

GOVERNANCE & AUDIT COMMITTEE

FRIDAY, 15 JULY 2022

PRESENT: Mr D. MacGregor (Chair) (Lay Member)

Councillors (In Person):

L. Davies

D.E. Williams

Lay Members (In Person):

J. James

M. MacDonald

Councillors (Virtually):

K.V. Broom

K. Davies

A. Evans

A.G. Morgan

P.T. Warlow

J. Williams

Also Present (In Person):

C. Moore, Director of Corporate Services

H. Pugh, Head of Revenues and Financial Compliance

R. Hemingway, Head of Financial Services

C. Powell, Principal Auditor

A. Eynon, Principal Translator

J. Owens, Democratic Services Officer

Also Present (Virtually):

N. Daniel, Head of ICT and Corporate Policy

A Thomas, Head of Education Services and Inclusion

S. Nolan, Group Accountant

M. Evans Thomas, Principal Democratic Services Officer

Also Present from Audit Wales (Virtually):

J. Blewitt

A. Lewis

Chamber - County Hall, Carmarthen. SA31 1JP and remotely - 10.00 am - 1.02 pm

[Notes:

- The Committee was advised that, in accordance with Council Procedure Rule 2(3) the order of business on the agenda would be varied to enable Agenda Item 8 to be heard earlier in the meeting.
- At 12:58pm the Committee's attention to be drawn to Council Procedure Rule 9 as the duration of the meeting had been underway for nearly three hours. Accordingly, the Committee resolved to suspend standing orders, in accordance with CPR 23.1, to enable the Committee to complete the remaining business on the agenda].

1. APOLOGIES FOR ABSENCE.

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTERESTS

Member	Agenda item	Nature of Interest
Cllr. D. E. Williams	8.3 - Dyfed Pension Fund Audit Plan 2022.	Member of the Dyfed Pension Fund Chair of the Dyfed Pension Fund Committee
Cllr.K. Broom	8.3 - Dyfed Pension Fund Audit Plan 2022.	Member of the Dyfed Pension Fund
Cllr. K. Davies	8.3 - Dyfed Pension Fund Audit Plan 2022.	Member of the Dyfed Pension Fund
Mr M. MacDonald	8.3 - Dyfed Pension Fund Audit Plan 2022. 12.2 – Minutes of the Governance and Audit Committee 08 April 2022.	Member of the Dyfed Pension Fund Minutes refers to his appointment as a Lay Member on the Committee.
Cllr J. Williams	8.3 - Dyfed Pension Fund Audit Plan 2022.	Member of the Dyfed Pension Fund
Ms J. James	12.2 – Minutes of the Governance and Audit Committee 08 April 2022.	Minutes refers to her appointment as a Lay Member on the Committee.
Mr D MacGregor	12.2 – Minutes of the Governance and Audit Committee 08 April 2022.	Minutes refers to his appointment as a Lay Member on the Committee.

3. APPOINTMENT OF CHAIR OF THE GOVERNANCE AND AUDIT COMMITTEE FOR 2022/23

UNANIMOUSLY RESOLVED that Mr D. MacGregor be appointed Chair of the Committee for the 2022/23 municipal year.

4. APPOINTMENT OF VICE CHAIR OF THE COMMITTEE FOR 2022/23

UNANIMOUSLY RESOLVED that Councillor G. Morgan be appointed Vice-Chair of the Committee for the 2022/23 municipal year.

5. PROGRESS REPORTS:

5.1. SCHOOL BUDGETS

Further to minute 8.1 of the meeting held on the 16th July 2021, the Committee considered a schools budget report which provided an update on the Authority's end of financial year position for primary, secondary and special schools within Carmarthenshire. Comparable figures were also provided for 2018/19, 2019/20 and 2020/21. The Committee recognised that significant additional grant funding had been made available to schools by the Welsh Government during the coronavirus pandemic, which had resulted in a positive impact upon several school budgets for the current and forthcoming financial year.

