

## Audit Committee

Wednesday, 29 July 2020

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

**Councillors:**

K.V. Broom, K.Davies, G.H. John, A.G. Morgan, B.A.L. Roberts, B. Thomas, D.E. Williams and J. James (External Voting Member).

**Also present as an observer:**

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

**In attendance from the Audit Wales:**

Mr J. Garcia

Ms A. Lewis

**The following Officers were in attendance:**

C. Moore, Director of Corporate Services

H. Pugh, Head of Revenues and Financial Compliance

R. Hemingway, Head of Financial Services

C. Powell, Principal Auditor

G Davies, Finance Manager

E. Bryer, Democratic Services Officer

**Virtual Meeting - 2.00 pm - 5.00 pm**

**ORDER OF BUSINESS**

The Chair advised the Committee that, in accordance with Council Procedure Rule 2(3) she was going to vary the order of business on the agenda to enable Agenda Items 9 – 12 to be heard earlier in the meeting.

**1. APOLOGIES FOR ABSENCE.**

There were no apologies for absence.

**2. DECLARATIONS OF PERSONAL INTERESTS.**

<b>Member</b>	<b>Minute Number</b>	<b>Nature of Interest</b>
Cllr. D. E. Williams	9.3 – Dyfed Pension Fund Audit Plan 2020 9.4 – Dyfed Pension Fund Audit Plan Update Letters 11. Dyfed Pension Fund Statement of Accounts 2019/20.	He is Chair of the Dyfed Pension Fund Committee

**3. APPOINTMENT OF CHAIR FOR THE 2020/21 MUNICIPAL YEAR.**

**UNANIMOUSLY RESOLVED** that Councillor T. Higgins be appointed Chair of the Committee for the 2020/21 municipal year.

**4. APPOINTMENT OF VICE-CHAIR FOR THE 2020/21 MUNICIPAL YEAR.**

**UNANIMOUSLY RESOLVED** that Councillor G. Morgan be appointed Vice-Chair of the Committee for the 2020/21 municipal year.

**5. REVISED INTERNAL AUDIT PLAN 2020/21.**

The Committee considered the revised Annual Internal Audit Plan for 2020/21.

It was noted that due to the outbreak of COVID-19 it had been necessary to revise and reshape the previously proposed plan.

The revised plan included coverage of:

- Fundamental Audits
- Corporate Governance Assurance
- COVID-19 Assurance
- Corporate Reviews
- Grants and Certification
- Departmental Reviews.

A number of questions were raised, the main matters were as follows:

- Reference was made to Whistleblowing (Corporate Governance Assurance) and if 15 audit plan days was proportionate. The Head of Revenues and Financial Compliance advised that data would be sampled that the number of day's allocated may change accordingly.
- It was asked what would no longer be covered in the revised plan compared to the previous plans. The Head of Revenues and Financial Compliance advised that the changes could be tracked and that more detailed information would be emailed to the Committee in due course.
- It was noted that Brexit was not referenced in the plan. The Committee were advised that there was a Brexit working group which following the relaxation of lockdown, would be re-instated shortly. The Head of Revenues and Financial Compliance confirmed that there was a detailed Brexit risk and opportunities register in place.

**UNANIMOUSLY RESOLVED** that the revised Internal Audit Plan 2020/21 be approved.

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

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

It was noted that:

Report A provided a progress report on the Internal Audit Plan 2020/21.

Report B provided a summary of completed final reports for relating to key financial systems.

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

- It was asked who would have responsibility in ensuring that the furlough process had been applied correctly. The Head of Revenues and Financial Compliance advised that this area would be covered either within the payroll review or COVID-19 review. The Head of Financial Services advised the Committee that the only staff that were eligible for furlough were those within the income generating service such as the school meals and leisure services. It was noted that there was no reduction in actual staff salary and that the furlough claim submitted to Welsh Government would mitigate the loss of income suffered by the Authority.

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

## **7. INTERNAL AUDIT ANNUAL REPORT 2019/20.**

The Committee considered a report providing an opinion on the adequacy and effectiveness of the Council's control environment for the year April 2019 to March 2020, based on the work undertaken in the 2019/20 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 acceptable 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.

A number of questions were raised, the main matters were as follows:

- It was asked if there was an update available regarding the pool car review. The Head of Revenues and Financial Compliance advised that she did not think that the TIC review had been completed. It was agreed that an email update would be provided to the Committee.
- Concerns were raised that the purported savings of TIC reviews were not often achieved. It was asked what assurance was in place to ensure that projected savings were achievable. The Head of Revenues and Financial Compliance advised that prior to lockdown reports were regular reviewed by the TIC Programme Board and the Executive Board Member. The Head of Financial Services advised that TIC was set up to help drive efficiency and service improvements and that not all savings were cashable savings.

- The Committee stated that they did not always receive the final audit reports that were given to the Directors and Executive Board Members. The Head of Revenues and Financial Compliance apologised to the Committee and advised that she would ensure that the Committee received monthly updates.
- It was asked if Audit's review could encompass the review of the scope and value of the Pentre Awel project. The Head of Revenues and Financial Compliance advised that they could look at the process and procedures and also incorporate a review to ensure that terms and conditions are adhered to.

**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 2020/21 Audit Committee cycle.

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

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

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

**9.1. CARMARTHENSHIRE COUNTY COUNCIL AUDIT PLAN 2020;**

The Committee considered the 2020 Audit Plan for Carmarthenshire County Council. It was noted that the Auditor General, as the Council's external auditor, must discharge his statutory duties and obligations under the Public Audit (Wales) Act 2004 and the plan detailed the work to be carried out in order to discharge those responsibilities.

