

# GOVERNANCE & AUDIT COMMITTEE

FRIDAY, 16<sup>TH</sup> JULY, 2021

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

**Councillors:**

K.V. Broom, K. Davies, G.H. John, A.G. Morgan, B. Thomas and D.E. Williams

**Co-opted Member:**

Julie James

**Also present as an observer:**

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

**In attendance from Audit Wales:**

Mr J. Garcia

**The following Officers were in attendance:**

C. Moore, Director of Corporate Services

A. Thomas, Head of Education Services and Inclusion

H. Pugh, Head of Revenues and Financial Compliance

A. Williams, Head of Waste and Environmental Services

G. Ayers, Corporate Policy and Partnership Manager

G. Davies, Finance Manager

J. Tillman, Information Governance and Complaints Manager

C. Powell, Principal Auditor

S. Nolan, Group Accountant

R. Lloyd, Democratic Services Officer [Note Taker]

K. Thomas, Democratic Services Officer [Assisting]

S. Rees, Simultaneous Translator

**Virtual Meeting : 10.00 am - 1.05 pm**

**1. APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor B.A.L. Roberts.

**2. DECLARATIONS OF PERSONAL INTERESTS**

Councillor	Minute Number	Nature of Interest
A.G. Morgan	8.1 – Schools' Deficits and Surpluses	Chair of Governors of a school in deficit
T. Higgins	8.1 – Schools' Deficits and Surpluses	LEA Governor for Tycroes School
G. John	8.1 – Schools' Deficits and Surpluses	LEA Governor for Johnstown School
E. Williams	8.1 – Schools' Deficits and Surpluses	LEA Governor for Llangunnor School

B. Thomas	8.1 – Schools’ Deficits and Surpluses	LEA Governor for Y Felin School and Bryngwyn/Glanymor Federated school
K. Davies	8.1 – Schools’ Deficits and Surpluses	LEA Governor for Saron and Dyffryn Aman Schools
K. Broom	8.1 – Schools’ Deficits and Surpluses	LEA Governor for Y Strade and Trimsaran Schools

**3. APPOINTMENT OF CHAIR FOR THE 2021/22 MUNICIPAL YEAR**

**UNANIMOUSLY RESOLVED** that Councillor T. Higgins be appointed Chair of the Committee for the 2021/22 municipal year.

**4. APPOINTMENT OF VICE-CHAIR FOR THE 2021/22 MUNICIPAL YEAR**

**UNANIMOUSLY RESOLVED** that Councillor G. Morgan be appointed Vice-Chair of the Committee for the 2021/22 municipal year.

**5. INTERNAL AUDIT PLAN UPDATE 2020/21 AND 2021/22**

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

Report A: Internal Audit Plan Progress Reports for 2020/21 and 2021/22

Report B: Summary of Completed Final Reports Relating to Key Financial Systems (Payroll / Main Accounting and Treasury Management)

Report C: Priority 1 Recommendations Relating to Reviews of Other Systems and Establishment Audits (Arboriculture Framework)

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

- On Report B clarity was sought in relation to payroll which shows an extensive scope for this year. The Head of Revenues and Financial Compliance advised that 40 days were spent on this review; widening the scope to conclude that the majority of controls are in place. Issues identified were in relation to overpayments of overtime, which have now been repaid and appropriate personnel having access to the system as “Supervisor”;
- Asked about the Main Accounting System which is a critical function of the Authority, the Head of Revenues and Financial Compliance advised that the budget manual does need to be updated and will come before the Governance and Audit Committee at a later date;
- Asked if there was evidence to expand on the “testing on a sample of 10 virements identified to support the approval of 3 virements was not available”, the Head of Revenues and Financial Compliance advised that it has been identified and concerns have been raised with the department and actions are being taken by the Head of Financial Services’ team with systems in place to overcome the issue. These virements were specifically within budget holders categories which was deemed a lower risk;
- Significant concerns on contract management under Report C. The Head of Revenues and Financial Compliance advised that it was due to lack of processes in these areas. An internal review has been undertaken on what needed to be put in place to address the issue with further system

improvements done by the department; the contractors are now expected to submit full time sheets and evidence of hired machinery so that reimbursements tally. The Head of Waste and Environmental Services advised that job requests are channelled through the Business Support Unit electronically and then distributed accordingly, detailing works to be undertaken with no work commencing before a Purchase Order is received. Members requested that a follow up internal audit review be carried out and the findings reported back to the Governance and Audit Committee;

