

AUDIT COMMITTEE

Friday, 14 July 2017

PRESENT: T.M. Higgins (Chair)

Councillors:

H.A.L. Evans, A.G. Morgan, E.G. Thomas, B. Thomas, G.H. John, A.C.J. Jones and D.E. Williams

Mrs J. James – External Voting Member

Also present as an observer:

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

In attendance from the Wales Audit Office:-

Mr J. Evans

The following Officers were in attendance:

C. Moore, Director of Corporate Services
H. Pugh, Interim Head of Audit, Risk and Procurement.
I. Jones, Head of Leisure
J. Fearn, Head of Property
C. Daniels, Senior Sports and Leisure Manager
N. Davies, Commissioning and Contracting Officer
L. Harries, Computer Auditor
N. Edwards, Safeguarding & Commissioning Manager
A. Thomas, Senior Auditor
K. Thomas, Democratic Services Officer
C. Wilkins, Assistant Accountant

Chamber, County Hall, Carmarthen - 10.00 am - 12.40 pm

1. APOLOGIES FOR ABSENCE.

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTERESTS.

There were no declarations of interests

3. APPOINTMENT OF CHAIR FOR THE 2017/18 MUNICIPAL YEAR.

UNANIMOUSLY RESOLVED that Councillor T. Higgins be appointed Chair of the Committee for the 2017/18 Municipal Year.

4. APPOINTMENT OF VICE-CHAIR FOR THE 2017/18 MUNICIPAL YEAR.

UNANIMOUSLY RESOLVED that Councillor A.G. Morgan be appointed Vice-Chair of the Committee for the 2017/18 Municipal Year.

5. INTERNAL AUDIT PLAN 2016/17 AND 2017/18 UPDATE.

The Committee considered a report providing an update on progress made on the implementation of the Internal Audit Plan. It was noted that Part A thereof provided a progress report on the Audit Plan 2016/17 and 2017/18 together with a recommendations Scoring Matrix. Part B provided a summary of completed final reports for 2016/17 relating to key Financial systems (April 2016 to date). Part C related to reviews of other systems and Establishment Audits.

The following issues were raised on the reports:-

- Reference was made to Report C and the Internal Audit undertaken of Departmental Contract Management. Clarification was sought on whether there were any proposals to undertake further audits to assess if the issues identified within the report on the 8 contracts were/had been addressed and if the new Heads of Services in the respective divisions were implementing the Action Plan. The Interim Head of Audit, Risk and Procurement confirmed that provision had been made within the 2017/18 Audit Plan to revisit those issues. She further advised that the Authority's approach to procurement had now changed to being more pro-active examining how and what it purchased with a view to securing efficiency savings.

The Head of Property advised that whilst the issues raised within the report primarily related to waste services an element thereof related to property services prior to his taking responsibility for that service. He assured the Committee that procedures were being introduced to address those issues.

- In response to a question on the value of the 8 contracts, the Interim Head of Audit, Risk and Procurement advised that whilst she did not have the specific information available at the meeting, each would have been in excess of £75k. She confirmed that arrangements would be made for the information to be provided direct to the Committee Members.
- Reference was made to the audit of the 8 contracts and clarification sought on whether the scope of the Audit had been widened to incorporate other contracts. The Interim Head of Audit, Risk and Procurement advised that the Authority had established a Procurement Board to oversee contracts, especially those of high value, to ensure they were operating within the relevant framework and Contract Procedure Rules. To assist the Board in that regard, information collated by the Atamis system (replacing the Spike system) was used to evaluate numerous contracts awarded to one supplier across a number of departments e.g. grass cutting to secure the best possible service at the best price.

The Director of Resources, in response to a question confirmed that whilst the historic data held on Spike was gradually being transferred to Atamis, it would still be accessible for the foreseeable future.

- Reference was made to Report C and the Audit undertaken on Capital maintenance. Clarification sought on what measures the Authority had/was taking to address the issues identified in relation to call-off arrangements and the keeping of written evidence of post completion checks.

The Interim Head of Audit, Risk and Procurement advised that arrangements had been made for a workshop to be held in September to examine the report's findings, using building maintenance as a pilot, and through that process a new framework would be developed. Discussions

would also be undertaken on firming up the call-off arrangements.

