

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, 7 August 2014

Time: 4.00 pm

AGENDA

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9 Date of Next Meeting - Thursday, 4 September 2014.	



Patrick Arran
Head of Legal, Democratic Services & Procurement
Thursday, 31 July 2014

Contact: Jeremy Parkhouse - 01792 636016

AUDIT COMMITTEE (12)

Lay Member:

Mr Alan M Thomas

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

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 AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 1 - CIVIC CENTRE ON THURSDAY, 12
JUNE 2014 AT 4.00 PM

PRESENT:

Councillor(s)	Councillor(s)	Councillor(s)
R A Clay	J W Jones (Vice Chair)	G Owens
P Downing	P M Meara	R V Smith
L James	G Owens	

Independent Member:

Mr A M Thomas

Officers:

M Hawes	-	Head of Finance & Delivery
P Beynon	-	Chief Auditor
S Heys	-	Principal Lawyer
J Parkhouse	-	Democratic Services Officer

Also Present:

R Nelson	-	PricewaterhouseCoopers
S Barry	-	Wales Audit Office

1 ELECTION OF CHAIR FOR THE 2014-2015 MUNICIPAL YEAR.

RESOLVED that Mr A M Thomas be elected Chair for the 2014/15 Municipal Year.

(Mr A M Thomas presided)

2 ELECTION OF VICE-CHAIR FOR THE 2014-2015 MUNICIPAL YEAR.

RESOLVED that Councillor J W Jones be elected Vice-Chair for the 2014/15 Municipal Year.

3 APOLOGIES FOR ABSENCE.

Apologies for absence were received from Councillors P R Hood-Williams, J A Raynor and L V Walton.

4 **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS FROM MEMBERS.**

In accordance with the Code of Conduct adopted by the City and County of Swansea, no interests were declared.

5 **MINUTES.**

RESOLVED that the Minutes of the meeting of the Audit Committee held on 24 April 2014 be agreed as a correct record subject to the following amendments.

Minute No. 85 - Replace "od" with "of" in the second paragraph.

Minute No. 86 - Amend in paragraph 2, line 8 the word "audit" to "audits".

6 **INTERNAL AUDIT CHARTER.**

The Chief Auditor provided a report which outlined the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1 April 2013 and provided the Internal Audit Charter for approval.

The Internal Audit Charter was provided at Appendix 1. Details provided within the Charter included the definition, role and function, scope, independence, consultancy role, fraud, bribery and corruption, role within internal audit, the internal audit resources and the Quality Assurance and Improvement Programme.

Members asked a number of questions of the Officer who responded accordingly.

RESOLVED that the Internal Audit Charter be approved.

7 **FUNDAMENTAL AUDITS 2012/13 - RECOMMENDATIONS TRACKER UPDATE.**

The Chief Auditor presented a report which provided an update on the recommendations made following the Fundamental Audits 2012/13 which had not been fully implemented when the Recommendations Tracker Report was presented to the Audit Committee on 9 January 2014.

It was outlined that the January 2014 report identified the recommendations which had not been fully implemented as either partly implemented, not implemented or not yet due. Appendix 1 showed, for each Fundamental Audit, the number of recommendations made following the 2012/13 Audit and whether they had been implemented, partly implemented or not implemented as at 31 March 2014. The position on 31 March 2014 on the 89 agreed

recommendations compared to those at 30 November 2013 were summarised as follows:

Recommendations	30 November 2013		31 March 2014	
	No.	%	No.	%
Implemented	68	76	79	89
Partly Implemented	6	7	3	3
Not implanted	6	7	7	8
Not yet due	9	10	0	0
TOTAL	89	100	89	100

Overall, the implementation rate was now 89% with the only areas where recommendations were outstanding being payroll and accounts receivable. An analysis of the recommendations, which had been partly or not implemented over the classification of audit recommendations used by the Internal Audit Section was provided at Appendix 2. Appendix 3 provided the management explanation for the ten recommendations which were not fully implemented by 31 March 2014. This showed that there were some recommendations when an implementation date early in 2014/15 was indicated and also instances where progress had been delayed due to other priorities, mainly due to issues linked to the need to address the Council's significant budget deficit in future years.

It was concluded that whilst it was disappointing that some recommendations arising from the 2012/13 Fundamental Audits remained outstanding, it was also necessary to recognise the staff responsible for implementing the recommendations were also heavily involved in a number of projects linked to the Sustainable Swansea - Fit For The Future Programme which is aimed at addressing the significant budget deficit faced by the Council. Any outstanding recommendations will have been picked up during the 2013/14 Fundamental Audits and monitoring of their implementation will form part of the Recommendations Tracker exercise in the current year.