- Asked about the competence of the team that placed red ribbons on “unhealthy trees” which are not unhealthy. The Head of Revenues and Financial Compliance confirmed that they are “dabbed” due to health and safety of the public.

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

## **6. ANNUAL INTERNAL AUDIT REPORT 2020/21**

The Committee considered a report providing an opinion on the adequacy and effectiveness of the Council’s control environment for the year April 2020 to March 2021, based on the work undertaken in the 2020/21 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 internal audit reviews, work had been undertaken with management to agree appropriate corrective actions and a timescale for improvement.

The Head of Revenues and Financial Compliance advised that the Annual Governance Statement forms part of the annual statement of accounts with the extent of the compliance with principles and practices of good governance, including how effectiveness of the governance has been monitored and sets out action for planned changes in the coming year. A copy of which will be sent to all members so that any concerns can be expressed.

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

- Asked if there was a comparison on previous year on Table 1: Analysis of Recommendations, the Head of Revenues and Compliance advised that it was available and would be shared with the Committee.

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

## **7. FORWARD WORK PROGRAMME**

The Committee considered its annual Forward Work Programme which detailed the reports to be submitted for consideration during the 2021/22 Audit Committee cycle.

**UNANIMOUSLY RESOLVED that the Governance & Audit Committee's Forward Work Programme for 2021/22 be endorsed.**

## **8. PROGRESS REPORTS**

### **8.1. SCHOOLS' DEFICITS AND SURPLUSES**

(NOTE: Councillors A.G. Morgan, T. Higgins, G. John, E. Williams, B. Thomas, K. Davies and K. Broom re-iterated their earlier declarations of interest in respect of this item and remained in the meeting for its consideration)

The Committee considered the Progress Report for Schools' Deficits and Surpluses which detailed an update on the Local Authority's strategy and position with maintained schools facing or predicting budget deficit. It follows a previous presentation made to the Audit Committee. The report considers the procedures relating to the management of deficits and surpluses of School budgets. To ensure budgets are submitted and reported in a timely manner, and in accordance with both the School Funding (Wales) Regulations 2010 and the Scheme for the Financing of Schools.

It is recognised that the last 17 months has seen a significant impact on schools and services across Carmarthenshire. As a result, school budgets have been impacted significantly and the Finance Team's capacity with support from School Improvement to support and challenge schools has been severely disrupted.

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

- Clarity was sought on one particular school that has made up a large number of the deficit asking if it can be shared. It was advised that the school in question had a significantly reduced deficit at year end and is forecasting to be within budget this financial year. However, another secondary school is facing significant financial pressures due to falling pupil numbers;
- Query raised as to the impact of the school balance on the corporate reserves. The Group Accountant advised that balances are there so that they can utilise the funding or plan a deficit recover over a number of years and to note that school reserves are separate to corporate reserves and can't be used elsewhere as they are connected to the schools;
- Turnaround in 3 financial years sees 2018/19 having a net deficit of £393k increasing in 2019/20 to £2m with a £9m underspend in 2020/21 giving a net surplus of £7m. The Head of Education & Inclusion advised that the surplus balances were mainly due to schools having been closed or reduced opening, utilities, resources and supply cover savings along with additional WG grants;
- Asked about the challenges masked with additional money coming in later in

- the year;
- Would benefit from having a similar report in a year's time as there continues to be financial challenges in some (mainly small) schools. The Director of Corporate Services advised that the school balances movement will be included within the Statement of Accounts.

