

# GOVERNANCE & AUDIT COMMITTEE

FRIDAY, 27 OCTOBER 2023

**PRESENT:** D. MacGregor (Chair)

**Councillors (In Person):**

K.V. Broom

**Councillors (Virtually):**

A. Evans

A.G. Morgan

P.T. Warlow

D.E. Williams

J. Williams

T. Davies

**Lay Members (In Person):**

J. James

K. Jones

M. MacDonald

**Also in attendance (In Person):**

E. Ansell, Audit Wales Representative

J. Blewitt, Audit Wales Representative

D. Owen, Audit Wales Representative

**Also Present (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

S. Wride, Senior Risk Officer

E. Evans, Principal Democratic Services Officer

J. Owens, Democratic Services Officer

**Also Present (Virtually):**

A. Parnell, Treasury & Pension Investments Manager

S. Rees, Simultaneous Translator

M. Runeckles, Members Support Officer

**Chamber - County Hall, Carmarthen. SA31 1JP and remotely - 10.00 am - 12.12 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 3.2 to be considered prior to 3.1 and Agenda item 5.2 to be considered prior to 5.1.

## 1. APOLOGIES FOR ABSENCE

An apology for absence was received from Cllr. K. Davies.

Note: These minutes are subject to confirmation at the next meeting.

## 2. DECLARATIONS OF PERSONAL INTERESTS

<b>Member</b>	<b>Agenda Item</b>	<b>Nature of Interest</b>
Cllr. K. V. Broom	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund
Mrs Karen Jones	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. 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
Cllr J. Williams	5 – Dyfed Pension Fund Statement of Accounts (including 5.1 – 5.4)	Member of the Dyfed Pension Fund

## 3. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS:

### 3.1. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2022-23

The Committee considered the Statement of Accounts 2022/23 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 due to the introduction of the revised auditing standard (ISA 315 (UK) and the delay in completing some 2021/22 accounts, the statutory deadline for completion of the 2022/23 audited accounts had been extended to 30<sup>th</sup> November 2023.

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 2023, and which included the amendments agreed with Audit Wales as part of their audit.

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In respect of the Council Fund, it was confirmed that no changes had been made to the General Fund reserve or the Housing Revenue Account balance at year end. However, Committee was advised that audit testing had identified capital expenditure of £1.058m paid in April 2023 that related to 2022/23 which therefore required an adjustment to capital expenditure and a corresponding reduction in Earmarked Council Fund reserves.

Reference was also made to the Annual Governance Statement (AGS) for the year ended 31 March 2023 which accompanied the Statement of Accounts to demonstrate the Authority's compliance with the CIPFA and SOLACE framework and its seven core principles of good governance. In an update to the Committee, the Head of Revenues and Financial Compliance advised that since circulation of the meeting documentation, a minor adjustment had been made to the figures pertaining to the number of personal data breaches and cyber security incidents set out at section 3.3.7.4 of the document.

The Director of Corporate Services was pleased to report that despite the backdrop of the current macro-economic climate, the Authority's overall financial standing had been maintained at a prudent level. In closing, 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:-

Reference was made to the Revenue budget detailing the departmental expenditure during the reporting period. In light of the significant over-expenditure reported for social care, children's services and schools, the Committee emphasised the need to be vigilant of the underlying reasons for the over-expenditure, and welcomed the action that had been explained was being taken by the Authority in this regard.

Attention was drawn to the Housing Revenue Account whereby concerns were raised in respect of the increase in tenant rent arrears, with the Authority's performance being outside the margin of what was considered good practice level. The Head of Financial Services referred to the impact of the coronavirus pandemic on the level of current tenants' arrears and provided a synopsis of the Authority's management and performance of rent arrears in recent years, which had improved since 2021 and compared favourably with other peer Authorities.

Reference was made to the recent misleading headline information quoted in the press and media in respect of the Authority's budgetary position. The Director of Corporate Services clarified that the variance in the Authority's Capital Programme Outturn position was, in the main, attributable to issues which had resulted in slippage for ongoing projects. Accordingly, the Director of Corporate Services assured the Committee that the Authority would endeavour to correct any misinterpretation of information.

In response to a query, the Director of Corporate Services confirmed that an annual review of the housing business plan and budget was undertaken as part

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of the Authority's monitoring of its housing stock and associated maintenance costs, which was updated to reflect the escalating cost of materials and labour.

