

CITY AND COUNTY OF SWANSEA

NOTICE OF MEETING

You are invited to attend a Meeting of the

AUDIT COMMITTEE

At: Committee Room 1, Civic Centre, Swansea

On: Thursday, 27 March 2014

Time: 5.00 pm

AGENDA

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1 Apologies for Absence.	
2 Disclosures of Personal and Prejudicial Interests.	1 - 2
3 Minutes. To approve the Minutes of the meetings of the Audit Committee held on 27 February 2014.	3 - 8
4 Briefing - Responsibility for Implementing Audit Recommendations in Schools.	
5 Internal Audit Annual Plan 2013/14 - Monitoring Report for the Period 1 October 2013 to 31 December 2013.	9 - 16
6 Internal Audit Annual Plan - Methodology.	17 - 23
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8 Date of Next Meeting - Thursday, 24 April 2014.	



Patrick Arran
Head of Legal, Democratic Services & Procurement
Wednesday, 19 March 2014

Contact: Democratic Services: - 636016

AUDIT COMMITTEE (12)

Lay Member:

Mr Alan M Thomas (Independent Chair)

Councillors:

Labour Councillors: 8

Bob A Clay	Jennifer A Raynor
Phil Downing	Robert V Smith
Robert Francis-Davies	Des W W Thomas
Geraint Owens	Lesley V Walton

Liberal Democrat Councillors: 2

Jeff W Jones	Paul M Meara
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Independent Councillor: 1

Lynda James	
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Conservative Councillor: 1

Paxton R Hood-Williams	
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Officers:

Jack Straw	Chief Executive
Dean Taylor	Director of Corporate Services
Mike Hawes	Head of Financial Services
Paul Beynon	Chief Auditor
Tracey Meredith	Directorate Lawyer
Dave Mckenna	Overview & Scrutiny Manager
Richard Rowlands	Business Performance Manager
Patrick Fletcher	Communications
PricewaterhouseCoopers	External Auditors
Archives	
Democratic Services	
Spares	

Total Copies Needed:

32

Agenda Item 2

Disclosures of Interest

To receive Disclosures of Interest from Councillors and Officers

Councillors

Councillors Interests are made in accordance with the provisions of the Code of Conduct adopted by the City and County of Swansea. You must disclose orally to the meeting the existence and nature of that interest.

NOTE: You are requested to identify the Agenda Item / Minute No. / Planning Application No. and Subject Matter to which that interest relates and to enter all declared interests on the sheet provided for that purpose at the meeting.

1. If you have a **Personal Interest** as set out in **Paragraph 10** of the Code, you **MAY STAY, SPEAK AND VOTE** unless it is also a Prejudicial Interest.
2. If you have a Personal Interest which is also a **Prejudicial Interest** as set out in **Paragraph 12** of the Code, then subject to point 3 below, you **MUST WITHDRAW** from the meeting (unless you have obtained a dispensation from the Authority's Standards Committee)
3. Where you have a Prejudicial Interest you may attend the meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, **provided** that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise. In such a case, you **must withdraw from the meeting immediately after the period for making representations, answering questions, or giving evidence relating to the business has ended**, and in any event before further consideration of the business begins, whether or not the public are allowed to remain in attendance for such consideration (**Paragraph 14** of the Code).
4. Where you have agreement from the Monitoring Officer that the information relating to your Personal Interest is **sensitive information**, as set out in **Paragraph 16** of the Code of Conduct, your obligation to disclose such information is replaced with an obligation to disclose the existence of a personal interest and to confirm that the Monitoring Officer has agreed that the nature of such personal interest is sensitive information.
5. If you are relying on a **grant of a dispensation** by the Standards Committee, you must, before the matter is under consideration:
 - i) Disclose orally both the interest concerned and the existence of the dispensation; and
 - ii) Before or immediately after the close of the meeting give written notification to the Authority containing:

- a) Details of the prejudicial interest;
- b) Details of the business to which the prejudicial interest relates;
- c) Details of, and the date on which, the dispensation was granted; and
- d) Your signature

