

# Cyngor Sir Gâr

# Carmarthenshire County Council

Governance & Audit Committee

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Annual Report 2023/24

June 2024

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## **1. Foreword by Chair of Governance & Audit Committee**

1.1 Every local authority must get the basics of good governance right; this includes having effective structures, robust systems and procedural frameworks, promoting constructive and appropriate behaviours.

1.2 The Local Government and Elections (Wales) Act 2021 included provision for Governance and Audit Committees to be established by each of the 22 Principal councils and made it mandatory for one third of the membership of these committees to be 'lay' persons. Carmarthenshire County Council responded positively and promptly to these new requirements; its arrangements are fully compliant with the legislation.

1.3 It is pleasing to report that elected and lay members of the Committee work well together. Since the inception of the new arrangements, all members have contributed positively and constructively; they engage with the matters on the agenda for each meeting and there is no discernible difference in their approach.

1.4 Members and senior officers always need to be able to ask difficult questions and constructively challenge each other. The ongoing pressures on local authority budgets in all parts of the UK are well documented, and impact on their capacity to maintain service delivery and respond to threats and challenges.

1.5 Strong systems of risk management, financial management and performance management help to prevent poor decision making. The Governance and Audit Committee has oversight of both internal and external audit; it helps ensure that there are adequate arrangements in place for both internal challenge and public accountability.

1.6 There is now also an expectation/requirement that an Annual Report be produced each year reflecting on the range of issues considered by the Committee, and the effectiveness of its work. This is the first of such reports and mainly reflects on the Committee's performance in the 2023/24 municipal year.

## **2. Role of the Governance & Audit Committee**

2.1 The Terms of Reference of the Governance and Audit Committee are set out in the Council's constitution; an extract of these is provided as Appendix 1.

2.2 The Committee has a continuous role in the process of securing 'good governance'. The core purpose of a Governance and Audit Committee is to provide independent assurance on the adequacy of the risk management framework and associated control environment. It provides independent scrutiny of the authority's financial and non-financial performance to the extent that it affects its exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2.3 In carrying out its work, the Committee has regard to the guidance published by various external bodies and organisations, including the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.4 In 2022, CIPFA published its Position Statement applicable to Audit Committees in Local Authorities and the Police which states that the purpose of the Governance and Audit Committee is:

*'To provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.'*

2.5 The Committee has a well established and positive relationship with the Council's external and internal auditors. Careful consideration is always given to the reports they both produce; this work assists the Committee to be satisfied that risks are being managed, and internal controls are preventing waste of resources and fraud.

### **3. Effectiveness of the Governance & Audit Committee**

3.1 The Committee ensures that its forward work programme for the forthcoming financial year is considered each year at the March meeting and is in accordance with the Terms of Reference. The most recent forward work programme was approved in March 2024 - [REPORT.pdf \(gov.wales\)](#)

3.2 A key responsibility of the Committee is to scrutinise and consider the Annual Statement of Accounts for the Council, The Dyfed Pension Fund and the Council's Annual Governance Statement. To assist members in this task, a briefing/workshop session was held in July 2023 which provided an opportunity for the draft statements to be explored and explained in detail, prior to being presented to the Committee in a formal meeting. This approach was also followed with the Council's draft Annual Report.

3.3 Examples of where the Committee 'added value' in 2023/24 can be demonstrated through their constructive review and challenge of the following matters:

- Complaints Annual Report
- Corporate Safeguarding reports
- Corporate Risk Register
- Annual Governance Statement
- Council's Annual Report

Challenges to the content and the procedures in place were posed by the Committee and improvements were suggested. Where appropriate, changes were then made and members comments for delivering further improvement in the future were taken on board.

3.4 During the course of the last year, and to seek assurance on specific issues, the Committee requested follow up reports on significant matters including 'Cyber Security' and 'Housing Rent Arrears'. In both instances, members were pleased with the quality of the follow up reports and the additional information that had been provided.