Key issues arising from discussions included:

- Setting a time limit for the recommendations to be implemented.
- Listing of authorised signatories.
- Recoverability of lifeline debts.
- Overdue school debts not being paid.

RESOLVED that the progress in implementing the recommendations be noted.

8 DRAFT AUDIT COMMITTEE ANNUAL REPORT 2013/14.

The Chair presented a report which provided the Draft Audit Committee Annual Report 2013/14. It was outlined that the purpose of the report was to allow the Audit Committee to discuss, review and contribute to the Draft Audit Committee Annual Report 2013/14 prior to the report being presented to Council.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) the Annual Report 2013/14 be forwarded to Council.

9 WALES AUDIT OFFICE - 2014/15 PERFORMANCE AUDIT WORK AND FEES.

S Barry, Wales Audit Office presented a letter that had been forwarded to the Chief Executive of the Council outlining the 2014-15 performance audit work and fees. It was explained that this work was delivered under the Local Government (Wales) Measure 2009, the Local Government Act 1999 and the Public Audit (Wales) Act 2013.

It was explained that the Wales Audit Office will be carrying out a Corporate Assessment as part of a four year rolling programme of assessments at all Welsh councils. The Corporate Assessment will provide a position statement of the Council's capacity and capability to deliver continuous improvement. It will, by its nature, examine track records of performance and outcomes, as well as examining the key arrangements that are necessary to underpin improvements in services and functions. The Wales Audit Office will publish a Corporate Assessment Report that states whether the Auditor General believes that the Council is likely to comply with the requirements of the Measure. Carrying out the Corporate Assessment will not require any additional fee from the Council as it will be funded by Welsh Government Grant to the Wales Audit Office.

It was added that in addition to the Auditor General's audit and assessment work under the Measure, the Wales Audit Office will undertake a programme of local government studies as set out in the Auditor General's letter of 28 April 2014. These and the specific elements of the audit and assessment work were provided. It was explained that the performance audit fee from April 2014 to March 2015 was £107,555. However, if any additional work is identified as being necessary, additional fees may be incurred.

The Wales Audit Office will publish a Corporate Assessment Report incorporating the Annual Improvement Report for the Council, summarising the work and that of relevant regulators and will issue a reports setting out the findings of the audit and assessment work.

The Committee asked questions of the Wales Audit Office representative, who responded accordingly.

RESOLVED that the contents of the report be noted.

10 **COASTAL PROJECT.**

Further to Minute No. 88 of the Audit Committee held on 24 April 2014, the Head of Finance and Delivery updated the Committee on progress made with regards to the management of all regional projects. He added that in future all grant applications will be dealt with by an External Funding Panel.

The Committee raised a number of questions in relation to the Coastal Project and the governance of the External Funding Panel, which were responded to accordingly.

RESOLVED that:

- (1) the content of the update be noted;
- (2) the appropriate Director/Head of Service provide a briefing report to the next scheduled meeting;
- (3) the terms of reference of the External Funding Panel be provided to the next scheduled meeting.

11 **AUDIT COMMITTEE WORK PLAN.**

The Audit Committee Work Plan was provided for information.

RESOLVED that the contents of the report be noted.

12 **DATE OF NEXT MEETING - 4 P.M. ON THURSDAY, 10 JULY 2014.**

NOTED that the next meeting be scheduled for 4.00 p.m. on Thursday 10 July 2014.

The meeting ended at 5.35 p.m.

CHAIR

Agenda Item 4

Report of the Chief Auditor

Audit Committee – 7 August 2014

COASTAL PROJECT – UPDATE REPORT

Purpose:	This report provides further information on the Coastal Project in particular the evaluation of the Project by Wavehill.
Policy Framework:	None.
Reason for Decision:	To allow the Audit Committee to discuss and raise any questions regarding the Coastal Project.
Consultation:	Legal, Finance, Access to Services.
Recommendation:	It is recommended that: the Committee notes the report.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Head of Finance and Delivery presented a report to the Audit Committee on 24/04/14 which provided details of an investigation undertaken by the Internal Audit Section into the Coastal Project.
- 1.2 The investigation followed a change in the terms and conditions of the grant by WEFO which represented a significant financial risk to the Project as a whole and to the City and County of Swansea in particular.
- 1.3 The report included the full version of the Internal Audit Report and also outlined the management action which had been taken in response to the change in terms of conditions of the grant by WEFO
- 1.4 Discussion of the report was deferred at the meeting on 24/04/14 and the report was subsequently discussed on 12/06/14.