Officers

Financial Interests

1. If an Officer has a financial interest in any matter which arises for decision at any meeting to which the Officer is reporting or at which the Officer is in attendance involving any member of the Council and /or any third party the Officer shall declare an interest in that matter and take no part in the consideration or determination of the matter and shall withdraw from the meeting while that matter is considered. Any such declaration made in a meeting of a constitutional body shall be recorded in the minutes of that meeting. No Officer shall make a report to a meeting for a decision to be made on any matter in which s/he has a financial interest.
2. A "financial interest" is defined as any interest affecting the financial position of the Officer, either to his/her benefit or to his/her detriment. It also includes an interest on the same basis for any member of the Officers family or a close friend and any company firm or business from which an Officer or a member of his/her family receives any remuneration. There is no financial interest for an Officer where a decision on a report affects all of the Officers of the Council or all of the officers in a Department or Service.

CITY AND COUNTY OF SWANSEA

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD AT THE CIVIC CENTRE, SWANSEA ON THURSDAY 27 FEBRUARY
2014 AT 5.00 P.M.

PRESENT: Mr A M Thomas (Independent Chair) presided

Councillor(s):

R A Clay
P Downing
L James

Councillor(s):

P M Meara
G Owens
J A Raynor

Councillor(s):

R V Smith
L V Walton

Officers:

M Hawes - Head of Financial Services
P Beynon - Chief Auditor
S Heys - Principal Solicitor
D McKenna - Overview and Scrutiny Manager
J Harley - ICT Strategic Performance Manager
J Parkhouse - Democratic Services Officer

Also present:

H Pullen - PricewaterhouseCoopers

63. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors P R Hood-Williams and J W Jones.

64. **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS**

In accordance with the Code of Conduct adopted by the City and County of Swansea, the following interests were declared:

Councillor G Owens - Minute No. 66 - Local Service Board - My employer is involved in this Board, although it does not affect my own employment directly - personal interest.

65. **MINUTES**

RESOLVED that the Minutes of the meeting of the Audit Committee held on 9 January 2014 be agreed as a correct record.

The Committee were updated on the following:

Portmead Primary School

The Chief Auditor reported that 11 of the 19 recommendations made in 2010 had not been implemented. A letter had been sent to the Headteacher and Chair of Governors stating that it was imperative that action be taken immediately to address the outstanding recommendations.

The Committee requested that the matter be highlighted to the Executive Board.

Fundamental Audits 2012/13 - Recommendations Tracker

The Director of Corporate Services had responded to the letter sent by the Chair regarding recommendations that had not been fully implemented and had stated that audit recommendations will be discussed at monthly directorate performance and financial monitoring meetings.

The Head of Financial Services will provide a response regarding governance arrangements for partnerships in due course.

The Director of People and Chief Education Officer will provide a briefing on the responsibility for implementing audit recommendations in schools at the Audit Committee meeting scheduled for 27 March 2014.

The Committee expressed disappointment that the briefing had not been included on the agenda for this meeting.

66. **SWANSEA LOCAL SERVICE BOARD BRIEFING**

The Overview and Scrutiny Manager provided an overview presentation and report on the role and functions of Swansea Local Service Board, particularly relating to the One Swansea Plan (Single Integrated Plan).

Details provided in the presentation included:

- The national context
 - The Welsh Government agenda
 - Single integrated plans
 - What is a Local Service Board?
 - Benefits of Local Service Boards
 - Looking forward

- The Swansea picture
 - A brief history
 - Membership
 - Making a difference
 - Current structure
 - The One Swansea Plan: Outcomes and Challenges
 - Delivering the Plan

The Committee asked a number of questions of the officer who responded accordingly. Discussions centred around the following:

- Governance and membership arrangements for the Local Service Board;
- The work and achievements of the Local Service Board since its inception;
- Involvement of scrutiny in the process;
- Delivery framework of the Local Service Board;
- Details of matters considered by the Local Service Board;
- Challenges for the Local Service Board;
- Value for money of the Local Service Board.

RESOLVED that:

- (1) the contents of the presentation be noted;
- (2) the costs to the City and County of Swansea of its involvement in the Local Service Board be reported to a future meeting of the Committee;
- (3) a further briefing be provided following the review of the Local Service Board being undertaken by the Scrutiny Programme Committee.