3.5 Throughout the year, the Committee routinely receives reports on reviews undertaken by the Council's auditors. The range of reports produced by Internal Audit provide members with assurance on work undertaken to evaluate the effectiveness of risk management, internal controls, and governance. The Chair and Vice Chair receive copies of all the reports produced by Internal Audit and review these; the Committee receives some of these reports 'by exception', ie where significant weaknesses in the internal control environment had been found.

3.6 The Committee also give careful consideration to the key reports from Audit Wales, such as those that address the accuracy and quality of the Financial Statements, and the outputs from work undertaken as part of their 'Performance' Audit work programme.

3.7 Monitoring reports are received from the corporate 'PIMS' system on the progress being made with actions arising from recommendations made in reports from all the Regulatory bodies.

3.8 In July 2023, the Committee commenced consideration of an 'Action Log' to assist with monitoring of the Committee's own recommendations.

#### 4. **Committee Membership and Attendance**

4.1 The Council's constitution provides that the Governance & Audit Committee shall be consisted of twelve members: eight Councillors, and four Lay Members. At the time of writing this report, there was one elected member vacancy, and it is anticipated that this will be filled early in 2024/25.

4.2 The Committee is supported by Council Officers, principally the Director of Corporate Services (\$151 Officer), Head of Financial Services, Head of Revenues & Financial Compliance, Corporate Policy & Partnership Manager and Democratic Services.

4.3 The Governance and Audit Committee met on 5 occasions during the Municipal year 2023/24. The meeting agendas, minutes and recordings can be located at: [Browse meetings - Governance & Audit Committee](#).

4.4 Committee Member attendance for 2023 /24 is summarised as follows:

	Attendance						
	Possible	Actual	2023/2024				
			14 July	29 September	27 October	15 December	8 March
<b>Independent Lay Members</b>							
David MacGregor (Chair)	5	5	√	√	√	√	√
Julie James	5	5	√	√	√	√	√
Karen Jones	5	4	√	X	√	√	√
Malcolm MacDonald	5	5	√	√	√	√	√
<b>Councillors</b>							
Cllr. Kim Broom	5	5	√	√	√	√	√
Cllr. Karen Davies	5	4	√	√	X <sup>B</sup>	√	√
Cllr. Lewis Davies	1	1	√	Vacancy			
Cllr. Alex Evans	5	5	√	√	√	√	√
Cllr. Giles Morgan (Vice Chair)	5	4	X	√	√	√	√

Cllr. Philip Warlow	5	4	√	X	√	√	√
Cllr. Elwyn Williams	5	5	√	√	√	√	√
Cllr. Janet Williams	5	4	√	X	√	√	√

β – Cllr. Terry Davies attended in Cllr. Karen Davies' absence.

## 5. **Training and Development activity to support the Committee Members**

5.1 The following development sessions/ detailed review sessions were held during 2023/24.

Month	Session
May 2023	Governance & Audit Committee Self -assessment session
May 2023	Background on Corporate Annual report
June 2023	Risk Development Session (joint for Cabinet and G&AC members)
July 2023	Detailed review Statements of Accounts
July 2023	Detailed Review Annual Governance Statement
July 2023	Detailed Review Corporate Annual Report
March 2024	WLGA Essentials / Alarm: Risk Management for Councillors (Governance and Audit)

5.2 During October 2023, the Chair of the G&AC attended the All Wales Chair's & Vice Chair's meeting facilitated by the WLGA.

5.3 Development sessions presently arranged for 2024/25 are as follows:

- Attendance by the Chair, Head of Service and Principal Auditor at 'Audit Wales Good Governance Exchange – Effective Audit Committees'
- Detailed review of the Statement of Accounts
- Detailed Review of the Annual Governance Statement
- Detailed Review of the Corporate Annual Report
- Meet the Auditors

## 6. **Performance evaluation**

6.1 The Committee carried out a self-assessment during May 2023. In preparation for the event, members were individually asked to complete a self-assessment questionnaire, built around CIPFA guidance. This event was well attended and the Action plan from this session is attached as Appendix 2.