The Head of Property confirmed that in relation to post completion checks, whilst those had been completed prior to payment of the invoices, no other documentary evidence to that effect had been retained. Arrangements had now been introduced, via a pro-forma, to ensure the appropriate evidence was in place when payments were made. With regard to the call-off arrangements, that issue was being resolved and would be in compliance with the framework ensuring the process was fully documented and agreed with contractors. He also advised that the Authority would be going to tender to replace the existing framework next year.

- Reference was made to report C and the Audit undertaken on the Coedcae Area Sports Centre with clarification being sought on whether measures had been introduced to address the monitoring of income collection at the Centre.

The Senior Sports and Leisure Manager confirmed that subsequent to the Audit, all bookings for the centre were now being managed via the Gladstone booking system at Llanelli Leisure Centre. For gym users, a cashless system was being introduced to reduce risk at the site (i.e. joining online or via Llanelli Leisure Centre and paying monthly by direct debit) which would be in place by the end of August 2017. The site would be 'cashless' from that point addressing the majority of the issues raised in the audit report.

UNANIMOUSLY RESOLVED that, for monitoring purposes, the 2016/17 Internal Audit Plan progress report and 2017/18 Update be received.

6. INTERNAL AUDIT ANNUAL REPORT 2016/17.

The Committee received for consideration the Annual Report of the Interim Head of Audit, Risk and Procurement, produced in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) that provided an opinion on the adequacy and effectiveness of the Council's control environment for the year April 2016 to March 2017, based on the work undertaken in the 2016/17 Internal Audit Plan, as agreed by the Audit Committee.

The Committee noted that it was the overall opinion of the Interim Head of Audit Risk and Procurement that the Authority had an adequate and effective control environment in operation. There were clear governance arrangements with defined management responsibilities and committee structures in place, suitable arrangements for risk management and the control framework was generally sound and operated reasonably consistently. The Authority had an established Constitution, had developed policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. As a consequence, the Interim Head of Audit, Risk and Procurement 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 Director of Corporate Services in response to a question on the Staffing arrangements within the Audit section outlined to the Committee proposals for a

re-organisation of the section, including forthcoming appointments to be made to the posts of Head of Revenues and Financial Compliance and Principal Auditor to focus solely on audit, replacing the existing Audit and Risk Manager post. He confirmed that the staffing within the unit would be set at 10, and complimented on an ad-hoc basis via secondments and graduate trainees.

Reference was made to page 57 of the report and the categorisation of 2star issues raised in 2016/17. Clarification was sought on whether a trend was appearing in relation to the policy issues and, if so, what measures were being taken to address that trend. The Interim Head of Audit, Risk and Procurement confirmed that it was apparent a pattern was developing and arrangements would be made to introduce appropriate measures to address any issues identified.

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

7. AUDIT COMMITTEE FORWARD WORK PROGRAMME.

The Committee considered its Forward Work Programme for the 2017/18 municipal year.

The Interim Head of Audit, Risk and Procurement referred to the provision within the programme for training/informal sessions and enquired whether the Committee felt it would be valuable, in accordance with good practice, to meet with the Council's External Auditors once a year.

UNANIMOUSLY RESOLVED

7.1 that the Audit Committee's 2017/18 Forward Work Programme be endorsed.

7.2 that in accordance with good practice, the Audit Committee meet with the Councillors External Auditors annually.

8. SUPPORTING PEOPLE PROGRAMME GRANT UPDATE

In accordance with Minute 6 of its meeting held on the 6th January, 2017 the Committee received the 6 monthly progress report on the Supporting People Service's Action Plan, summarising the work undertaken to date to achieve improvements in the grant and contract management processes, as identified in the 2015/16 Internal Audit of the Supporting People Programme Grant 2015/16. It was noted that good progress was being achieved against the action plan which was being monitored by the Supporting People Planning Group, chaired by the Director of Community Services.

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

- Reference was made to the proposal within the Action Plan for an agreement to be reached by Mid September 2017 on the level of acceptable management charges and whether that target was achievable.