In an update to the Committee following a query regarding teachers' pay award, the Director of Corporate Services reported that notification had recently been received that Local Authorities would be required to accommodate the teacher pay awards within the budget proposals going forward.

**UNANIMOUSLY RESOLVED that:**

- 3.1.1 the post audit Statement of Accounts 2022/23 for Carmarthenshire County Council be approved.**
- 3.1.2 a report be brought to a future meeting of the Governance and Audit Committee setting out the Authority's management of tenant housing arrears, to include comparative figures with peer Authorities.**

**3.2. CARMARTHESHIRE COUNTY COUNCIL AUDIT OF FINANCIAL STATEMENTS REPORT**

The Committee considered the Audit Wales Audit of Financial Statements Report. The report summarised the main findings arising from the audit undertaken by Audit Wales of the Authority's accounts for 2022/23.

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 2023.

Mr D Owen, Audit Wales Representative, referred Committee's attention to paragraph 7 of the report and provided an update on 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.

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

Further detail was requested in respect of the corrected misstatement pertaining to asset revaluation set out at Appendix 3 of the report. The Head of Financial Services duly clarified that a significant proportion of the misstatement related to the social housing programme whereby a revaluation had not been undertaken following the transfer of assets from 'under construction' to 'operational use'. It was explained that the level of revaluation was attributable to the significant increase in the scale of the Council's housing programme in recent years, which had been further compounded by the coronavirus pandemic and increase in

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construction costs; furthermore, within the Authority's accounts, social housing was valued on a discounted basis to market value.

Members conveyed their appreciation for all staff involved in the production of a positive and encouraging report which provided Committee with an assurance in respect of the Authority's financial standing.

**UNANIMOUSLY RESOLVED that the Audit Wales Audit of Accounts report for Carmarthenshire County Council for 2022/23 be received.**

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

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 from the Director of Corporate Services and the Chair of the Governance and Audit Committee to Audit Wales be formally acknowledged.**

### **3.4. 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 2022/23 financial statements.

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

Attention was drawn to the Enquiries of management in relation to fraud whereby it was noted that the Authority, in its response, may wish to refer to the number of whistleblowing complaints carried over from previous years. Reference was also made to the Fraud and Cyber Awareness training provided by Dyfed Powys Police whereby Committee suggested that the attendance of the Governance and Audit Committee and Council Members at these events be included.

**UNANIMOUSLY RESOLVED that the responses to the requests made of both management and the Governance and Audit Committee, as detailed in**

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**the report, and subject to consideration of the comments made by Committee at the meeting, be approved.**

#### **4. BURRY PORT HARBOUR FINANCIAL STATEMENT 2022-23**

The Director of Corporate Services advised Committee that the report pertaining to the 2023-23 audited accounting statement of the Harbour Authority had been withdrawn with a view to being submitted to the next meeting of the Governance and Audit Committee. In this regard, it was explained that whilst the report was factually correct, it was considered appropriate to include additional statements surrounding the activities and risks following the Marine & Property Group Ltd entering into administration in June 2023.

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

[Cllr K.V. Broom, Mrs K. Jones, Mr M. MacDonald, Cllr. P. T. Warlow, Cllr. D. E. Williams and Cllr. J. Williams had earlier declared an interest in agenda items 5.1 – 5.4. and remained in the meeting during its consideration].

##### **5.1. DYFED PENSION FUND ANNUAL REPORT AND ACCOUNTS 2022-23**

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 2022-23 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 2022-23.

The Head of Financial Services detailed the minor amendments which had been made to the accounts which included the insertion of a Post Balance Sheet Events Note which had no overall effect on the primary statements, and a disclosure note on the movement of investments between Level 3 and 2 within note 13.5 and 13.6 of the statement of accounts. It was confirmed that all changes agreed with Audit Wales had been reflected in the Statement of Accounts.

Reference was made to the triennial actuarial valuation as at 31 March 2022 whereby it was reported that over the three years since 31 March 2019 the funding level of the Fund had increased from 105% to 113%.

It was noted that the Net Assets of the Fund had decreased by £100m from 2021-22 to 2022-23 which, in the main was attributable to the decrease in market value of the investment assets. It was clarified that these were unrealised losses as the Fund did not dispose of these investments.