**UNANIMOUSLY RESOLVED that the 2020 Audit Plan for Carmarthenshire County Council be received.**

**9.2. CARMARTHENSHIRE COUNTY COUNCIL AUDIT PLAN 2020 UPDATE LETTERS;**

The Committee considered the Audit Wales Audit Plan Update Letters for Carmarthenshire County Council for 2020/21.

It was noted that the COVID-19 national emergency had an unprecedented impact on the UK and would significantly impact on public bodies' preparation of the 2019-20 accounts and audit work, both financial audit and performance audit. Therefore, timetables for audited bodies' preparation of financial statements would need to be revised.

**UNANIMOUSLY RESOLVED that the Carmarthenshire County Council Audit Plan 2020 update letters be received.**

### **9.3. DYFED PENSION FUND AUDIT PLAN 2020;**

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

The Committee considered the 2020/21 Audit Plan for the Dyfed Pension Fund. It was noted that the Auditor General, as the auditor for the Dyfed Pension Fund, must discharge his statutory duties and obligations under the Public Audit (Wales) Act 2004 and the plan detailed the work to be carried out in order to discharge those responsibilities.

**UNANIMOUSLY RESOLVED that the 2020/21 Audit Plan for the Dyfed Pension Fund be received.**

### **9.4. DYFED PENSION FUND AUDIT PLAN UPDATE LETTERS.**

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

The Committee considered the Audit Wales Audit Plan Update Letters for Dyfed Pension Fund for 2020/21.

It was noted that the COVID-19 national emergency had an unprecedented impact on the UK and would significantly impact on public bodies' preparation of the 2019-20 accounts and audit work, both financial audit and performance audit. Therefore, timetables for audited bodies' preparation of financial statements would need to be revised.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Audit Plan Letters be received.**

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

In accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018), the Committee received for approval the Statement of Accounts 2019/20 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, 2020.

It was noted that the Authority had maintained the overall Council Fund net expenditure within budget during 2019/20. Whilst a number of service areas experienced demand led pressures during the year, these were offset by

underspends in other services areas; specifically on capital financing costs and higher than estimated collection level on Council Tax.

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

- The Corporate Retirement Fund
- Major Development Fund
- MEP Capital Funding
- The City Deal Reserve
- Resetting Services (Post COVID 19)

The Committee was requested to retrospectively approve these movements and to retrospectively approve the creation of the Resetting Services (Post COVID-19 Reserves.

A number of questions were raised, the main matters were as follows:

- It was noted by the Committee that due to COVID-19 there would be additional financial challenges for the Authority. The Director of Corporate Services advised that the potential impact of COVID had been recognised and that the biggest impact would be reflected in this year's Statement of Accounts.
- Concerns were raised regarding the Schools Deficits and assurance was sought to ensure that measures were in place to prevent further deterioration. The Director of Corporate Services agreed with the comments and assured the Committee that significant dialogue and meetings had been held with schools to put measures in place.

#### **UNANIMOUSLY RESOLVED**

**10.1 that the Statement of Accounts 2019/20 for Carmarthenshire County Council be received;**

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

**10.3 that the creation of the Resetting Services (Post COVID-19) Reserves be retrospectively approved.**

#### **11. DYFED PENSION FUND STATEMENT OF ACCOUNTS 2019/20.**

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

The Committee considered the Dyfed Pension Fund Statement of Accounts for 2019/20 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, 2020.

It was reported that the Fund's net assets had decreased by £191.2m from 2018/19 to 2019/20 mainly due to the decrease in market value of the investment assets. With regard to Fund expenditure, benefits payable and transfers out increased by £5.8m to £87.3m with contributions and transfers in increasing by £5.5m to £87.3m on the income side.

It was noted that total membership of the Fund had increased by 1,273 from 47,250 in 2018/19 to 48,523 in 2019/20 representing an increase of 2.69%

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Statement of Accounts 2019/20 be received.**

**12. BURRY PORT HARBOUR FINANCIAL STATEMENT 2019/20.**

The Committee considered the Burry Port Harbour Financial Statement 2019-20, 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.

From 1<sup>st</sup> 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 were fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March, 2020 totalled £950k. The decrease of £475K mainly consisted of a decrease in capital expenditure of £545k and a decrease of £5k in net operating costs offset by a £83K decrease in income.

**UNANIMOUSLY RESOLVED that the Accounting Statement for the Burry Port Harbour Authority for 2019-20 be received.**

**13. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE:-**

**13.1. RISK MANAGEMENT STEERING GROUP - 29TH JANUARY, 2020;**

**UNANIMOUSLY RESOLVED that the minutes of the Risk Management Steering Group held on the 29<sup>th</sup> January, 2020 be received.**

**13.2. GRANTS PANEL - 22ND NOVEMBER, 2019;**

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 22<sup>nd</sup> November, 2019 be received.**

**13.3. GRANTS PANEL - 14TH FEBRUARY, 2020;**

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 14th February, 2020 be received.**

**13.4. CORPORATE GOVERNANCE GROUP - 11TH FEBRUARY, 2020.**

**UNANIMOUSLY RESOLVED that the minutes of the Corporate Governance Group held on the 22th February, 2020 be received.**

**14. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE HELD ON 24TH JANUARY, 2020**

**UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 24<sup>th</sup> January, 2020 be signed as a correct record.**

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**CHAIR**

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**DATE**