

## GOVERNANCE & AUDIT COMMITTEE

12 OCTOBER 2021

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

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

**Co-opted Member:**

Mrs. J. James

**Also present as an observer:**

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

**In attendance from Audit Wales:**

J. Garcia, N. Jenkins, A. Worthy and A. Lewis.

**The following Officers were in attendance:**

C. Moore, Director of Corporate Services;

R. Hemingway, Head of Financial Services;

H. Pugh, Head of Revenues and Financial Compliance;

A. Williams, Head of Waste and Environmental Services;

C. Powell, Principal Auditor;

A. Parnell, Treasury & Pension Investments Manager;

M. Evans Thomas, Principal Democratic Services Officer [Assisting];

R. Morris, Member Support Officer [Webcaster];

K. Thomas, Democratic Services Officer [Assisting];

J. Owen, Democratic Services Officer [Minute Taker];

S. Rees, Simultaneous Translator;

K. Evans, Assistant Democratic Services Officer [Observer].

**Virtual Meeting: 10:00am - 12:47am**

### 1. APOLOGIES FOR ABSENCE.

Apologies were received from Councillor B.A.L. Roberts.

At this point the Chair, on behalf of the Committee wished to express her sincere condolences on the passing of Councillor Roberts' husband.

### 2. DECLARATIONS OF PERSONAL INTERESTS.

Councillor	Minute Number	Nature of Interest
T. Higgins	3 – Dyfed Pension Fund Statement of Accounts (including 3.1 – 3.4)	Member of the Pension Fund
K. Broom	3 – Dyfed Pension Fund Statement of Accounts (including 3.1 – 3.4)	Member of the Pension Fund
K. Davies	3 – Dyfed Pension Fund Statement of Accounts (including 3.1 – 3.4)	Member of the Pension Fund
G. John	3 – Dyfed Pension Fund Statement of Accounts (including 3.1 – 3.4)	Member of the Pension Fund

E. Williams	3 – Dyfed Pension Fund Statement of Accounts (including 3.1 – 3.4)	Member of the Pension Fund Chair of the Dyfed Pension Fund Committee
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### 3. DYFED PENSION FUND STATEMENT OF ACCOUNTS

(NOTE: Councillors T. Higgins, K. Broom, K. Davies, G. John and E Williams had earlier declared an interest in the following items 3.1 – 3.4.)

#### 3.1. DYFED PENSION FUND AUDIT OF FINANCIAL STATEMENTS REPORT

The Committee received for consideration the report of Audit Wales on the audit undertaken of the Dyfed Pension Fund Accounts. The report 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, 2021 and its income and expenditure during that year.

The Committee was pleased to note that Audit Wales intended to issue an unqualified audit opinion on the accounts which 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.

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

#### 3.2. LETTER OF REPRESENTATION TO AUDIT WALES DYFED PENSION FUND

The Committee was advised that in accordance with the Statement of Auditing Standards (SAS440 – Management Representations) Audit Wales 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, Audit Wales 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 Wales Audit from the Director of Corporate Services and the Chair of the Audit Committee to Audit Wales in relation to the Dyfed Pension Fund be acknowledged.**

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

The Committee received the Authority's responses to Audit Wales on a number of governance areas that impacted on the audit of the financial statements. Those considerations were relevant to both the Dyfed Pension Fund's management and 'those charged with governance' (the Audit Committee). The information provided informed Audit Wales' understanding of the Dyfed Pension Fund and its business processes and supported its work in providing an audit opinion on the 2020-21 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. DYFED PENSION FUND ANNUAL REPORT AND ACCOUNTS 2020-2021**

The Committee received the Dyfed Pension Fund Annual Report and Accounts for 2020-21, in accordance with the Accounts and Audit (Wales) Regulations 2014. The Dyfed Pension Fund Annual Report and Accounts was presented to the Governance and Audit Committee for approval.

