.

The Head of Revenues and Financial Compliance drew the Committee’s attention to the fact that an additional section has been added to the plan in relation to counter fraud which would go some way to addressing the concerns highlighted by Audit Wales in their national report earlier on the agenda.

The following question was asked in relation to the report:-

- Asked whether officers anticipated any other work arising during the year other than what was included in the plan, as additional work was taken on last year which put the team under some pressure. The Committee was informed that there were currently no plans to take on any additional work, however, information was awaited from the Welsh Government in relation to Covid-19.

**UNANIMOUSLY RESOLVED that the Internal Audit Plan update 2020/21 be received.**

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

The Committee considered its annual Forward Work Programme which detailed the reports to be submitted to the Committee for consideration during the 2020/21 Audit Committee cycle.

**UNANIMOUSLY RESOLVED that the Audit Committee's Forward Work Programme for 2020/21 be endorsed.**

## **8. CORPORATE RISK REGISTER 2020/21**

The Committee received for consideration the Corporate Risk Register 2020/21.

The Authority maintains a Corporate Risk Register to evaluate its exposure to key strategic risks. The Corporate Assessment recommended that the Corporate Risk Register should be shared with the Audit Committee. The review and monitoring of the Corporate Risk Register is delegated to the Audit Committee in line with its Terms of Reference.

The Committee noted the removal from the Corporate Risk Register of one part of the risk identified in relation to planning local enforcement. The Committee was also pleased to note that no additional risks were proposed to be included to the Register.

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

- With regard to the risk identified in relation to schools not undertaking routine property repairs and maintenance, reference was made to the fact that the information contained in the update column was out dated and officers were asked if any more up-to-date information was available. The Head of Revenues and Financial Compliance informed the Committee that she would seek an update from the relevant department;
- It was pointed out that progress on Ash die back was impressive and officers were asked if there was any further update. The Committee was informed that officers are proceeding quite well with the procurement process and they were working towards getting that in place by November.

**UNANIMOUSLY RESOLVED that the Corporate Risk Register 2020/21 be received.**

## **9. PROGRESS REPORTS**

### **9.1. EVALUATION OF THE COUNCIL'S REVIEW OF PEOPLE PERFORMANCE MANAGEMENT - PROGRESS UPDATE SEPTEMBER 2020**

At its last meeting the Committee requested an update on the progress being made in relation to implementing the recommendations emerging from the Council's Review of People Performance Management.

During 2017, as a result of concerns highlighted by the Internal Audit team, the Corporate People Performance Management Review Working Group undertook a review of the Council's People Performance Management framework and presented its findings to the Council's Corporate Management Team. The findings were subsequently formally handed over to the People Strategy Governance Board in February 2018 who were charged with developing a detailed action plan.

The report provided an update on the progress made in terms of addressing the review's recommendations and confirmed that all the recommendations have now been completed. The report also commented on the impact of COVID-19 particularly in relation to the requirement for more agile and flexible working, thereby conforming to the legislative requirements in relation to social distancing.

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

- Reference was made to the fact that home working has highlighted the broadband connectivity problems in rural Wales. It has also revealed other problems being experienced such as isolation, insufficient space at home to accommodate a home office and the importance of being aware of and sympathetic to such issues was stressed. The Assistant Chief Executive informed the Committee that with regard to isolation, a move away from traditional, technical job profiles has been made to a more people centric approach;
- With regard to the gifts and hospitality register, officers were asked how this process was validated/audited. The Assistant Chief Executive informed the Committee that the process has been revamped and all forms have been re-written to make it far more comprehensive as previously it wasn't as regimented as it needed to be. All members of staff will be required to complete a declaration of interest form whether they have an interest or not;
- Officers were asked about the process undertaken for appraisals and what it entailed. The Committee was informed that previously, the process for appraisals was far too mechanistic. Appraisals are there to support people;
- Officers were asked about the general policy in relation to keeping in touch with staff. The Assistant Chief Executive informed the Committee that this was done primarily via Keep In Touch (KIT) days. The Authority has a duty of care to its employees which included mental health.
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## **UNANIMOUSLY RESOLVED**

**9.1.1 that the report be received;**

**9.1.2 that, as all actions had been completed, no further update report was required to be presented to the Committee.**

## **9.2. PROPERTY MANAGEMENT REVIEW - PROGRESS UPDATE**

The Committee considered a progress update report in relation to the Authority's Property Management Division.

At its meeting held on 24<sup>th</sup> January, 2020 the Committee requested an update on the progress being made to address the recommendations emanating from the audit review of Property Management. The review identified a number of concerns

relating to the management and administration of the Authority's leased properties and an action plan was prepared to address these concerns. An action plan was prepared to address these concerns which detailed the specific actions undertaken and the report provided an update on the present position in relation to the planned actions.

It was noted that the home working of staff due to the COVID 19 pandemic there may be a need to refine some aspects of the disposal policy, particularly in terms of sign off and whether this could be done on an electronic basis. Going forward the COVID 19 pandemic may have a significant negative effect on rental levels and accordingly rent increases through reviews or renewals were unlikely to happen in the short term.

The following question was asked in relation to the report:-

- Asked whether the Authority should be allowing a tenant to sub-let to another tenant. The Head of Regeneration explained that if the sub-tenant meets all the necessary requirements then it would be acceptable. As custodians of the town centre the Authority would prefer to see properties occupied rather than empty. We need to have vibrant town centres and officers are working towards getting a mix of leisure and accommodation in what were previously retail units.

## **UNANIMOUSLY RESOLVED**

**9.2.1 that the report be received;**

**9.2.2 that the results of the follow-up audit be report to Committee in due course.**

## **10. FINANCIAL PROCEDURE RULES**

The Committee was informed that the Financial Procedure Rules had been reviewed and revised to ensure that all information included was current and appropriate.

The Financial Procedure Rules provide a structure and explain the procedures which officers and members must follow to ensure high standards of financial management thereby allowing the Authority's Section 151 Officer to fulfil his statutory duty under the Local Government Finance Act 1972 (Section 151) in relation to the proper administration of the financial affairs of the Council. Chief Officers may delegate functions of a financial nature to individual officers e.g. budgetary control, ordering goods/services, payment of accounts and the certification of time sheets. If officers undertake an activity which affects the Council's finances, they should ensure that they understand the requirements of the Financial Procedure Rules so that they comply with the approved arrangements.

The Audit Committee has delegated authority, in line with the Council's Constitution, to consider and approve amendments to the Financial Procedure Rules.



The following observation was made on the report:-

- Reference was made to the use of electronic signatures and the fact that there did not seem to be any reference to this in the Authority's IT policies.

**UNANIMOUSLY RESOLVED that the revised Financial Procedure Rules be approved.**

**11. REVISED CONTRACT PROCEDURE RULES**

The Committee was informed that the Contract Procedure Rules (CPRs) have been reviewed and updated to take account of a number of changes in procurement regulations and procurement policies/procedures. The proposed revisions to the CPRs were highlighted in the report.

**UNANIMOUSLY RESOLVED that the revised Contract Procedure Rules (version 3) be approved.**

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

**12.1. MINUTES OF THE RISK MANAGEMENT STEERING GROUP**

**UNANIMOUSLY RESOLVED that the minutes of the Risk Management Steering Group held on 31<sup>st</sup> July, 2020 be received.**

**12.2. MINUTES OF THE GRANTS PANEL**

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 12<sup>th</sup> June, 2020 be received.**

**13. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON THE 29TH JULY, 2020**

**UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 29<sup>th</sup> July, 2020 be signed as a correct record.**

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**CHAIR**

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**DATE**