- 1.5 At the meeting in June, a member of the Audit Committee provided a copy of an evaluation report of the Coastal Project produced by Wavehill dated October 2011.
- 1.6 This report provides the background to the Wavehill report and the implications for the original audit findings as the Wavehill report had not previously been identified during the review of Coastal.
- 1.7 A list of the senior staff in post throughout the Coastal Project is included in Appendix 1
- 1.8 The Chief Social Services Officer and Coastal Regional Project Director will be attending the Audit Committee on 7th August 2014.

2. Wavehill Evaluation Report

- 2.1 All European funded projects with a value in excess of £2m are required by the terms and conditions of the grant to engage an independent, external evaluation of the Project.
- 2.2 The Regional Management Team undertook a procurement exercise in June 2009 using Sell2Wales to appoint a company to provide the evaluation. There were 63 expressions of interest with 5 organisations being shortlisted and Wavehill being commissioned to provide the evaluation in September 2009.
- 2.3 The remit for Wavehill was to provide a 'formative' evaluation with a series of progress reports over the course of the Project and a final summary report at Project closure.
- 2.4 To date, Wavehill have produced 4 reports in October 2010, October 2011, February 2012 and January 2013.
- 2.5 The report produced at the last Audit Committee was the second report dated October 2011 and the issue raised at the last Audit Committee was that the Wavehill report identified the same issues as those raised by WEFO when they imposed the 20% retention in August 2013.
- 2.6 An extract of the Wavehill report summary is provided in Appendix 2 showing relevant comments and recommendations. The extract does not show the complete summary of the report as other issues and recommendations which are not relevant to the investigation have been excluded.
- 2.7 The extract in Appendix 2 shows that the issues relating to the slow achievement of targets in particular the employment target and the consequent risk to funding was clearly made by Wavehill in October 2011.

- 2.8 The final version of the Wavehill report was discussed at the Regional Project Board meeting held on 26/04/12.
- 2.9 Copies of all Wavehill reports were sent to WEFO and at a meeting held with WEFO representatives in February 2012 it was noted that they had no comments to make regarding the 2nd Wavehill report other than it was an honest evaluation with a need to work on the recommendations.
- 2.10 The 2nd Wavehill report is the only one which refers to a potential risk of a loss of funding as a result of failing to achieve targets. The slow progress made by the Project against its targets is included in other reports but there is no mention of funding being at risk. The 4th Wavehill report includes a summary of the previous reports and here the summary of the 2nd report also fails to mention funding being at risk.

3. Response to Wavehill Report

- 3.1 The Coastal Regional Project Director has stated that the Corporate Director (Social Services) and Head of Adult Services would have received a copy of the Wavehill report at the time.
- 3.2 The Regional Project Director also stated that he personally discussed the risk to funding with the Corporate Director (Social Services) during one of their regular meetings but as the meetings were on an informal basis, no minutes were kept.
- 3.3 It has been confirmed that the findings of the Wavehill report were not escalated outside of the Social Services Directorate. However the Regional Project Director has outlined the following series of actions which were put in place in response to the report's findings
- The programme for the Project Conference held in November 2011 was amended to include an extraordinary meeting of Project Managers and Operational Lead Officers from all partners to discuss the risk implications and revision of targets
 - The quarterly audit process undertaken by the Regional Management Team was strengthened to focus much more closely on progress against targets
 - The Wavehill consultant attended the Regional Project Board meeting in January 2012 to discuss the implications of the report. Detailed discussions took place which led to some significant changes in attitude amongst the Project sponsors.
 - Changes were made to the meeting structure within the Project so that a much wider group of representatives were involved in monthly rather than bi-monthly meetings.
 - The agenda structure for meetings was revised to include standing items on progress, outcome achievement and sharing of good practice.

- A new process of monthly outcome reporting and monitoring was introduced to provide the Regional Project Board with updated performance data.