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

- Reference was made to the Committee Members record of attendance. A concern was raised in relation to the limited Committee Membership of the Dyfed Pension Fund Pension Committee and the observation that one of its members had been absent for several meetings. The Director of Corporate Services stated that by calling on the nominated substitute, the Dyfed Pension Fund Committee had been able to continue to conduct its business as normal. It was explained that it was necessary to have a nominated substitute in order to ensure a consistent level of knowledge on the subject matter was maintained. This was achieved through regular training in accordance with the training plan. Furthermore, assurance was provided that the Councillor had now returned normal duties following a period of illness.
- In recognising that 2020/21 had been a challenging year, Members acknowledged that despite this, it was pleasing to note that the Fund had accomplished a successful return.
- Clarity was sought on the reference to 'undecided leaver' within the Scheme Membership section of the report. The Head of Financial Services explained that the term referred to an individual who had left their employment and was awaiting processing.
- The Director of Corporate Services, in response to a query regarding commercial property, explained that area was being closely monitored. In addition, it was reported that in association with the pandemic, town centres had not been heavily invested in and consequently the impact had not been significant.

In order to provide further clarity in relation to commercial properties, the Treasury and Pension Investments Manager added that property managers diversify their investments across the entire portfolio in a balanced approach whilst proactively reviewing the percentage allocated to each separate sector.

- In response to a query was raised in relation to the timeframe of completed and outstanding cases as stated in the report, the Head of Financial Services explained that the position of the cases were reported to Dyfed Pension Fund Committee which provided confidence in that the throughput of cases being processed was acceptable.

- In response to a query, the Director of Corporate Services reported that he was satisfied with the divestment rate to date and explained that members of the Dyfed Pension Committee and Officers had a prejudicial duty and a responsibility to ensure that pensions were available for members upon retirement. Members were informed that whilst the movement in terms of divestment was balanced and was being carried out at an acceptable pace, it would however be difficult to divest without the support and cooperation of Investment Managers. In addition, it was reported that Investment Managers were actively preparing to pursue funds that had a zero or low carbon footprint, which in terms of pool funds became a complex matter to manage.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Annual Report and Accounts 2020-21 be approved.**

#### **4. AUDIT WALES - CARMARTHENSHIRE COUNTY COUNCIL REVIEWS:-**

##### **4.1. FINANCIAL SUSTAINABILITY REPORT**

The Committee considered the Audit Wales - Financial Sustainability report presented by Mr Jason Garcia. The report was based on the financial year 2020/21. It was reported that Audit Wales had undertaken a thematic all-Wales Financial Sustainability review of Local Authorities and had undertaken an assessment as financial sustainability continued to be a risk to Councils putting in place proper arrangements to secure value for money in the use of resources.

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

- Reference was made to the All-Wales Thematic Review. In terms of the position and of other councils it was asked if the report was available to be viewed. Mr Garcia recommended that Committee Members had sight of the national report and further advised that in order to gain further context Members should also consider the 2 reports that was issued in September 2021; 1) Financial Sustainability and 2) Picture of Public Services. It was reported that the overall conclusion was that Councils had received a significant additional funding to be able to deal with the pandemic, however it was noted that the future sustainability of the sector remained to be a challenge against a backdrop of other financial pressures.

The Director of Corporate Services stated that he would circulate the link to the All-Wales Thematic Review to Members for information.

In addition, the Director of Corporate Services informed Members that Officers were proactively seeking to make efficiencies in the region of £5m per year which was undoubtedly going to be a challenge over the next 2 years due to the continued response to the pandemic.

- It was asked if an action plan would be developed to capture the savings and actions cited within the report which would enable the necessary monitoring. The Director of Corporate Services stated that the delivery of the planned savings would automatically be placed into the budget process which was currently being developed. In addition, the Director of Corporate Services explained the governance structure in relation to the budget and the annual savings monitoring process to Members.

**UNANIMOUSLY RESOLVED that the Audit Wales - Financial Sustainability Report be received.**

#### **4.2. REVIEW OF WASTE SERVICE, JULY 2021**

The Committee considered the Audit Wales – Review of Waste Service presented by Mrs Alison Lewis. The purpose of the audit was to review whether the Council has in place proper arrangements to plan and deliver its waste services sustainably. The report summarised the main findings arising from the audit undertaken by Audit Wales of the Council’s Waste Services.