67. **PRESENTATION - ICT CONTRACT GOVERNANCE ARRANGEMENTS**

The ICT Strategic Performance Manager provided a detailed presentation regarding the Capgemini ICT Contract Governance.

Details included in the presentation were as follows:

- Introduction;
- Service Level Agreements;
- Changes;
- Contract Monitoring;
- User Survey.

The Committee asked a number of questions of the officer who responded accordingly. Discussions centred around the following:

- Benchmarking / comparisons with other local authorities;
- Call monitoring and nature of queries / requests received;
- Penalty clauses contained in the current contract;
- Performance of Capgemini to date;
- The meaningfulness of Service Level Agreements;
- Emergency back-up provision;
- Methods of feedback / measuring feedback obtained from customers.

The Head of Financial Services commented that it was important to examine the details of the contract, particularly specific levels of Service which Capgemini are obliged to adhere to in terms of Service Level Agreements as a measure of contract performance.

RESOLVED that:

- (1) the contents of the presentation be noted;
- (2) the presentation be circulated to the Committee.

68. **WALES AUDIT OFFICE - AUDIT OF ACCOUNTS 2012-13 - CELTIC MARINE LEASE NEGOTIATION**

The PwC representative, on behalf of the Wales Audit Office, presented a report on the Celtic Marine Lease Negotiation.

The key objectives of the review undertaken by the Wales Audit Office centred upon the decision to amend the lease terms made through delegated officer powers by the Head of Corporate Building and Property Services that was signed on 3 October 2011. The following key objectives were discussed:

- Consideration of the governance arrangements in place, including whether the decision of February 2010 was made in line with the Council's constitution;
- Consideration of the rationale for extending the lease term and whether alternative options were considered;
- Consideration of the lease terms negotiated by the Council and whether they represented good value to the Council;
- Consideration of the Council's responses to related Freedom of Information requests and other correspondence.

It was added that documents relating to the lease agreement were reviewed and key members of staff involved in the negotiations interviewed. Information had also been received from members of the public and all matters were considered during the review.

Details of the review in the following key areas was provided:

- Governance;
- Lease duration;
- Revised terms;
- Freedom of Information requests.

It was summarised that the Wales Audit Office had identified nothing which they believed to be unreasonable in respect of the Council's grant of the 250 year lease in 2011 and they do not propose to take any further action in connection with the lease transaction.

The Committee asked a number of questions of the PwC representative who responded accordingly.

RESOLVED that the contents of the report be noted.

69. **AUDIT COMMITTEE WORK PLAN**

The Audit Committee Work Plan to May 2014 and a draft Work Plan for the 2014/15 Municipal Year were provided.

RESOLVED that the contents of the report be noted.

70. **AUDIT COMMITTEE PERFORMANCE REVIEW**

The Chair referred to the Chartered Institute of Public Finance and Accountancy (CIPFA) toolkit issued as a means to review performance and to progress during the next Municipal year.

The Committee highlighted the following as subjects for investigation:

- Liberty Stadium;
- Section 106 Agreements.

The Head of Financial Services commented that the annual governance statement for the Liberty Stadium was reported to Council as part of the annual Leisure Services Partnerships report.

Minutes of the Meeting of the Audit Committee (27.02.2014) Cont'd

RESOLVED that:

- (1) the Audit Section undertake an audit of processes in respect of Section 106 Agreements during the first quarter of 2014/15;
- (2) the Audit Committee terms of reference provided by the Chartered Institute of Public Finance and Accountancy be incorporated into the Council Constitution;
- (3) Training be provided for Councillors R A Clay and L V Walton who had recently joined the Committee.

71. **DATE OF NEXT MEETING**

RESOLVED that the next meeting be held at 5.00 p.m. on Thursday 27 March 2014.

The meeting ended at 7.33 p.m.

CHAIR

Report of the Chief Auditor

Audit Committee – 27 March 2014

INTERNAL AUDIT ANNUAL PLAN 2013/14 MONITORING REPORT FOR THE PERIOD 1 OCTOBER 2013 TO 31 DECEMBER 2013

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 st October 2013 to 31 st December 2013.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2013/14
Consultation:	Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that: the Committee review and discuss the work of the Internal Audit Section and note the contents of this report
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Internal Audit Annual Plan 2013/14 was approved by the Audit Committee on 18th April 2013 and quarterly monitoring reports have been presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits which were finalised in the period 1st December 2013 to 31st December 2013.