6.2 In July 2023, the Committee considered the report titled "An External Assessment of Carmarthenshire County Council's Internal Audit Service". In 2013, the new 'Public Sector Internal Audit Standard' introduced a requirement for an external assessment of all internal audit services to be undertaken by a qualified Independent Assessor at least once every five years. The findings of the recent assessment provided reassurance to the Committee and confirmed that it could continue to have confidence in the quality of the work undertaken by the Council's internal audit service.

6.3 Senior representatives of both Audit Wales and the Council's Internal Audit Service routinely attend meetings of the Committee to present reports and observe the proceedings. All members of the Governance and Audit Committee value the open and constructive relationship that exists with the Council's external and internal auditors.

6.4 It is considered good practice for members of the Committee to have an informal private discussion with the auditors annually; this offers all parties with an opportunity to discuss relevant issues including working relationships. The most recent 'Meet the auditor session' was held in December 2023.

## **7. Forthcoming challenges**

7.1 Reports in the media over the past few years suggest that all 'principal' local authorities across the UK face challenges in meeting the needs of their communities and maintaining standards in the delivery of core services. Regrettably, the serious 'failure' of a local authority is no longer a rare event.

7.2 The above point reinforces the need for Members and officers to work collaboratively to support good governance and robust financial management.

7.3 The Governance and Audit Committee needs to continue to focus on risk management, using the Annual Internal Audit Plan to consider major strategic risks and other critical operations.

7.4 It is important to maintain and further develop the Council's healthy relationships with Audit Wales and other regulatory bodies.

## Appendix 1

### Extract from Constitution – Terms of Reference for Governance & Audit Committee

Committee	Functions	Delegation of Functions
<p>Governance &amp; Audit Committee 8 members + 4 Lay Persons</p>	<p>(1) to review and scrutinise the Authority's financial affairs,            (2) to make reports and recommendations in relation to the authority's financial affairs,            (3) to review and assess the risk management, internal control and corporate governance arrangements of the authority,            (4) to make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,            (5) to oversee the authority's internal audit &amp; risk management arrangements including:                (a) monitoring the adequacy &amp; effectiveness of Internal Audit &amp; Risk Management and the extent to which Management fulfil their responsibilities for ensuring an adequate control environment exists throughout the organisation;                (b) approving the Authority's Audit Charter;                (c) receiving an Annual Internal Audit Plan from the Head of Revenues and Financial Compliance and monitoring progress against the Plan;                (d) receiving an Annual Internal Audit Report from the Head of Revenues and Financial Compliance at the end of the audit year;                (e) receiving and considering major internal audit findings and recommendations;                (f) receiving the minutes of the Authority's Risk Management Steering Group and receiving reports in relation to significant risks identifying significant control failings or weaknesses, their potential or real impact and the corrective action required or being taken;                (g) monitoring Management's response to major findings and the implementation of key recommendations                (h) review the assessment of fraud risks and potential harm to the Council from fraud and corruption.                (i) monitor the counter fraud strategy, actions and resources.            (6) to oversee the authority's external audit arrangements, including                (a) monitoring the adequacy and effectiveness of the External Audit service and to respond to its findings;</p>	



	<p>(b) discuss with the external auditor the nature and scope of the audit of the County Council's services &amp; functions, and consider the external audit fee and terms of engagement;</p> <p>(c) receiving and considering external audit reports and management letters and advising Full Council as appropriate;</p> <p>(d) monitoring Management's response to the external auditor's findings and the implementation of the external auditor's recommendations</p> <p>(7) To review and assess the authority's ability to handle complaints effectively and to make reports and recommendations in relation to the authority's ability to handle complaints effectively</p> <p>(8) to approve the financial statements prepared by the Authority</p> <p>(9) to scrutinise the Authority's Annual Statement of Accounts and any supplementary statements as required by the Accounts &amp; Audit (Wales) regulations eg. Annual Governance Statement</p> <p>(10) to approve the Dyfed Pension Fund's Annual Statement of Accounts</p> <p>(11) to consider and approve amendments to the Contract Procedure Rules</p> <p>(12) to consider and approve amendments to the Financial Procedure Rules</p> <p>(13) to interview applicants for the position(s) of Lay Member(s) of the Committee and to recommend an appointment (s) to the Council</p>	
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## Appendix 2