Appended to the report was a draft action plan which aimed to address the 8 key recommendations as a result of the audit findings. The report sought the Committee’s approval of the draft action plan which had been set out in preparation of formal submission to Audit Wales.

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

- In relation to the ongoing concern regarding the matter of fly-tipping, it was raised that there was additional concern in relation to potential fly-tipping due to the proposed changes to waste collection services in future.
- Reference was made to the section within the report which states that the Council does not report the actual number of fly-tipping incidents or its relative performance against other councils. However, concern was raised that Councils in Wales report their fly-tipping incidents differently and therefore the figures were not consistent or a true reflection of incidents. It was suggested that a report on the progress of the action plan be added to the Committee’s Forward Work Programme in 6 – 12 months’ time.

As fly-tipping was a national issue, it was asked if the national database used to capture and record incidents could be standardised? Reference was made to Exhibit 5: Fly-tipping incidents by Local Authority 2019-20 within the report, which illustrated that fly-tipping was a national problem. It was reported that one of the primary reasons could be attributed to Carmarthenshire recording all its fly-tipping incidents within the County, whereas this may differ from other Councils recording methods. In light of this, it was commented that the information depicted in the graph may not be a true reflection of the number of fly-tipping incidents in comparison with the other 22 Local Authorities in Wales and the validity of the data provided was questioned.

The Head of Waste and Environmental Services reported that discussions were currently taking place via the WLGA, specifically on the subject of fly-tipping. It was explained that the issue was not directly attributed to the database itself but was primarily attributed to inconsistency of particulars being recorded for each Council.

- It was expressed that whilst acknowledging that fly-tipping across the County was a significant problem, it was pleasing to affirm that Officers and operatives were efficient in managing the clearance of fly-tipping.
- In response to a query in relation to the implementation of the new Waste Strategy, the Head of Waste and Environmental Services explained that the new waste strategy, subject to it being adopted by Cabinet, would be implemented in a 2-phase approach. The first phase would be a transitional step to weekly recycling collections of blue bags (with a 3-weekly collection of black bags and glass) in Autumn 2022 and the second phase would enable the full implementation of the kerbside-sort methodology in Spring/Summer 2024.
- A concern was raised that whilst the action plan put before the Committee for approval addresses the Audit Wales' recommendations at a very high-level, the plan did not include the level of detail required to understand how the actions would be carried out. The Head of Waste and Environmental Services confirmed that a more extensive action plan would underpin this action plan and would be monitored via the internal performance monitoring system (PIMS) and the departmental business plans.
- In response to a concern in respect of the actions that were illustrated in red within the action plan as not being commenced and others that were in progress (amber), the Head of Waste and Environmental Services stated that in relation to performance indicators, the ones currently reported were mainly national indicators that were set by Welsh Government and performance was measured accordingly. Consideration would now be given to additional local indicators. In terms of progressing the forward waste strategy, it was explained that this could not be progressed with confidence until Welsh Government had indicated their willingness to support the strategy financially. An agreement in principle of £14.6m funding support from the Welsh Government has now been received and would now enable the strategy to be further developed in more detail, having set out the wider principles. To date, the Council had operated its waste services without the amenity of supplementary capital support and therefore without Welsh Government funding, implementation of such a significant change, at a large cost, to a kerbside sort methodology in accordance with Welsh Government's preferred "blueprint" method would not have been possible. Furthermore, the funding in principle agreement was received after the audit took place hence the timing and the status of the strategy action plan items being shown as "in progress".

**UNANIMOUSLY RESOLVED that;**

**4.2.1 the Review of Waste Service, July 2021 be received;**

**4.2.2 the draft action plan as set out in the preparation of formal submission to Audit Wales be approved;**

**4.2.3 an update on the progress of the action plan be included on the Governance and Audit Committee's Forward Work Programme.**

## **5. CARMARTHENSHIRE COUNTY COUNCIL'S CORPORATE RISK REGISTER 2020/21**

The Head of Revenues and Financial Compliance highlighted that the title on the agenda should read Carmarthenshire County Council's Corporate Risk Register **2021/22**.