2. Audits Finalised 1st October 2013 to 31st December 2013

2.1 A total of 97 days were lost in Quarter 3 due to vacancies. The vacant Audit Assistant post was filled on a permanent basis on 19th November 2013 but a Senior Auditor post remained vacant throughout the quarter as the post holder was covering the vacant Group Auditor post. The impact of the vacancies throughout the year is covered later in this report.

2.2 A total of 23 audits were finalised during Quarter 3. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.

2.3 An analysis of the audits finalised during the 3rd quarter is shown in the following table

Assurance Level	High	Substantial	Moderate	Limited
Number	3	16	3	1

2.4 A total of 217 audit recommendations were made and management agreed to implement 216 recommendations i.e. 99.5% against a target of 98%.

2.5 Appendix 2 shows brief details of the significant issues which led to the 4 audits being considered to be 'moderate' or 'limited'. There were other less significant findings also included in the final audit reports issued to management.

2.6 A Management Action Plan has been agreed for the audits which received a 'moderate' or 'limited' level of assurance. The Plan includes a series of recommendations to address the issues arising from each audit. A follow up audit will be arranged within 6 months of the final report being issued to confirm that the agreed recommendations have been implemented.

2.7 In addition, the Internal Audit Section also certified the following grants as required by the terms and conditions of the grant issued by the Welsh Government.

Grant	Amount £
School Uniform Grant 2011/12 & 2012/13	120,066
Community Focused Schools – Childcare Allocation 2012/13	164,712

2.8 In each case, it was found that the grant had been spent in accordance with the terms and conditions of the grant although in both cases

recommendations were made to improve control over the grants in future years.

- 2.9 The Audit Committee has expressed concern when previous quarterly monitoring reports have highlighted the loss of Internal Audit resources due to vacant posts and special investigations. At the meeting in November 2013, an indication of the audits which would have to be deferred as a result of the loss of resources was requested.
- 2.10 To the end of December 2013, a total of 321 days had been lost due to vacancies while the amount of time spent on special investigations exceeded the time allowed in the Annual Internal Audit Plan by 34 days. The combined impact of the vacant posts and special investigations is a loss of 355 days in the first 3 quarters of 2013/14.
- 2.11 The level of vacancies has to be viewed in the light of the significant funding difficulties facing the Council and, in particular, the stated policy of the Council to minimise any risk of compulsory redundancies. The management of vacancies and timing of appointments is crucial in this respect. Given the current and projected funding position of the Council going forward, it is essential that audit resource is focused in the most effective way – this will involve future recommendations to this Committee in terms of the range and frequency of some audits that are currently undertaken. Any changes arising from that will be discussed and agreed with our external auditors.
- 2.12 The Annual Plan has been reviewed to balance the resources available for the remainder of the year against priorities and a list of the audits which will have to be deferred until 2014/15 is attached in Appendix 3
- 2.13 The audits deferred will be prioritised in the 2014/15 Annual Plan which will mean that a similar number of audits due next year are likely to be deferred until 2015/16, again based on a risk assessment of priorities.

3. Follow Ups Completed 1st October 2013 to 31st December 2013

- 3.1 A follow up of the Streetworks audit which had received a 'moderate' level of assurance was completed during Quarter 3 and it was found that all recommendations had been implemented or were in hand.
- 3.2 The Recommendations Tracker exercise to review the implementation of recommendations made following the fundamental audits for 2012/13 was also undertaken during Quarter 3 and the results of this exercise was reported to the last meeting of the Audit Committee.