The issues/observations raised by the Committee were addressed as follows:-

- Members queried the impact of grant funding, in comparison with the provision of Local Authority support, to address the budgetary position of school deficits. The Head of Education and Inclusion Services confirmed that the grant funding made available since 2020 had enabled schools to stabilise their budgets, however it was recognised that the provision may not be available on a long-term basis. A synopsis of the array of ongoing support mechanisms offered to schools was provided to Members which comprised enhanced analysis and scrutiny of school budgets and regular discussions with Headteachers, Business Managers and School Governors in respect of financial accountability. Furthermore, it was reported that successful awareness raising initiatives driven by the Section 151 Officer had resulted in the delegation of budget monitoring to School Improvement Officers, with clear expectations that areas of concern are reported to the Authority in a timely manner.
- Concerns were raised regarding the variability of the school balances and budgetary position across schools and it was queried whether special intervention measures were available to the Authority, if required. The Head of Education and Inclusion Services provided an assurance to the Committee that as a result of the support mechanisms provided by the Authority, all schools now had an enhanced awareness of budget planning and expenditure requirements. It was confirmed that no schools were currently placed within special measures and Estyn liaised with the Authority as part of the School Inspection Programme.
- Reference was made to the general funding formula for schools which had been reviewed to address the pressures identified by schools, particularly those in rural areas with lower pupil numbers. The Committee's gratitude was extended to the Authority in respect of the additional support provided which had been gratefully received by the schools. The Head of Education and Inclusion Services confirmed that the arrangements put in place to assist schools were resource intensive. In this regard, the Committee was informed that the Modernising Education Programme (MEP) was a focus area for the Authority and would be considered further in the Autumn of 2022.

- In response to a request by the Committee, it was agreed that a review be undertaken in 6 months, with an update report to be submitted for consideration by the Education and Children Scrutiny Committee.

UNANIMOUSLY RESOLVED that

- 5.1.1 The current position regarding school budgets in primary, secondary and special schools be noted.**
- 5.1.2 A review of the position regarding school budgets in primary, secondary and special schools be reviewed in 6 months' time, and an update report be submitted for consideration by the Education and Children Scrutiny Committee.**

5.2. AUDIT WALES REVIEW OF PLANNING SERVICES CARMARTHENSHIRE COUNTY COUNCIL

Further to minute 4.2 of the meeting held on the 17 December 2021, the Committee considered an update report in response to the Audit Wales recommendations and agreed actions arising from the review of the Council's Planning Services. The report sought to provide assurance to the Committee that significant progress had been made over the last seven months.

Committee was pleased to note that 15 of the 17 Audit Wales recommendations had been completed to date and 47 of the 49 sub actions which underpinned the Audit Wales recommendations had been completed.

The issues/observations raised by the Committee were addressed as follows:-

- Members were encouraged to note the significant progress made to address the Audit Wales recommendations and staff were commended for their sterling work which provided Committee with an assurance that the issues identified were being addressed.
- The Committee was particularly pleased to note that staff morale had improved, and emphasised the importance of staff well-being which was considered critical to maintain service improvement.
- In response to concerns raised by Members in respect of enforcement related matters, the Interim Director of Environment explained that the number of outstanding cases had significantly reduced from May 2021 and the division had dealt with a number of complex cases and continued to make good progress to resolve both current and historic cases. In this regard, the Committee was assured to note that a performance monitoring framework had been implemented to strengthen processes within the division.
- Reference was made to the fluctuations in performance levels, as set out in the report. The Interim Director of Environment acknowledged that the recruitment of experienced professional staff remained a challenge across the whole planning sector, and therefore the variance was attributable to fluctuations in resources.

- A request was made by the Committee for a 'deep dive' review of enforcement related matters, the outcome of which would be reported back to the Committee in December 2022. It was acknowledged that the report would be influenced by the scheduled Audit Wales follow-up review of Planning Services.

UNANIMOUSLY RESOLVED

- 5.2.1 To note the progress made by Carmarthenshire County Council in response to the Audit Wales recommendations.**
- 5.2.2 That a 'deep-dive' review of enforcement related matters be undertaken, the outcome of which to be reported to the Committee in December 2022 and have regard to the Audit Wales follow up review Planning Services.**

6. INTERNAL AUDIT PLAN UPDATE 2021/22 AND 2022/23

The Committee considered a report which provided an update on the progress made on the implementation of the Internal Audit Plans for 2021/22 and 2022/23. It was reported that a completion rate of 93% had been achieved for 2021/22, and that the outstanding items had been incorporated into the 2022/23 Internal Plan, which reported a completion rate of 12.5% to date. The Committee duly reviewed the progress made in respect of the delivery of the audit programme.

The Committee's attention was then drawn to the completed review of the Authority's key financial systems in respect of Payroll and Creditor Payments. The report set out the scope of the review, the issues identified, and the recommendations made.