4. Conclusion

- 4.1 The second Wavehill Report dated October 2011 clearly identified the failure of the Project to meet targets and the potential risk to funding i.e. the same issues which subsequently led to WEFO changing the terms and conditions of the grant in August 2013.
- 4.2 Although this report did not form part of the original Internal Audit investigation it can be seen that the response to this report confirms the original findings of the investigation i.e. there was a positive response from within the Project but there was no escalation of the potential risk to funding within the City and County of Swansea.
- 4.3 The fundamental question arising from the original investigation was whether the risk to funding imposed by WEFO in August 2013 could have been identified sooner. The Wavehill report shows that the risk was identified in October 2011 but that no action was taken to escalate this risk until August 2013 in response to WEFO changing the terms and conditions of the grant.

5. Equality and Engagement Implications

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

6. Financial Implications

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

7. Legal Implications

- 7.1 There are no legal implications associated with this report.

Background Papers:

Appendices: Appendix 1 – Coastal Project – Senior Staff in Post
Appendix 2 – Wavehill Evaluation Report October 2011 – Extract from Report Summary

Coastal Project – Senior Staff in Post

Chief Executives	Name	From	To	
Chief Executive	Mr P Smith	02/10/06	31/03/11	Left
Chief Executive	Mr J Straw	01/04/11	Present day	

Directors	Name	From	To	
Director of Social Services	Mr J Straw	01/03/05	27/01/08	
Corporate Director (Social Services)	Mr C Maggs	28/01/08	12/11/11	Left
Corporate Director (Social Services)	Mr P Hodgson	24/10/11	31/08/13	Left
Director - People	Ms C Sivers	11/09/13	Present day	
Chief Social Services Officer	Ms D Driffield	17/06/13	Present day	

Heads of Service	Name	From	To	
Head of Service	Mr C Maggs	01/05/06	27/01/08	Left
Head of Adult Services	Ms D Driffield	01/01/09	16/06/13	
Head of Adult Services	Ms C Rea	24/06/13	Present day	

Section 151 Officers	Name	From	To	
Head of Finance	Mr S Evans	02/07/07	27/01/08	Left
Executive Director	Mr J Straw	27/01/08	01/04/11	
Head of Finance	Mr M Trubey	01/04/11	30/06/13	Left
Head of Finance & Delivery	Mr M Hawes	01/07/13	Present day	

Wavehill Evaluation Report – October 2011

Extract from Report Summary

This is a summary of the October 2011 report of the on-going evaluation of the COASTAL project which is being undertaken over a five year period and run parallel to the delivery of the project. The evaluation is being carried out by the social research and evaluation specialists Wavehill.

Evaluation is an important component of publically funded projects, services and activities. It is used to measure the efficiency and effectiveness of projects and programmes, to understand how policy is being delivered to citizens, and to test if project teams are achieving what they are being funded for. Evaluation identifies what is working well and provides a critique where strategy and delivery is not effective.

The headline targets of the COASTAL project are currently under revision and awaiting WEFO approval, but the proposed targets at the time of writing are (October 2011):

- 8,500 economically inactive participants to be engaged;
- 1,000 participants to move into sustainable employment (12%);
- 6,500 participants gaining a qualification (76%); and
- 8,100 participants gaining other positive outcomes (95%).

A possible funding risk to COASTAL and delivery agents

The evaluation has found that, in some cases, delivery agents have been slow to adapt into the COASTAL focus on employability and employment outcomes, rather than the provision of a more social care based model. This has quite significantly reduced the propensity of COASTAL to reach its outcome and results targets. As a result funding may be at risk to the COASTAL project as a whole or to individual delivery agents.

Outputs, results, impacts and outcomes to date

As of the end of June 2011, COASTAL has supported just over 2,194 (1,200; 2010) participants. This is lower than the numbers we would have expected to have been engaged so far if the project is to meet its participation targets of 8,500.

The lowest 'results' across COASTAL are in the number of participants progressing into employment, only 37 from 2,194 participants. This is considered low as the original targets anticipated 32% (2,870/9,020) finding employment and the proposed revised targets 11.8% (1,000/8,500). Clearly, at the current rate of progress, far fewer participants will achieve employment outcomes than anticipated when the COASTAL project was planned.

Essentially COASTAL must be able to demonstrate that participants increase their employability as a result of inclusion and participation in the portfolio of COASTAL projects. This means that other outcomes and results must be identified and recorded to demonstrate the benefits that COASTAL brings to its participants. As things stand, it is hard to identify any progress in terms of participants improving their employability or moving into employment outcomes based on the monitoring data that is currently available. This is not to say there has been no progression, but there is little data (evidence) to demonstrate the progress that has been made.