**UNANIMOUSLY RESOLVED that the Progress Report on Schools' Deficits and Surpluses be received.**

## **9. ANNUAL ANTI-FRAUD AND ANTI-CORRUPTION REPORT 2020/21**

The Committee considered the Annual Anti-Fraud and Anti-Corruption Report 2020/21 which provides a summary of the activities of the Council's Anti-Fraud function for the 2020/21 financial year. It details that Carmarthenshire County Council has a zero-tolerance stance to all forms of fraud, corruption and theft, both from within the Council and from external sources. It is recognised that fraud can:

- undermine the standards of public service that the Council is attempting to achieve;
- reduce the level of resources and services available for the residents of Carmarthenshire; and
- result in major consequences which reduce public confidence in the Council.

Good Corporate Governance requires that the Authority must demonstrate clearly that it is committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (members and employees) and outside the Council.

The Head of Revenues and Financial Compliance advised that fraud awareness sessions with the Police have taken place with member of the Corporate Management Team, Executive Board, Governance & Audit Committee and staff including the Internal Audit Team. There is a dedicated page on the Intranet in relation to fraud and the team was currently looking at an e-learning module to raise awareness for staff.

The Authority participates in the National Fraud Initiative (NFI) exercise, where data, including data on Payroll, Creditors etc. is matched nationally every 2 years to identify potential individual frauds.

The following observation was raised on the report:-

- It would be good practice to always see a comparison from a previous year. The Head of Revenues and Financial Compliance advised that this would be reflected in next year's report.

**UNANIMOUSLY RESOLVED that the Annual Anti-Fraud and Anti-Corruption Report 2020/21 be received.**

## **10. COMPLAINTS POLICY**

The Committee considered the Complaints Policy which details that on 30<sup>th</sup> September, 2020 the Public Services Ombudsman (PSOW) for Wales and its

Complaints Standards Authority (CSA) formally launched a new Model Concerns & Complaints Policy (along with accompanying guidance):

<https://www.ombudsman.wales/complaints-standards-authority/>

Local authorities were given 6 months from the above date to implement this new Policy/process and submit an updated document to the PSOW. The Council met this deadline and a new Complaints Policy was approved by the Executive Board on 22<sup>nd</sup> March 2021. Following this, the policy was submitted to the CSA for confirmation of compliance. The Head of the CSA then wrote to the Chief Executive and Leader on 26<sup>th</sup> May 2021 confirming that the Council's Complaints Policy is deemed compliant.

The new policy does not represent a significant departure from our previous Complaints & Compliments Procedure and complaints handling processes. Nonetheless, key changes include:

- A commitment to providing a refund/reimbursement to complainants in certain circumstances – specifically, where a person had to pay for a service that the Council should have provided. This may have financial implications in cases where this may arise, which are difficult to quantify.
- An enhanced reporting requirement;
- A commitment to reporting all 'serious' complaints to senior management;
- It is stated in the guidance document that complaints that cannot be resolved at Stage 1 (informal response) within 10 working days *should* be escalated to Stage 2. However, it is unclear at the present time whether the Ombudsman would strictly enforce this, given the wording of the guidance. This will be kept under review.

Arrangements to implement these requirements are being progressed.

**UNANIMOUSLY RESOLVED that the Complaints Policy be received.**

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

The Chair welcomed to the meeting Mr Jason Garcia of Audit Wales

**11.1. AUDIT WALES WORK PROGRAMME UPDATE**

The Committee considered The Audit Wales Work Programme update.

The following questions was raised on the report:-

- Asked if the review of planning services is an All Wales Review or specific to Carmarthenshire? Audit Wales confirmed that it is local work for Carmarthenshire with a risk assessment done internally with a work programme developed continuing to identify work going forward.