The issues/observations raised by the Committee were addressed as follows:-

- In response to a request by the Committee, it was agreed that future Audit Plan Update reports would incorporate the number of days taken to complete each audit.
- Reference was made to the application processes for Maternity and Paternity pay, which were not generally submitted in accordance with the required timescales. The Head of Revenues and Financial Compliance acknowledged that Managers had a degree of responsibility to ensure the appropriate documentation was submitted in accordance with the Authority's policy. It was also noted that the issue was further compounded by delays in surgeries issuing the MATB1 certificates and in this regard, the Committee was assured that Officers would review the matter with the Human Resources department, with a view of possibly raising the matter with the Health Authority.
- It was reported that the scale of credit balances had reduced from a value of £289k to £184k since the previous audit. The complexity of the process was explained to Members and an assurance was provided that efforts were being made to address the matter, particularly for historic invoices, and be accurately reflected in the Authority's accounts.

- Concerns were raised in respect of the failure to raise purchase orders in appropriate circumstances. The Head of Revenues and Financial Compliance reported that the matter had been referred to the Transform, Innovate and Change (TIC) programme with a view to enhancing compliance and performance in this area. Accordingly, an 'Achieving Purchase Order Compliance' Policy was scheduled to be piloted imminently to address the matter. The Head of Financial Services highlighted to Members that non-compliance could, in some cases be the result of a reporting issue as a result of the systems implemented by the Authority. Following a request made by a Member, it was agreed that a progress update be fed back to Members in a timely manner outside the meeting process with a view to providing an assurance that the area of risk had been mitigated by way of effective controls.
- The Committee deemed the level of response to the employee certification exercise to be unacceptable. It was suggested that non-responses should be addressed during staff appraisals. The Director of Corporate Services reported that the concerns expressed by the Committee would be considered at a future meeting of the Corporate Management Team.
- An observation was made that whilst the overall audit rating for the key financial systems had been categorised as acceptable, it was considered that some of the issues identified were fundamental and of high risk. The Head of Revenues and Financial Compliance explained the process utilised by the Auditors in reaching the assurance rating, within the context of the scale of the Creditor Payments System which comprised many different controls; accordingly, the Auditors would have considered the system as a whole and used their professional opinion on which to base a conclusion. The Head of Revenues and Financial Compliance confirmed that the comments made would be fed back to the auditors.

UNANIMOUSLY RESOLVED that

- 6.1 The Internal Audit Plan update 2021/22 and 2022/23 be noted.**
- 6.2 Progress in respect of purchase order compliance be fed back to Members in a timely manner outside the meeting process.**

7. INTERNAL AUDIT ANNUAL REPORT 2021/22

The Committee considered the Internal Audit Annual Report for 2021/22 which provided an opinion by the Chief Audit Executive (Head of Revenues and Financial Compliance) on the adequacy and effectiveness of the Authority's control environment, based upon the delivery of the 2021/22 Internal Audit Plan approved by the Governance and Audit Committee on 26 March 2021. Accordingly, the report encapsulated the annual position of the audit work undertaken within the Authority during the reporting period in accordance with the provisions of the Public Sector Internal Audit Standards (PSIAS) and included comparable data or the 2020/21 reporting period.

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. The report concluded that clear governance arrangements were in place, which comprised defined management responsibilities and committee structures, with a generally sound control framework which operated reasonably consistently. Reference was also made the Authority's established Constitution, with developed policies and approved Financial Procedure Rules which provided advice and guidance to all staff and members. Consequently, the Head of Revenues and Financial Compliance was satisfied that sufficient assurance work had been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment.

The issues/observations raised by the Committee were addressed as follows:-

- Reference was made to section 9.4 of the report whereby it was confirmed that the Cyber Security risk rating had been reviewed following the request made by the Committee at its meeting on 11 March 2022, and it was confirmed that the rating had been appropriately set due to the mitigation controls in place within the Authority.
- In response to a query, the Head of Revenues and Financial Compliance provided a synopsis of the comprehensive training and development programme and opportunities available to employees within the Corporate Services section to enhance skillsets and encourage staff retention. Furthermore, the Director of Corporate Services referred to an all-Wales initiative to encourage individuals into roles within public sector finance and a National Talent Management Programme to attract and retain finance professionals within Local Government.

UNANIMOUSLY RESOLVED that, in line with statutory requirements, the Internal Audit Annual Report for 2021/22 be noted.

8. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY AUDIT WALES:

The Chair welcomed Audit Wales representatives Mr Jason Blewitt and Ms Alison Lewis to the meeting.

8.1. AUDIT WALES WORK PROGRAMME UPDATE

The Committee considered a report presented by the Audit Wales Representatives on the Audit Wales Work Programme and Timetable quarterly update, as at 31 March 2022.

UNANIMOUSLY RESOLVED that the Audit Wales Work Programme Update be noted.