4 Equality and Engagement Implications

- 4.1 There are no equality and engagement implications associated with this report

5. Financial Implications

5.1 There are no financial implications associated with this report.

6. Legal Implications

6.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2013/14

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 2 2013/14
Appendix 2 Moderate / Limited – Significant Issues
Appendix 3 Internal Audit Plan 2013/14 – Audits Deferred

INTERNAL AUDIT MONITORING REPORT - QUARTER 3 2013/14

Head of Service	Audit	Date		Assurance		Recommendations	
		Finalised	Level	Made	Not Agreed		
Economic Regeneration & Planning	Rural Development Plan	31/10/13	High	4	4	0	0
Financial Services	Housing & Council Tax Benefit	09/10/13	High	4	4	0	0
Highways & Transportation	SWWITCH	06/11/13	High	0	0	0	0
Corporate Building & Property Services	Energy Management	20/11/13	Substantial	4	4	0	0
Corporate Building & Property Services	Control of Contracts - CBS Projects & Procurement	12/12/13	Substantial	6	6	0	0
Culture, Sport, Leisure & Tourism	Libraries Administration	29/10/13	Substantial	9	9	0	0
Culture, Sport, Leisure & Tourism	Community Buildings	16/12/13	Substantial	5	5	0	0
Culture, Sport, Leisure & Tourism	Archives	23/12/13	Substantial	18	18	0	0
Education Inclusion	Stepahead Education Centre	22/07/13	Substantial	10	10	0	0
Education Inclusion	Afrryn Education Centre	16/12/13	Substantial	18	18	0	0
Education Planning & Resources	Morrison Primary School	11/11/13	Substantial	11	11	0	0
Education Planning & Resources	St Illtyd's Primary School	12/11/13	Substantial	3	3	0	0
Education Planning & Resources	Ysgol Pen-y-Bryn	18/11/13	Substantial	9	9	0	0
Education Planning & Resources	YGG Geillionen	18/11/13	Substantial	10	10	0	0
Education Planning & Resources	Pentrefafod Comprehensive School	19/11/13	Substantial	14	14	0	0
Education Planning & Resources	Whitestone Primary School	16/12/13	Substantial	12	12	0	0
Housing & Public Protection	Town Centre District Housing Office	25/11/13	Substantial	5	5	0	0
Housing & Public Protection	Furniture Store - Tenancy Scheme	03/12/13	Substantial	12	12	0	0
Social Services - Directorate Services	Social Services - Use of Taxis	08/10/13	Substantial	8	8	0	0
Communication & Consultation	E-Commerce	31/10/13	Moderate	10	10	0	0
Education Inclusion	Key Stage 4 Education Centre	12/11/13	Moderate	19	18	1	1
Education Planning & Resources	Llangyfelach Primary School	06/12/13	Moderate	11	11	0	0
Adult Services	Community Alarms Service	07/11/13	Limited	15	15	0	0
Total				217	216	1	1

Moderate / Limited - Significant Issues

Audit	Rating	Reasons
E-Commerce	Moderate	<ul style="list-style-type: none"> • No formal strategy, standards or guidelines in place • No policy on use of cookies on Council's online shopping website • Standard systems and working practices required • Formal documentation of back-up procedures required • Business continuity and disaster recovery plans required
Key Stage 4 Education Centre	Moderate	<ul style="list-style-type: none"> • Excessive number of P Cards held • Confusion over roles and responsibilities for admin staff • Health & Safety and Fire Risk Assessments required • Eligibility for free school meals not always checked • Division of duties required in petty cash re-imburements • Failure to comply with Contract Procedure Rules • Failure to use ISiS for procurement • Inventory out of date
Llangyfelach Primary School	Moderate	<ul style="list-style-type: none"> • Income not banked on regular basis • Unofficial fund auditors not independent • Official orders not always raised
Community Alarms Service	Limited	<ul style="list-style-type: none"> • Issues surrounding charging for the service on a consistent and timely basis. • Lack of a formal debt recovery process and policy • Delay in collecting income from Housing Dept and Housing Associations. The former has limited impact on the Council overall. • Equipment not collected from users who had declined to pay for service

		<ul style="list-style-type: none">• Income collection disputes not resolved promptly• Mismatch between service user databases• Inappropriate stock storage facilities used• Maintenance contractor failing to provide 24 hour response• Service not ended when domiciliary care package ends• Technical knowledge concentrated in one member of staff• No call recharges to Neath Port Talbot when joint funding agreement ceased• Advance payments made to suppliers
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Internal Audit Plan 2013/14 - Audits Deferred

