

## GOVERNANCE & AUDIT COMMITTEE

**FRIDAY 21<sup>ST</sup> OCTOBER 2022**

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

**Councillors (In Person):**

L. Davies D. Nicholas (substitute)

**Councillors (Virtually):**

K. Davies                      A. Evans                      A.G. Morgan                      P.T. Warlow  
D.E. Williams                      J. Williams

### Lay Members (In Person):

J. James                      M. MacDonald

**Also Present from Audit Wales (Virtually):**

J. Blewitt  
N. Jenkins  
A. Lewis

**The following Officers were in attendance (In Person):**

C. Moore - Director of Corporate Services  
R. Hemingway - Head of Financial Services  
H. Pugh - Head of Revenues and Financial Compliance  
C. Powell - Principal Auditor  
G Davies - Finance Manager  
S. Hendy - Member Support Officer [Webcasting]  
J. Owens - Democratic Services Officer [Minute Taker]

**The following Officers were in attendance (Virtually):**

R. Griffiths - Head of Place and Sustainability  
A. Parnell - Treasury & Pension Investments Manager  
G. Ayers - Corporate Policy and Partnership Manager  
M. Evans Thomas - Principal Democratic Services Officer  
S. Rees - Simultaneous Translator

**Chamber, County Hall, Carmarthen and remotely : 10.00 am - 12.50 pm**

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 3.4 to be considered prior to 3.1 and Agenda item 5.4 to be considered prior to 5.1.

## 1. APOLOGIES FOR ABSENCE

An apology for absence was received from Cllr. K.V. Broom.

## 2. DECLARATIONS OF PERSONAL INTERESTS

Member	Agenda Item	Nature of Interest
Cllr. K. Davies	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund
Cllr. L. Davies	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund
M. MacDonald	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund
Cllr. D. Nicholas	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund
Cllr. P. T. Warlow	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund
Cllr. D. E. Williams	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund Chair of the Dyfed Pension Fund Committee

## 3. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS:

### 3.1. CARMARTHENSHIRE COUNTY COUNCIL - AUDIT OF FINANCIAL STATEMENTS REPORT

The Committee considered the Audit Wales Audit of Accounts Report. The report summarised the main findings arising from the audit undertaken by Audit Wales of the Authority's accounts for 2021/22.

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 31st March 2022.

Mr J Blewitt, Audit Wales Representative, referred Committee's attention to paragraph 6 of the report and provided an update on the outstanding audit work which had been completed since the circulation of the document.

Reference was made the ongoing national review of the accounting treatment and disclosures required for infrastructure assets. The Committee was advised that the accounts could not be certified until the statutory override proposed by Welsh Government had been put in place.

The Committee was pleased to note that Audit Wales intended to issue an unqualified audit opinion on the accounts, which would be issued upon receipt of the Letter of Representation. The Committee was also pleased to note that there were no misstatements identified in the financial statements which remained uncorrected.

**UNANIMOUSLY RESOLVED that the Audit Wales Audit of Accounts report for Carmarthenshire County Council for 2021/22 be received.**

### **3.2. CARMARTHENSHIRE COUNTY COUNCIL - LETTER OF REPRESENTATION TO AUDIT WALES**

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 Governance and Audit Committee in accordance 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 Governance and Audit Committee was also required by Audit Wales.

In light of the revised CIPFA guidance pertaining to the changes to the valuation of Infrastructure Assets, and the requirement of the statutory override to overcome the issue, a proposal was made for delegated authority to be given to the Director of Corporate Services and the Chair of the Governance and Audit Committee to revise the Letter of Representation, if appropriate.

**UNANIMOUSLY RESOLVED that:**

- 3.2.1            The Letter of Representation from the Director of Corporate Services and the Chair of the Governance and Audit Committee to Audit Wales (as currently drafted) be formally acknowledged.**
- 3.2.3            Delegated authority be given to the Director of Corporate Services and the Chair of Governance and Audit Committee for any subsequent amendments required to be made to the Letter of Representation once the national issue regarding the treatment of Infrastructure Assets is resolved.**

### **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 Council's management and 'those charged with governance', namely the Governance and Audit Committee. The information provided Audit Wales with an understanding of the Council and its business processes in order to assist Audit Wales provide an audit opinion on the 2021-22 financial statements.

The Head of Financial Services confirmed to members that the document would be corrected to rectify any typographical errors, including the revision of dates where appropriate and up to date references to titles / names.