### Governance & Audit Committee (G&AC) Self-Assessment undertaken 25<sup>th</sup> May 2023 – Position as at April 2024

#### Action Plan

Ref.	ACTION	PROGRESS	Responsible Officer(s)	Target Date	Status
SA1	G&AC Annual Report to be published		Chair of Governance & Audit Committee	July 2024	
SA2	G&AC Annual Report could be presented to full Council		Chair of Governance & Audit Committee	TBC	
SA3	G&AC has a decision-making role on the Statement of Accounts	Monitoring officer opinion confirmed legality of Council's arrangements.	Head of Revenues & Financial Compliance	30 June 2023	Complete
	ACTION - Head of Revenues & Financial Compliance to clarify this.	Extract from CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022			
SA4	Consideration be given to G&AC Chair attending 'Chairs & Vice Chairs of Scrutiny'		Chair of Governance & Audit Committee	Annually arranged by DSU	Complete
SA5	Management and Committee Structure of CCC to be shared with G&AC Members	CCC Committee Structure and CCC Management Structure shared with G&AC, by e-mail	Principal Auditor	30 June 2023	Complete
SA6	Refer to 2022 CIPFA guidance to ensure training/support has covered the areas set out in the guidance	CIPFA assessment of needs and skills pulled together. Suggest that we have individual skills / knowledge gap assessment carried out to ensure that relevant training is provided.	Head of Revenues & Financial Compliance	30 June 2023	Complete
SA7	Include Action Log on agenda of all G&AC Meetings	Action Log to be included on the agenda of the July meeting, and at each meeting thereafter	Principal Auditor	14 July 2023	Complete
SA8	Revisit the Audit Wales Report on AC Effectiveness to assess current position and ensure actions to address any issues raised have been appropriately implemented.	Five proposals for improvement raised by Audit Wales. All of which have been completed. Areas covers: <ul style="list-style-type: none"> <li>Review of Annual Governance Statement</li> <li>Regular reporting of Corporate Risk register to the Committee</li> </ul>	Head of Revenues & Financial Compliance	30 June 2023	Complete

		<ul style="list-style-type: none"> <li>• Reports are more specific for Committee responsibilities</li> <li>• Strengthen arrangements of tracking recommendations</li> <li>• Conflict of interest of the Head of Revenues and Financial Compliance responsibilities mitigated</li> </ul>			
SA9	Consideration of a scheduled break (10 mins) during long meetings.		Chair of Governance & Audit Committee / DSU	14 July 2023	
SA10	Presenting Officers to be offered guidance on presenting to the Committee, to ensure reports are not simply read through, but an overview of any such report is provided instead.	Guidance is offered to Presenting Officers as and when required.	Head of Revenues & Financial Compliance	As and when required	Complete
SA11	Action plan to be published following the self-assessment review undertaken on 25 May 2023.	Action plan developed.	Principal Auditor	30 June 2023	Complete
SA12	CIPFA guidance mentions members of Policy & Resources not to be members of the G&AC – clarity to be sought on whether this refers to P&R Scrutiny, or a separate Policy & Resources Committee.	Clarity received that this refers to Policy & Resources Committees, which are different to Scrutiny Committees. The CIPFA guidance states that being a member of other committee, such as Scrutiny, as well as G&AC can add value... <i>“An overlap with other committee roles such as scrutiny or standards is not necessarily a problem. It can add value by bringing knowledge of activity in these areas into the committee. Those who are members of other committees should take care to not blur their roles.”</i>	Head of Revenues & Financial Compliance	30 June 2023	Complete