Audit	Latest Opinion Rating	Latest Risk Index	Category	Frequency in Years	No of Days
Gorseinon Primary School	Good	30	m	3	4.5
Dunvant Primary School	Good	35	m	3	4.5
Mayals Primary School	Good	30	m	3	4.5
Penllergaer Primary School	Good	35	m	3	4.5
Pontlliw Primary School	Good	30	m	3	4.5
YGG Brynymor	Good	36	m	3	4.5
YGG Pontybrenin	Good	30	m	3	4.5
EMLAS	Good	31	m	3	10.0
Parks Central Operations	Good	15	l	4	6.0
European Unit	Good				8.0
Cleaning Service	Satisfactory	35	m	3	15.0
Play	Satisfactory	34	m	3	6.0
Education Welfare Service	Satisfactory	26	m	3	10.0
Cefn Hengoed Leisure Centre	Satisfactory	31	m	3	10.0
Healthy Directions	Satisfactory	33	m	3	8.0
Swansea Bay Port Health Authority	Satisfactory				5.0
Clydach Depot - Plant	Satisfactory	31	m	3	10.0
CTU - Fleet/Spot hire	Satisfactory	39	m	3	10.0
Independent Agency Payments	Satisfactory	44	m/h	2/3	10.0
Discretionary Payments	Satisfactory	43	m/h	2/3	10.0
Suresprung	Satisfactory	34	m	3	15.0
Morfydd House Admin	Satisfactory	31	m	3	5.0
Coastal	Satisfactory	43	m/h	2/3	10.0
Software Licences	Satisfactory	46	m/h	2/3	5.0
Social Services Debt Recovery	Adequate	58	h	1/2	15.0
Contract & Supplier Register	Adequate	39	m	3	10.0
Physical & Environmental Controls	Adequate	39	m	3	7.0
Park & Ride Vouchers	Unsatisfactory	32	m	3	5.0
ICT Disaster Recovery	Unsatisfactory	43	m/h	2/3	10.0
Burlais Primary School	New				4.5
ACTIVA	New				5.0
Section 106 Agreements	New				5.0
Landscape	New				10.0
Planning - AONB	New				10.0
Pension Fund - Other	New				10.0
Oracle Time & Labour	New				15.0
Integrated Community Equipment Store	New				10.0
Adult Family Placements	New				10.0
Abacus Income Collection	New				2.0
Mobile Phones	New				10.0
Employment of Agency Staff	New				10.0
Virtual Server Environment	New				10.0
Total					343.0

Report of the Chief Auditor

Audit Committee – 27 March 2014

INTERNAL AUDIT ANNUAL PLAN - METHODOLOGY

Purpose:	This report provides a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2014/15 being reported to the Committee for approval.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

FOR INFORMATION

1. Introduction

- 1.1 A risk based Internal Audit Plan is produced each year which is used to guide the work of the Internal Audit Section over the course of the year.
- 1.2 The Internal Audit Annual Plan is reported to and approved by the Audit Committee in April each year.
- 1.3 The aim of the Internal Audit Annual Plan is to provide sufficient coverage of the Council's risks and services to allow the Chief Auditor to deliver the annual opinion on internal control which informs the Annual Governance Statement.
- 1.4 This report provides a briefing to the Committee on the methodology used to prepare the Annual Plan in advance of the Plan for 2014/15 being reported to the Committee for approval.

2. Internal Audit Plan Methodology

- 2.1 The requirement to produce an Internal Audit Annual Plan is included in the Public Sector Internal Audit Standards (PSIAS) which are mandatory for all internal audit providers in the UK public sector.
- 2.2 An extract of the PSIAS requirements regarding internal audit planning is attached in Appendix 1

2.3 An Audit Needs Assessment is completed on an annual basis utilising the risk assessment undertaken for each audit. The risk assessment takes into account a wide range of factors which are grouped into the following categories

- Materiality e.g. income, expenditure
- Control Environment/Vulnerability e.g. previous frauds, staff turnover
- Management Concerns e.g. direct request for help, potential for embarrassment
- Sensitivity e.g. impact on service, effect on Council's welfare

2.4 A copy of the Risk Assessment form used is attached in Appendix 2

2.5 The outcome of the risk assessment is a risk index which is then used to determine the frequency of audit visits as shown in the following table

Risk Index	Risk Factor	Frequency of Visit
0 – 19	Low	4 years
20 – 25	Medium/Low	3/4 years
26 – 40	Medium	3 years
41 – 49	Medium/High	2/3 years
50 +	High	1/2 years

2.6 In addition to the risk assessment process, a number of systems have been identified, in consultation with our external auditors as fundamental e.g. Payroll, Accounts Receivable, Main Accounting, Council Tax. All fundamental systems are audited annually which accounts for over 350 audit days over the course of the year.