The 2010 evaluation report highlighted the lack of WEFO results and the need to provide evidence of distance travelled, or soft outcomes. This is still the case in 2011 and, with so few WEFO results being recorded, it is even more important to measure the softer benefits of COASTAL participation.

Conclusion

COASTAL is an ambitious project that brings together partners and delivery agents from different Local Authorities and silos of delivery. The ultimate aim is to create a paradigm shift in social care services, where people with various disabilities can move towards more mainstream and independent lives by becoming more employable and ultimately employed. There is much evidence to suggest gaining employment includes personal therapeutic benefits as well as social and economic status, but employment outcomes need to be made to realise these benefits. The COASTAL project has many of the elements in place to be successful, but must now focus on employability and employment. If it does not funding may be at risk as WEFO targets are unlikely to be met.

Recommendation 1

Issue

Employment outcomes are not being realised at a rate that will satisfy the WEFO contract. A greater number of job opportunities need to be identified for COASTAL participants.

Evidence

- The employment rate within Coastal is below 2%.

Recommendation

It may be that COASTAL, as a collective or the individual delivery agents, need to extend and emphasise the role of employment liaison officers, responsible for identifying businesses willing to work with COASTAL participants. The role could be to work between the COASTAL teams and the local employers to negotiate employment places and employment experience. This dialogue may be increased initially through SETs (Specialist European Teams – WEFO).

Recommendation 2

Issue

Whilst there are differences between delivery agents, taken as a whole, COASTAL is not focussed enough on employability and employment outcomes. This creates a funding risk to COASTAL as a whole and also to individual delivery agents.

Evidence

- Analysis of outputs and results.
- Discussions with stakeholders.

Recommendation

The correct balance between COASTAL as an employment project and COASTAL as a social care project needs to be agreed on between the partners as there are some significant differences in opinion and potentially a risk to funding.

Recommendation 4

Issue

The core concept of COASTAL being about employability and employment of participants needs emphasis.

Evidence

- Interviews with stakeholders identified a drift towards provision of care settings for participants.

Recommendation

Some 'mission drift' is noted amongst COASTAL stakeholders. This may be partly as employment outcomes are, so far, very few amongst the COASTAL projects. However, the WEFO / ESF contract is explicit in its requirement of a focus on employability and employment. It is also clear from participant interviews, and speaking to stakeholders, that some COASTAL participants are not ready for employment, and probably never will be. These participants require a social/day-care model, not an employability employment model.

Agenda Item 5

Report of the Section 151 Officer

Audit Committee – 7 August 2014

DRAFT STATEMENT OF ACCOUNTS 2013/14

Purpose: The report presents the Draft Statement of Accounts for 2013/14 and is presented to the Audit Committee for Information and Review.

Report Author: Mike Hawes

Finance Officer: Mike Hawes

Legal Officer: Tracey Meredith

Access to Services Officer: Sherill Hopkins

FOR INFORMATION

1. Background

1.1 Legislation requires the Council to produce an annual Statement of Accounts in respect of each Financial year as follows:-

- **By 30th June** following the year to which the Accounts relate – Accounts to be drafted and signed by the Section 151 Officer
- **By 30th September** following the year to which the Accounts relate the Accounts are required to be audited and approved by Council

1.2 The Draft Accounts for 2013/14 have been prepared and were signed by the Section 151 Officer on 30th June 2014. A copy is appended at Appendix 'A' to this report

1.3 The Accounts have been formally presented to the Council's auditors – PWC – who have commenced the audit of the Accounts.

1.4 As part of the audit process the Accounts will be made available for inspection by the public for a four week period during August/Early September 2014.

2. Form and content of the Statement

2.1 The form and content of the report is largely set out in the CIPFA code of practice which forms the basis of best practice in accordance with legislation.

3. Equality and Engagement Implications

- 3.1 There are no equality and engagement issues associated with this report; any relevant items within the budget for the past two years have been subject to the Equality Impact Assessment process and all resulting reports are available at www.swansea.gov.uk/eia.

4. Legal Implications

- 4.1 There are no legal implications.

6. Financial Implications

- 6.1 There are no financial implications.

FOR INFORMATION

Background papers: *Accounts and Audit Regulations*
Cipfa Accounting Code of Practice

Appendices: Appendix 'A' – Draft Statement of Accounts 2013/14.