**UNANIMOUSLY RESOLVED that the responses to the requests made of both management and the Governance and Audit Committee, as detailed in the report, and subject to the typographical amendments agreed at the meeting, be approved.**

### **3.4. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2021-22**

The Committee considered the Statement of Accounts 2021/22 for Carmarthenshire County Council, which had been prepared in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018). It was reported that as a result of the ongoing impact of Covid-19, Welsh Government had issued guidance which allowed flexibility for completing the 2021/22 financial statements; accordingly, the statutory deadline for completion of the 2021/22 audited accounts was 30 November 2022.

Reference was made the ongoing national review of the accounting treatment and disclosures required for Infrastructure Assets. The Committee was advised that in the absence of any imminent resolution, Welsh Government was seeking to introduce a statutory override of the code, however the accounts could not be certified until the statutory override was in place. Accordingly, to enable the effective conclusion of the Statement of Accounts 2021/22 as soon as practicable following certification by the Auditor General, the Committee's approval was sought for delegated authority to be given to the Director of Corporate Services and the Chair of Governance and Audit Committee for any subsequent amendments that needed to be made in relation to the treatment of Infrastructure Assets. An assurance was provided that the final statement of accounts would be circulated to Committee Members and a report on the final position would be submitted to the Committee once the matter had been concluded.

The Committee was provided with an overview of the salient points contained within the Statement of Accounts which summarised the financial position of the Authority for the year ended 31 March 2022, and which included the amendments agreed with Audit Wales as part of their audit.

Reference was made to the Council Fund and the changes to the balances in general or earmarked reserves for the year and, similarly, the change had been made to the Housing Revenue Account balance.

The Director of Corporate Services detailed the movements which had been made to and from earmarked reserves in respect of transfers pertaining to the Major Development Fund, Modernising Education Programme (MEP) Capital Funding and the City Deal/ Pentre Awel Reserve. Accordingly, the Committee was requested to retrospectively approve those movements and endorse the creation of the Urdd National Eisteddfod Reserve, Carmarthen Hwb, Waste Strategy, Decarbonisation, Levelling Up Match Funding, Inflationary Risks,

Revenue Support Grant, Cost of Living Discretionary Scheme, Targeted Regeneration Investment and Residential Home Room Refurbishment reserves.

The Director of Corporate Services conveyed his gratitude to the Head of Financial Services and his team for their sterling efforts in the production of the Statement of Accounts.

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

The Committee's attention was referred to the short-term debtors and creditors set out at sections 6.16 and 6.19 of the report respectively. In response to a request, Officers agreed to circulate a breakdown of the 'other' category within the short-term debtors category to the Committee, and which would be based upon a threshold level of over £500k.

Reference was made to the recommendations from the Annual Governance Statement whereby it was noted that the responses within the status section appeared vague and was not necessarily reflective of the current position. The Head of Revenues and Financial Compliance provided an assurance that the document would be reviewed to provide a more robust narrative in future.

**UNANIMOUSLY RESOLVED that:**

- 3.4.1      The Statement of Accounts 2021/22, as currently presented, for Carmarthenshire County Council be approved. Additionally, delegated authority be given to the Director of Corporate Services and the Chair of Governance and Audit Committee for any subsequent amendments to be made as a result of the unresolved national issue regarding the treatment of Infrastructure Assets (including insertion of the Audit Certificate and final approval of the post Audit Statement of Accounts by the Director of Corporate Services and the Chair of the Committee).**
- 3.4.2      Retrospective approval be given for the movements to and from the Earmarked Reserves. In particular, the transfers to:**
- **Major Development Fund**
  - **MEP Capital Funding**
  - **City Deal/Pentre Awel**
- 3.4.3      Retrospective approval be given for the creation of the following reserves:**
- **Urdd National Eisteddfod**
  - **Carmarthen Hwb**
  - **Waste Strategy**

- **Decarbonisation**
- **Levelling Up Match Funding**
- **Inflationary Risks**
- **Revenue Support Grant**
- **Cost of Living Discretionary Scheme**
- **Targeted Regeneration Investment**
- **Residential Home Room Refurbishment**

#### **4. BURRY PORT HARBOUR FINANCIAL STATEMENT 2021-22.**

In accordance with the Accounts and Audit (Wales) Regulations 2014, and the delegated powers enshrined within the Local Government Measure, the Committee considered the 2021-22 post-audited accounts of the Harbour Authority.

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.

The report referred to the Harbours Act 1964 which stipulated the requirement for Harbour Authorities to prepare an annual statement of accounts relating to harbour activities. In compliance with the Accounts and Audit (Wales) Regulations 2014, the accounts were presented in the form of a separate annual income and expenditure account and statement of balances.