The Safeguarding and Commissioning Manager advised that a meeting of the Regional Collaborative Committee for Mid and West Wales had been scheduled for September where it was anticipated the agreement would be

ratified.

- In response to a question on recommendation 8 within the plan relating to subsidy payments, the Safeguarding and Commissioning Manager advised that it was anticipated the issues would be resolved following further consultation.
- In response to a question relating to the withdrawal or reduction of grant aid due to non-compliance issues, the Safeguarding and Commissioning Manager advised that, to his knowledge, neither of those actions had been undertaken by the Welsh Government. However, issues had arisen in the past which the Welsh Government had required to be addressed prior to payment of the grant.

The Director of Corporate Services confirmed that whilst the Welsh Government had previously held back grant payments for specific reasons, it had always been paid.

- In response to a question on recommendation 4 on the potential for the joint commissioning of services to occur between Carmarthenshire, Ceredigion and Pembrokeshire County Council's, the Safeguarding and Commissioning Manager confirmed that discussions were on going with Pembrokeshire on the joint commissioning of a tender for the provision of services in relation to Domestic Violence against Women. With regard to the participation of Ceredigion in joint commissioning, that was less advanced and further consideration would need to be given to participation levels between the authorities to ensure an equitable distribution of associated work loads.

UNANIMOUSLY RESOLVED:

8.1 that the report be received.

8.2 that the Committee continue to receive 6 monthly updates on the Action Plan.

9. WALES AUDIT OFFICE REPORTS

The Chair welcomed to the meeting Mr Jeremy Evans of the Wales Audit Office.

9.1. AUDIT COMMITTEE UPDATE - JULY 2017

The Committee considered a report providing an update on the audit work undertaken by the Wales Audit Office on the Authority as at July 2017.

UNANIMOUSLY RESOLVED that the report be received.

9.2. ANNUAL IMPROVEMENT REPORT 2016/17 - CARMARTHENSHERE COUNTY COUNCIL

The Committee received the Wales Audit Annual Improvement Report 2016/17 on Carmarthenshire County Council which had been prepared as part of the 2017/18 Audit Programme.

The Committee noted that the report set out the Auditor General's views on the Council and that he was satisfied the Authority was achieving continuous review and would meet its obligations. It was further noted that Appendix C to the report detailed recommendations arising from the 2016/17 National Report.

UNANIMOUSLY RESOLVED that the report be received.

9.3. GOOD GOVERNANCE WHEN DETERMINING SIGNIFICANT SERVICE CHANGES.

The Committee received the Wales Audit Office report on 'Good Governance When Determining Significant Service Changes – Carmarthenshire County Council', undertaken as part of the 2017/18 Audit Programme incorporating the following three suggested proposals for improvement:

P1 – Scrutiny Committees consider taking better advantage of opportunities to challenge service change proposals and decisions,

P2 – Officers work with councillors to identify the level of information councillors want to see on options for service change, to enhance transparency in the decision making process,

P3 – The Council reviews the terms of reference of both the Corporate Governance Group and the Corporate Review Working Group in order to clarify their respective responsibilities for assessing and reviewing governance arrangements.

The Director of Corporate Services in response to a question on the three proposals advised that in relation to P1, whilst proposals for service change were taken forward to scrutiny committees, their very nature in proposing service changes was challenging. With regard to P2, the authority held annual informal budget sessions to discuss budgetary proposals, including service change, and he was currently examining the format of those sessions as work progressed on the 2018/19 budget proposals. In relation to P3, it was considered the Corporate Governance Group and the Corporate Review Working Group were separate entities with the former being officer led addressing governance issues and the Annual Governance Statement, whilst the latter addressed constitutional issues at member level.

UNANIMOUSLY RESOLVED that the report be received.

9.4. SAVINGS PLANNING IN COUNCILS IN WALES.

The Committee received the Wales Audit Office on Savings Planning in Councils in Wales prepared as part of the 2017/18 Audit Programme incorporating the following 4 most frequently made proposals for improvement across Wales.