The Committee received for consideration the Corporate Risk Register 2021/22 which was maintained to evaluate the Council's exposure to key strategic risks.

The Committee noted that subsequent to its previous consideration, the following risk reference had been removed from the register:-

- CRR190047 - Ability to deal with the social, economic and operational impacts of the COVID 19 outbreak on the Division, Department and County and;
- CRR190059 - Meeting statutory planning delivery targets

With the addition of the following service risk associated with the impact of workforce planning and recruitment issues generally, as well as specific areas of recruitment particularly in relation to social workers, care staff and the lack of availability of domiciliary care.

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

- It was commented that the risk register received was easier to read and included more detail and that it was an improvement on previous reiterations of the register.
- Reference was made to risk CRR190006 – Ensuring effective people management. In acknowledging that many staff members were now working from home and the strong emphasis on well-being for staff, an update on the new appraisal process was requested. The Head of Revenues and Financial Compliance explained that a new appraisal approach system had recently been implemented. The new appraisal method had been transformed to support a more positive approach by including an improved narrative and encouraged conversation. In accordance with the request, the Committee accepted the offer to include an update on the Effective People Management Strategy on the Committee's Forward Work Programme.

- In reference to the identified recruitment challenges, it was acknowledged that Hywel Dda University Health Board were recruiting independently, and concern was raised that this could be in direct competition with the Council. The Head of Revenues and Financial Compliance explained that the issues within social care was being managed and monitored through the provision of two meetings per week and comprised of a broad representation. The Head of Financial Services added that the meetings were part of the Gold Command structure affording the Council to work jointly with the Health Board to address common recruitment issues. In addition, assurance was provided in that the advertisements for both social and domiciliary care were being advertised on a continuous basis.
- Reference was made to risk CRR190006 – Deliver Effective Safeguarding Arrangements – Children. Strong concerns were expressed that the Corporate Parenting Panel had not met. It was asked why this was the case, particularly as the virtual means to meet was available. The Head of Revenues and Financial Compliance stated she would make enquiries and inform the Committee in due course.
- Reference was made to risk CRR190034 – Cyber Risk. It was asked when the contingency and continuity plans were tested last. The Head of Revenues and Financial Compliance stated that she would arrange for the Committee to receive further narrative on this matter by e-mail.
- In response to a query, the Head of Revenues and Financial Compliance explained that the risk associated with the current supply chain shortages and delivery was captured on the risk register, however the recent escalation of power failures and the increased costs was not included, and this would be considered at corporate management level.

**UNANIMOUSLY RESOLVED that**

- 5.1 Carmarthenshire County Council's Corporate Risk Register 2021/22 be received;**
- 5.2 an update on the progress of the Effective People Strategy be included on the Governance & Audit Committee's Forward Work Programme.**

**6. INTERNAL AUDIT PLAN UPDATE 2021/22**

The Committee considered a progress report on the implementation of the 2021/22 Audit Plan

**UNANIMOUSLY RESOLVED that the 2021/22 Internal Audit Plan update report be received.**

**7. GOVERNANCE & AUDIT COMMITTEE FORWARD WORK PROGRAMME**

The Committee considered the proposed Forward Work Programme for the 2021/22 Audit Committee Cycle detailing the items to be presented to Committee at scheduled meetings during the forthcoming year.

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

**8. MINUTES OF RELEVANT GROUPS TO THE GOVERNANCE & AUDIT COMMITTEE**

**UNANIMOUSLY RESOLVED that the minutes of the Corporate Governance Group held on 28<sup>th</sup> May 2021, be received.**

**9. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE HELD ON 24<sup>TH</sup> SEPTEMBER 2021**

**UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 24<sup>th</sup> September, 2021 be signed as a correct record.**

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**CHAIR**

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**DATE**