**UNANIMOUSLY RESOLVED that the Audit Wales Programme update be received.**

## 12. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2020/21

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 2020/21 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, 2021.

It was noted that the Authority had maintained the overall Council Fund net expenditure within budget during 2020/21.

As a result of substantial additional grant funding received from Welsh Government before the year-end, plus additional COVID19 related costs and lost income being largely refunded under the Welsh Government hardship scheme, services being paused or reduced due to lockdown measures and staffing vacancies during the year, this has resulted in an outturn position which has allowed the Authority to transfer £814k to its general reserves.

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

The Committee was requested to retrospectively approve these movements and approve the creation of the COVID-19 Hardship, Economic Recovery, County Council Election Costs, Nantycaws Recycling Centre, Schools HBW Sustainability Scheme and School Organisation reserves.

Additional flow of funding with Welsh Government support was substantial to accommodate expenditure not only to systems but also to make payments to businesses throughout the county. The Welsh Government supported through various angles including £23m on general expenditure and £10m on loss of income.

## **UNANIMOUSLY RESOLVED**

- 12.1 that the Statement of Accounts 2020/21 for Carmarthenshire County Council be received;**
- 12.2 To retrospectively approve the movements to and from the Earmarked Reserves. In particular the transfers to:**
- Corporate Retirement**
  - Major Development Fund**
  - MEP Capital Funding**
  - City Deal**
- 12.3 To retrospectively approve the creation of the following reserves:**
- COVID19 Hardship**
  - Economic Recovery**
  - County Council Election Costs**
  - Nantycaws Recycling Centre**
  - Schools HWB Sustainability Scheme**
  - School Organisation Fund**

### **13. BURRY PORT HARBOUR FINANCIAL STATEMENT 2020-21**

The Committee considered the Burry Port Harbour Financial Statement 2020-21, 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 2020-21 was £803kk (2019-20 £76K) and all activities were fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March, 2020 totalled £925k. The increased cost year on year consisted of £727K mainly consisted of an increase in capital expenditure of £731k being expenditure undertaken on the harbour walls, a decrease of £16k in operating costs offset by a £12K decrease in income.

**UNANIMOUSLY RESOLVED that the Accounting Statement for the Burry Port Harbour Authority for 2020-21 be received.**

### **14. CODE OF CORPORATE GOVERNANCE**

The Committee considered the Code of Corporate Governance report which details the systems and processes, and also the culture and values, by which the Council is directed and controlled and how it accounts to and engages with its citizens.

The Code of Corporate Governance sets out Carmarthenshire County Council's



approach to achieving and maintaining good corporate governance. This Code has been updated and reviewed by the Corporate Governance Group to recognised policies and processes that are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework Delivering Good Governance in Local Government' (Guidance Notes for Welsh Authorities 2016 Edition – Published September, 2016). This framework identified 7 key principles of the good governance which compliment the Well-being of Future Generations Act requirements.

**UNANIMOUSLY RESOLVED that the Code of Corporate Governance Report be received.**

**15. MINUTES OF RELEVANT GROUPS TO THE GOVERNANCE & AUDIT COMMITTEE:-**

**15.1. RISK MANAGEMENT STEERING GROUP - 29TH APRIL 2021**

**UNANIMOUSLY RESOLVED that the minutes of the Risk Management Steering Group held on the 29<sup>th</sup> April, 2021 be received.**

**15.2. GRANTS PANEL - 26TH FEBRUARY 2021**

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 26<sup>th</sup> February, 2021 be received.**

**15.3. CORPORATE GOVERNANCE GROUP - 16TH FEBRUARY AND 30TH MARCH 2021**

**UNANIMOUSLY RESOLVED that the minutes of the Corporate Governance Group held on the 16<sup>th</sup> February and 30<sup>th</sup> March 2021 be received.**

**16. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE HELD ON THE 26TH MARCH 2021.**

**UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 26<sup>th</sup> March, 2021 be signed as a correct record.**

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**CHAIR**

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**DATE**