2.7 The use of the risk assessment process provides every audit in the Council's audit universe with a year when the next audit visit is due which is the starting point for the Internal Audit Annual Plan

2.8 Each year, a consultation exercise is held with all Heads of Service and Chief Officers giving them the opportunity to comment on the audit coverage in their area and to ensure that all risks within their services have been identified. Heads of Service and Chief Officers may also request specific reviews or pieces of work by the Internal Audit Section which are considered in light of the total Internal Audit resources available.

2.9 A review of the Corporate Risk Register also takes place to ensure that where necessary, Internal Audit resources are targeted at the areas considered to be the highest risk.

- 2.10 The ongoing review of the current year's Annual Plan also informs the planning process e.g. by identifying any emerging risks, new systems or developments, special investigations which may have a wider impact.
- 2.11 The Audit Needs Assessment i.e. the risk assessment process, consultation exercise and review of the Corporate Risk Register provides the total number of audit days required in the year which then has to be matched against the audit resources available.
- 2.12 For 2013/14, the audit resources available were 11.5 full time equivalents but this will be reducing to 10.6 for 2014/15 due to a Group Auditor leaving under the Council's ER/VR scheme.
- 2.13 The audit resources available have to allow for things such as annual leave, public holidays, training, administration, planning, fraud investigations and a contingency to allow for unplanned work. This provides the productive audit days available to deliver the required audit coverage obtained from the Audit Needs Assessment
- 2.14 Inevitably, the required audit coverage will exceed the available audit resources leading to a further review of the required audit coverage. This review will again be risk based to ensure that the areas of greatest risk are prioritised
- 2.15 As indicated above, Internal Audit resources are reducing in 2014/15 to contribute to the savings required to meet the challenging budget position faced by the Council
- 2.16 This will mean that a number of alternative ways of matching the required audit coverage to the available resources will need to be considered including
- Deferring lower risk audits
 - Extending the period of time between audit visits
 - Reviewing the range and frequency of audits
 - Increasing the use of alternatives e.g. self assessment
- 2.17 Any proposed changes will be discussed and agreed with our external auditors and reported to the Audit Committee
- 2.18 The Internal Audit Annual Plan is reported to the Audit Committee at the start of each year for approval. However, the Annual Plan must remain a flexible document that reacts to changing risks and priorities over the course of the year.

3. Equality and Engagement Implications

3.1 There are no equality and engagement implications associated with this report.

4. Financial Implications

4.1 There are no financial implications associated with this report.

5. Legal Implications

5.1 There are no legal implications associated with this report

Background Papers: None

Appendices: Appendix 1 – Extract from Public Sector Internal Audit Standards
Appendix 2 – Risk Assessment Form

Extract from Public Sector Internal Audit Standards

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

Public sector requirement

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

City and County of Swansea - Risk Assessment Sheet - Internal Audit Section

Establishment/Site/System: _____ File Ref: _____

Completed By: _____ Date: _____ Approved (and copied to PFile/RAFile.) By: _____ Date: _____

Tick each factor that applies and score 1 point (except A) - maximum 5 points per category