The Committee was informed that the Authority had granted a long-term lease to the Marine & Property Group Ltd in April 2018, who had taken over the running and management of Burry Port Harbour; consequently, the activity on the statement was significantly reduced.

It was reported that the net cost of the harbour activities in 2021-22 amounted to £687k, and all activities were fully funded by Carmarthenshire County Council. The fixed assets held at 31<sup>st</sup> March 2022 totalled £900k. The report stipulated that the decrease in costs year on year of £116k was due to a reduction in capital works expenditure of £69k, together with a £47k increase in income.

**UNANIMOUSLY RESOLVED that the audited Accounting Statement for Burry Port Harbour Authority for 2021-22 be approved.**

#### **5. DYFED PENSION FUND STATEMENT OF ACCOUNTS:**

[NOTE: Cllr K. Davies, Cllr. L. Davies, Cllr. D. Nicholas, Mr M. MacDonald, Cllr P. T. Warlow and Cllr D.E. Williams had earlier declared an interest in agenda items 5.1 – 5.4.]

## **5.1. DYFED PENSION FUND - AUDIT OF FINANCIAL STATEMENTS REPORT**

The Committee received for consideration the report of Audit Wales on the audit 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 as at 31<sup>st</sup> March, 2022 and its income and expenditure during that year.

Mr J Blewitt, Audit Wales Representative, provided a synopsis of the impact of the COVID-19 pandemic on the audit of accounts as set out at Exhibit 1 of the audit report.

Mr J Blewitt, Audit Wales Representative, referred Committee's attention to paragraph 6 of the report and provided an update of the outstanding audit work which had been completed since the circulation of the document.

The Committee was pleased to note that Audit Wales intended to issue an unqualified audit opinion on the accounts which would be issued upon receipt of the Letter of Representation. The Committee was also pleased to note that there were no misstatements identified in the financial statements which remained uncorrected.

**UNANIMOUSLY RESOLVED that the Audit Wales Audit of Financial Statements report for the Dyfed Pension Fund Accounts 2021-22 be received.**

## **5.2. DYFED PENSION FUND - LETTER OF REPRESENTATION TO AUDIT WALES**

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 Governance and Audit Committee in accordance 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 Governance and Audit Committee was also required by Audit Wales.

**UNANIMOUSLY RESOLVED that the Letter of Representation to Audit Wales from the Director of Corporate Services and the Chair of the Governance and Audit Committee in relation to the Dyfed Pension Fund be acknowledged.**

## **5.3. 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 Pension Fund's financial statements. Those considerations were relevant to both the Dyfed Pension Fund's management and 'those charged with governance', namely the Governance and Audit Committee. The information provided Audit Wales' with an

understanding of the Dyfed Pension Fund and its business processes in order to assist it to provide an audit opinion on the 2021-22 financial statements.

The Head of Financial Services confirmed to members that the document would be corrected to rectify any typographical errors, including the revision of dates where appropriate and up to date references to titles / names.

**UNANIMOUSLY RESOLVED that the responses to the requests made of both management and the Governance and Audit Committee, as detailed in the report, and subject to the typographical amendments agreed at the meeting, be approved.**

#### **5.4. DYFED PENSION FUND ANNUAL REPORT AND ACCOUNTS 2021-22**

In accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014, the Committee received for approval the Annual Report and post-audit Statement of Accounts 2021-22 in respect of the Dyfed Pension Fund. The annual report provided information about the financial position, performance and financial adaptability of the Fund for the year 2021-22.

The Director of Corporate Services conveyed his appreciation to the Treasury and Pensions Investments Manager and his team for their sterling efforts for the co-ordination of the Fund's Annual Report and Statement of Accounts.

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

In recognising that 2021-22 had been a challenging and turbulent year, Members acknowledged that despite this, it was pleasing to note that the Fund had accomplished a successful return. In this regard, the Chair referred to the sound actuarial position, which was deemed to be a positive reflection on the culture of the organisation and its prudent approach.

Concerns were raised that the Fund had not received a statement of accounts from 'Prudential' for either 2020-21 or 2021-22. The Treasury and Pension Investments Manager clarified that this was a national issue and discussions with the LGPS were ongoing. An assurance was provided that Committee members would be informed as soon as an update on this matter was available.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Annual Report and Accounts 2021-22 be approved.**

#### **6. FOLLOW UP REVIEW - PLANNING SERVICES CARMARTHENSHIRE COUNTY COUNCIL**

The Committee considered a follow up report issued by Audit Wales in respect of the Council's Planning Services. The report detailed that good progress had been made in respect of the recommendations and agreed actions arising from the initial Audit Wales review conducted in July 2021.