- Strengthen financial planning arrangements by ensuring that savings proposals are fully developed, risk assessed and include realistic delivery timescales, prior to inclusion in the annual budget,
- Strengthen financial planning arrangements by developing indicative savings to cover the period of the MTFS
- Strengthen financial planning arrangements by developing an income generation/charging policy
- Strengthen financial planning arrangements by integrating and embedding financial and corporate planning processes

The Director of Corporate Services in addressing the 4 areas, advised that with regard to the first proposal, that was currently provided for within the Council's budget setting process. In relation to the second proposal, whilst the authority had in place both Risk Assessment and Quality Impact Assessment (QIA) systems, its ability to plan for £36m of savings over a 3 year period was challenging in the absence of either indicative or detailed figures from the U.K. and Welsh Governments. With regard to an income/charging policy and business/financial planning policies the Authority had appropriate policies in place..

UNANIMOUSLY RESOLVED that the report be received.

10. STATEMENT OF ACCOUNTS 2016/17.

The Committee considered the Authority's Statement of Accounts for 2016/17, incorporating the Dyfed Pension Fund, produced in accordance with the Accounts and Audit (Wales) Regulations 2014.

The Statement brought together all the financial transactions of the Authority and the Pension Fund for the year and also detailed both the Authority's and its Pension Fund's assets and liabilities as at 31st March, 2017.

It was reported that the Authority had maintained the overall Council Fund net expenditure within budget during 2016/17 and the following results were reported within the Movement in Reserves Statement:-

- Council Fund (generally available for new expenditure) – transfer to balance £525k;
- Balances held by schools under local management schemes – transfer from balances £1,967k;
- Housing Revenue Account – increase in balance £4,890k

It was noted that whilst a number of service areas across the Authority experienced demand led pressures during the year, those had been offset by under-spends in other service areas, specifically on capital financing costs, which included a saving of £2.9m from the change in the repayment method of the Council's borrowing from a 4% reducing balance basis to a 'straight line' repayment basis of 2.5% (approved by Council on the 26th April 2017) and a higher than estimated collection level on Council Tax.

The resultant outturn meant that the Authority transferred £525k to its general reserves, against a budgeted transfer of £65 from the reserves.

The Committee's attention and retrospective approval was sought in relation to the following movements to and from earmarked reserves:-

The Major Development Fund – transfer of £3.9m to support major developments in the future;

Fleet Management – Transfer of £1.33m to meet fleet replacement costs

MEP Capital Funding - £3.685m set aside in the 2016-2017 budget to meet the cost of prudential borrowing to finance the Modernising Education Provision programme - to be utilised in 2016-2017.

It was noted that the Committee had attended a briefing session on the Statement of Accounts during the week which had provided them with the opportunity of seeking clarification etc. on all aspects of the Statement of Accounts.

UNANIMOUSLY RESOLVED

11.1 that the Statement of Accounts 2015/16 (Carmarthenshire County Council and Dyfed Pension Fund) be received;

11.2 to retrospectively approve the movements to and from the Earmarked Reserves, in particular transfers to:-

- **The Major Development Fund;**
- **Fleet Management**
- **MEP Capital Funding.**

11. BURRY PORT HARBOUR FINANCIAL STATEMENT 2016/17.

The Committee considered the Burry Port Harbour Financial Statement 2016-17 which had been 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.

In compliance with the Account and Audit (Wales) Regulations 2014, those accounts were in the form of a separate annual income and expenditure account and statement of balances. The net cost of the harbour activities in 2016-17 was £247k and all activities were fully funded by Carmarthenshire County Council. Fixed assets held at 31st March, 2017 totalled £3,868k.

It was also noted that Carmarthenshire County Council had been given 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.

UNANIMOUSLY RESOLVED that the Accounting Statement for Burry Port Harbour Authority for 2016-17 be received.

12. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE.

12.1. RISK MANAGEMENT STEERING GROUP HELD ON 5TH APRIL, 2017

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Risk Management Steering Group held on the 5th April, 2017 be received.

12.2. GRANTS PANEL MEETING HELD ON 12TH MAY, 2017

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Grants Panel held on the 12th May, 2017 be received.

13. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COMMITTEE HELD ON 24TH MARCH, 2017.

RESOLVED that the minutes of the meeting of the Audit Committee held on the 24th March, 2017 be signed as a correct record.

CHAIR

DATE