8.2. 2022 AUDIT PLAN - CARMARTHENSHIRE COUNTY COUNCIL

The Committee considered the 2022/23 Audit Plan for Carmarthenshire County Council. It was noted that the Auditor General, as the auditor for the Carmarthenshire County Council, 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.

During consideration of the financial statement audit risks set out at Exhibit 1 of the report, the Director of Corporate Services clarified the timescales for the audit of financial statements and explained that the delay in the Statement of Accounts for 2021/22 was, in the main, attributable to factors which related to the coronavirus pandemic, in addition to the completion of works required to address the risks pertaining to the valuation of assets.

The issues/observations raised by the Committee were addressed as follows:-

- It was clarified to Members that the Audit Wales asset valuation process represented a variation of the CIPFA guidance.
- Reference was made to the Pentre Awel Life Science and Well-being Village project led by the Council whereby it was noted that the total investment for the project amounted to £200 million, with the contract amount for 2022/23 being £87 million. £40 million of the total project investment will be met from Welsh Government Funding.
- In response to a query, the External Auditor confirmed that Audit Wales was currently undergoing a period of consultation to identify possible areas of focus for future audit work. It was reported that the provision of digital services would be reviewed within all County Councils across Wales in the context of changing working practices following the coronavirus pandemic; in this regard the Committee was informed that further information could be shared upon completion of the scoping phase.

UNANIMOUSLY RESOLVED that the 2022/23 Audit Plan for the Authority be noted.

8.3. 2022 AUDIT PLAN - DYFED PENSION FUND

[**Note:** Councillors K. Broom, K. Davies, D.E. Williams and J. Williams and Mr M. MacDonald declared an interest in this item.]

The Committee considered the 2022/23 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. Accordingly, consideration was given to the audit team, fees and timetable.

UNANIMOUSLY RESOLVED that the 2022/23 Audit Plan for the Dyfed Pension Fund be noted.

9. CARMARTHENSHIRE COUNTY COUNCIL ANNUAL GOVERNANCE STATEMENT 2021/22

The Committee reviewed the Council's Annual Governance Statement (AGS) for the year ended 31 March 2022 which would accompany the Statement of Accounts to demonstrate the Authority's compliance with the CIPFA and SOLACE framework and its seven core principles of good governance.

The issues/observations raised by the Committee were addressed as follows:-

- The Committee commended the AGS template as an exemplar of best practice. Reference was made to the requirements emanating from the Local Government and Elections (Wales) Act 2021 in terms of effective governance arrangements. It was suggested that some of the information be reconfigured and placed within the Appendix section to ensure appropriate monitoring of required actions.
- In response to comments made by a Member, the Head of Revenues and Financial Compliance confirmed that the Committee would receive an annual report on complaints which would include comparative information on complaint themes.

UNANIMOUSLY RESOLVED that the Annual Governance Statement be noted.

10. FORWARD WORK PROGRAMME

The Committee considered the Forward Work Programme for the 2022/23 Governance and Audit Committee Cycle which detailed the items to be presented to Committee at scheduled meetings during the forthcoming year, in addition to a programme of development sessions in order to equip Members with the necessary skills to effectively undertake their role on the Committee.

The Committee requested that training on Cyber Risks and Fraud be incorporated into the 2022/23 training programme.

UNANIMOUSLY RESOLVED that the Forward Work Programme 2022/23 be noted.

11. MINUTES OF RELEVANT GROUPS TO THE GOVERNANCE & AUDIT COMMITTEE:

11.1. RISK MANAGEMENT STEERING GROUP 12 MAY 2022

UNANIMOUSLY RESOLVED that the minutes of the Risk Management Steering Group held on the 12th May 2022 be received.

11.2. MINUTES OF THE GRANTS PANEL 29 NOVEMBER 2021

UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 29 November 2021 be received.

11.3. MINUTES OF THE GRANTS PANEL 08 MARCH 2022

UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 8th March 2022 be received.

12. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THE:-

12.1. 11TH MARCH 2022

The Head of Revenues and Financial Compliance referred to the Garreg Lwyd Residential Care report previously reported to the Committee and reported that the results of the updated review would be submitted to a future meeting.

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Governance and Audit Committee held on the 11th March 2022 be signed as a correct record.

12.2. 8TH APRIL 2022

[Note: Ms J. James, Mr M MacDonald and Mr D MacGregor declared a personal interest in this item and remained in the meeting but did not vote].

RESOLVED that the minutes of the meeting of the Governance and Audit Committee held on the 8th April 2022 be signed as a correct record.

CHAIR

DATE