The Committee acknowledged the positive findings of the follow up review which confirmed that the Council had successfully addressed the recommendations therein to deliver significant improvements within the planning services.



Furthermore, the Committee was pleased to note that the annual Planning performance standards PAM/018 and PAM/019 set by the Welsh Government had been exceeded for the first time in 2021/22.

Audit Wales had commended the Council for the swift and constructive action taken to address the recommendations emanating from the initial review undertaken in July 2021. In turn, the Head of Place and Sustainability expressed his gratitude for the support provided to the Planning division and emphasised the dedication of officers who had made sterling efforts during a period of significant transformation.

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

In view of the re-assurance provided to the Committee as a result of the positive report, together with the ongoing monitoring that would be undertaken by Audit Wales, it was proposed that the review of planning services could be removed from the Committee's Forward Work Plan for 2022/23.

A member expressed that the approach taken by the Council to address the issues identified by the initial Audit Wales review provided an exemplar case study of best practice that could be shared to benefit other Authorities.

**UNANIMOUSLY RESOLVED that the follow up review undertaken by Audit Wales on the progress made by Carmarthenshire County Council in response to Audit Wales' July 2021 report, Review of Planning services be noted.**

## **7. INTERNAL AUDIT PLAN UPDATE 2022/23**

The Committee considered a report which provided an update on the progress made on the implementation of the Internal Audit Plan for 2022/23. The Committee duly reviewed the progress made in respect of the delivery of the audit programme which showed a completion rate of 33% to date.

The Committee's attention was then referred to the completed review of the Authority's key financial systems in respect of Pensions Payroll. The report set out the scope of the review, the issues identified, and the recommendations made. Committee acknowledged the positive outcome of the review which provided an assurance that the Pensions Payroll system was deemed to be robust and satisfactory.

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

A query was raised in respect of the additional four days taken to complete the audit of the Dyfed Welsh Church Trust Fund. The Committee was informed that the number of audit days initially allocated was indicative only and an assurance was provided that there were no concerns in respect of the audit for the Dyfed Welsh Church Trust Fund.

**UNANIMOUSLY RESOLVED that the Internal Audit Plan Update 2022/23 and the parts therein be received.**

## **8. CARMARTHENSHIRE COUNTY COUNCIL'S DRAFT ANNUAL REPORT 2021/22**

The Committee considered the draft Council Annual Report for the period 2021/22 which had been produced to meet the relevant provisions within the Well-being of Future Generations (Wales) Act 2015 and the Local Government and Elections Act (Wales) 2021. The report detailed the progress made with the Council's 13 Well-being Objectives against a backdrop of unprecedented circumstances presented by the Covid-19 pandemic, together with the Council's self-assessment against the performance requirements of the previous financial year.

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

It was recognised that this was the first year of reporting under the reformed legislative framework provided by the Local Government and Elections (Wales) Act 2021 and therefore clarity was sought on the role the Committee to fulfil its legislative obligations in terms of the review of the Annual Report. Accordingly, the Corporate Policy, Performance and Partnership Manager agreed to review the approaches undertaken by other Authorities, and advice would also be sought from the WLGA in this regard. A suggestion was also put forth that a development session be incorporated into the Committee's Forward Work Programme to enable Committee to give due regard and add value in the development of the Annual Report.

**UNANIMOUSLY RESOLVED that the draft Council Annual Report for the period 2021/22 be received.**

## **9. GOVERNANCE & AUDIT COMMITTEE 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 issues/observations raised by the Committee were addressed as follows:-

In view of the positive outcomes emanating from the Audit Wales follow up report considered at agenda item 6, the Committee requested that the review of planning services be removed from the Committee's Forward Work Plan for 2022/23.

A workshop be incorporated into the Committee's Forward Work Programme to enable Committee to contribute to the development of the Council's Annual Report.

It was reported that the development session on the Governance and Audit Committee Self Assessment exercise would be scheduled for December 2022.

Concerns were raised by some members in respect the Committee's capacity to add value to the areas within its remit due to the length of the Committee's

agendas, and which was further exacerbated by the timeframe for the publication of the agendas, which provided a limited period to review the reports. Whilst it was acknowledged that the Forward Work Plan detailed the Committee's schedule for each meeting, it was agreed that members would be consulted on the draft agenda for each meeting to enable input into the management of the agenda. A suggestion was also put forth for officers to explore the feasibility for reports to be published on a phased approach, thus enabling sufficient time for members to digest their contents.

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

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

**10.1. GRANTS PANEL**

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 26<sup>th</sup> July 2022 be received.**

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**CHAIR**

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**DATE**