A. Materiality	B. Control Environment / Vulnerability	C. Management Concerns	D Sensitivity														
Value of funds that pass through the system and/or direct expenditure <u>plus</u> income P age 23 = £ _____	<ul style="list-style-type: none"> • Previous frauds if < 5 years • Opinion rating less than 'satisfactory' • Last audit review > 3 years ago (date _____) • High staff turnover • New system(s) operating • High degree of devolution • Complex system(s) operating • Critical reports from outside bodies etc. 	<ul style="list-style-type: none"> • Direct requests for help • Potential for embarrassment • Specific problem areas • Control weaknesses • Assets at risk • Significant cash income (e.g.: > £10K p.a.) 	<ul style="list-style-type: none"> • Political sensitivity of activity • Large no. of sub-systems, interlinked or dependent systems • Effect on Authority's welfare • Unwelcome disclosure • Impact on service • Impact on other depts. 														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Annual Value (£)</th> <th style="text-align: center;">Score</th> </tr> </thead> <tbody> <tr> <td>• < 1,000</td> <td style="text-align: center;">0</td> </tr> <tr> <td>• 1,000 - 10,000</td> <td style="text-align: center;">1</td> </tr> <tr> <td>• 10,001 - 100,000</td> <td style="text-align: center;">2</td> </tr> <tr> <td>• 100,001 - 1m</td> <td style="text-align: center;">3</td> </tr> <tr> <td>• 1m - 5m</td> <td style="text-align: center;">4</td> </tr> <tr> <td>• > 5m</td> <td style="text-align: center;">5</td> </tr> </tbody> </table>	Annual Value (£)	Score	• < 1,000	0	• 1,000 - 10,000	1	• 10,001 - 100,000	2	• 100,001 - 1m	3	• 1m - 5m	4	• > 5m	5	8	4	3
Annual Value (£)	Score																
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• > 5m	5																
Total Score (max 5)																	
Weighting	5																
Weighted Scores																	
Total WS =risk index																	
Low 0 to 19, Medium/Low 20 to 25, Medium/High 26 to 40, Medium/High 41 to 49, High 50 and above																	

Agenda Item 7

Report of the Head of Financial Services

Audit Committee – 27 March 2014

AUDIT COMMITTEE – WORKPLAN

Purpose:	This report updates the Audit Committee Workplan to May 2014 and provides a draft Workplan for the following municipal year.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins
FOR INFORMATION	

1. Introduction

- 1.1 An updated Workplan to May 2014 is attached in Appendix 1 for information
- 1.2 A draft Workplan for the following municipal year is also attached in Appendix 2

2. Equality and Engagement Implications

- 2.1 There are no equality and engagement implications associated with this report.

3. Financial Implications

- 3.1 There are no financial implications associated with this report.

4. Legal Implications

- 4.1 There are no legal implications associated with this report

Background Papers: None

Appendix 1 – Audit Committee Workplan

Appendix 2 – Draft Audit Committee Workplan 2014/15

AUDIT COMMITTEE – WORKPLAN

Date of Meeting	Reports
27 March 2014	Education Briefing Internal Audit Monitoring Report Q3 2013/14 Internal Audit Plan Methodology
24 April 2014	Internal Audit Charter Internal Audit Annual Plan 2014/15 Recommendations Tracker 2012/13 - Update PwC Annual Financial Audit Outline 2013/14 WAO National Report – Local Authority Review of Governance

DRAFT AUDIT COMMITTEE WORKPLAN 2014/15

Date of Meeting	Reports
June 2014	Draft Annual Governance Statement 2013/14 Internal Audit Monitoring Report Q4 2013/14 PwC Performance Audit Work 2014/15 Risk Management
July 2014	Draft Statement of Accounts 2013/14
August 2014	Internal Audit Annual Report 2013/14 Annual Report of School Audits 2013/14 Internal Audit Monitoring Report Q1 2014/15
September 2014	Housing Benefit Investigation Team Annual Report 2013/14 Risk Management Half Yearly Review 2014/15 PwC Performance Audit – Mid Term Report
October 2014	Audited Statement of Accounts 2013/14 PwC ISA 260 Report 2013/14
November 2014	Internal Audit Monitoring Report Q2 2014/15 Recommendations Tracker Report 2013/14
December 2014	PwC Controls Report 2013/14 PwC Annual Audit Letter 2013/14
January 2015	Audit Committee Review of Performance 2014/15
February 2015	Internal Audit Monitoring Report Q3 2014/15
March 2015	Risk Management Annual Review 2014/15
April 2015	Internal Audit Annual Plan 2015/16 PwC Annual Financial Audit Outline 2014/15