The Chair conveyed the Committee's 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:-

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In response to a query, Committee was appraised of the Authority's position in respect of the McCloud/Sargeant remedy. The Head of Financial Services detailed the administrative impact in terms of data reconciliation and validation required to ensure correct benefit entitlement for immediate detriment cases and confirmed that work was ongoing by the software supplier to reflect the changes required to the pensions system. It was reported that the marginal cost increase to the future liabilities of the Fund had already been built into the Actuary's assumptions therefore there was no additional financial impact to the Fund's position.

In response to a query regarding the Governance Compliance Statement, the Head of Financial Services assured the Committee that the Authority's non-compliance status was attributable to the differing governance structures across the UK which was not considered to be a cause for concern to the Authority as its current Pension Committee structure was deemed effective.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Annual Report and Accounts 2022-23 be approved.**

## **5.2. DYFED PENSION FUND AUDIT OF FINANCIAL STATEMENTS REPORT**

The Committee received for consideration the report of Audit Wales on their 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, 2023 and its income and expenditure during that year.

In presenting the report, Mr J Blewitt, Audit Wales Representative, referred Committee's attention to paragraph 7 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 2022-23 be received.**

## **5.3. 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

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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.**

#### **5.4. 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 Dyfed 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 2022-23 financial statements.

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

#### **6. INTERNAL AUDIT PLAN UPDATE 2023/24**

The Committee considered a report which provided an update on the implementation of the Internal Audit Plan for 2023/24. The Committee duly reviewed the progress made in respect of the delivery of the audit programme which showed a completion rate of 39% to date.

**UNANIMOUSLY RESOLVED that the Internal Audit Plan Update 2023/24 be received.**

#### **7. CARMARTHENSHIRE COUNTY COUNCIL'S CORPORATE RISK REGISTER 2023/24**

The Committee received for consideration the Corporate Risk Register which was maintained to evaluate the Council's exposure to key strategic risks. The Head of Revenues and Financial Compliance provided a synopsis of the 8 risks which had been removed and the 2 risks added to the register; she added that work was ongoing to improve this further.

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

Note: These minutes are subject to confirmation at the next meeting.



Members welcomed the improvements made to streamline processes which provided a clear, better focussed, and informative risk register for review by the Committee.

An enquiry was made regarding the risk rating applicable for premises within the Authority's area of responsibility for listed buildings or ancient monuments. It was clarified that the information requested was contained within the departmental risk register and would be circulated to the Committee by email.

**UNANIMOUSLY RESOLVED that:**

- 7.1            **the Carmarthenshire County Council's Corporate Risk Register 2023/24 be received.**
- 7.2            **Information be circulated to the Committee pertaining to the risk rating applicable for premises within the Authority's responsibility for listed buildings or ancient monuments.**

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

**8.1. MINUTES OF THE GRANTS PANEL 28TH JUNE 2023**

In considering the timeliness of the Grants Panel minutes, it was acknowledged that the minutes were submitted to the Committee for information purposes following approval by the Panel; members were therefore satisfied to continue in this way.

Reference was made to minute 3.0 whereby the Head of Revenues and Financial Compliance confirmed that the audit of Housing Benefit return for 2021/22 had been completed.

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 28 June 2023 be received.**

**8.2. MINUTES OF THE RISK MANAGEMENT STEERING GROUP**

In response to the concerns expressed by the Committee regarding the high level of apologies submitted for the meeting, the Head of Revenues and Financial Compliance agreed to emphasise the importance of ensuring departmental representation at all scheduled meetings to members of the Risk Management Steering Group.

**UNANIMOUSLY RESOLVED that the minutes of the Risk Management Steering Group held on the 10<sup>th</sup> August 2023 be received.**

Note: These minutes are subject to confirmation at the next meeting.

**9. GOVERNANCE & AUDIT COMMITTEE ACTION LOG**

The Committee considered the Governance and Audit Committee Action Log detailing the actions to be monitored/progressed following previous meetings.

**UNANIMOUSLY RESOLVED** that the Governance and Audit Committee Action Log be received.

**10. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THE 29 SEPTEMBER 2023**

**UNANIMOUSLY RESOLVED** that the minutes of the meeting of the Governance and Audit Committee held on the 29 September 2023 be signed as a correct record subject to grammatical amendments to minute 7, Ombudsman's Annual Letter 2022/2023 Carmarthenshire County Council and minute 8, Revised Contract Procedure Rules.

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**

Note: These minutes are subject to confirmation at the next meeting.