Agenda Item 6

Report of the Chief Auditor

Audit Committee – 7 August 2014

DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14

Purpose:	This report provides the draft Annual Governance Statement 2013/14 and allows the Audit Committee to contribute to the annual review of governance.
Policy Framework:	None.
Reason for Decision:	To allow the Audit Committee to discuss, review and contribute to the Annual Governance Statement 2013/14.
Consultation:	Executive Board, Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that Committee review and discuss the draft Annual Governance Statement 2013/14.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Debbie Smith
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Council is required by the Accounts and Audit (Wales) Regulations 2005 to undertake a review of its governance arrangements, at least annually. The review is intended to show how the Council has complied with its Code of Corporate Governance.
- 1.2 The Audit Committee's role in Corporate Governance is set out in the Local Government (Wales) Measure 2011. Paragraph 9.2 of the statutory guidance relating to the Measure states that one of the functions of the Audit Committee is to

'Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements'

- 1.3 The review of governance is brought together in the Annual Governance Statement (AGS) which is published with the Council's Annual Statement of Accounts. The AGS is an important document in providing assurance to the Council, stakeholders and public regarding the corporate governance arrangements.
- 1.4 This report provides the opportunity for the Audit Committee to review and contribute to the annual review of governance prior to the AGS being finalised, signed off and published.
- 1.5 At the meeting of the Audit Committee held in August 2013, PwC provided feedback on their Local Authority Review of Governance Improvement Study which had been undertaken on behalf of the Auditor General Wales. The feedback related specifically to the review undertaken in Swansea and the intention at the time was that a National Report would be published by the Wales Audit Office but to date the National Report has not been published
- 1.6 However, the learning points identified by PwC for Swansea have been incorporated in this year's AGS.

2. Code of Corporate Governance

- 2.1 Following a number of high profile cases of failed corporate governance, in both the private and public sectors, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published a Framework for Delivering Good Governance in Local Government in 2007.
- 2.2 The Framework says that governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way.
- 2.3 Governance comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.
- 2.4 Good governance leads to effective management, improving performance, stewardship of public money, successful public engagement and ultimately, the desired outcomes for citizens and service users. Sound governance enables the Council to pursue its vision effectively as well as underpinning the internal control mechanisms and the management of risk.

- 2.5 The Governance Framework emphasises the importance of good governance to the wider outcomes of good management, good performance and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct and so set the tone for the rest of the organisation.
- 2.6 The following 6 core principles of good corporate governance were established by CIPFA and SOLACE
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 2.7 Council approved its own Code of Corporate Governance based on the 6 principles outlined above on 19th June 2008.
- 2.8 An annual review of compliance with the Code of Corporate Governance has been completed and published each year which is now in the format of the Annual Governance Statement.

3. Annual Governance Statement

- 3.1 The AGS should report publically on the extent to which the Council has complied with its own code of governance on an annual basis, including how it has monitored and evaluated the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the AGS should itself add value to the effectiveness of the corporate governance and internal control framework.
- 3.2 The draft AGS 2013/14 is attached in Appendix 1 and has been subject to consultation with the Executive Board prior to reporting to the Audit Committee
- 3.3 The final version of the AGS will be reported to Cabinet in September for approval before being signed by the Chief Executive and Leader and then published with the audited Statement of Accounts 2013/14.

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: None

Appendices: Appendix 1 Draft Annual governance Statement 2013/14

DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14

1. Scope of Responsibility

- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk
- 1.3 The City and County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at <http://www.swansea.gov.uk/corporategovernance>. This statement explains how the Authority has complied with the Code.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts

3. The Governance Framework

3.1 The CIPFA/SOLACE governance framework identifies the following 6 fundamental principles of corporate governance

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

3.2 Council approved its Code of Corporate Governance on 19th June 2008 based on the 6 principles outlined above.

3.3 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are shown below and linked to the 6 fundamental principles

3.4 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- The **Council** is made up of 72 councillors who are democratically accountable to residents and have an overriding duty to the whole community. Council decides overall policies and sets the annual budget as well as receiving reports from Scrutiny Boards, Cabinet Members and Officers.
- All councillors are required, under the Local Government (Wales) Measure 2011 to publish a **Councillors Annual Report** in relation to their activities. A template report has been agreed by the Democratic Services Committee and the reports, initially covering 2012/13 will be published on the Council's website.
- The forward looking **Corporate Improvement Plan** which is produced under the Local Government (Wales) Measure 2009 summarises the Council's improvement objectives and associated priorities, targets and milestones.
- An **Annual Performance Review** is undertaken which provides a commentary on the progress made by the Council in meeting the priorities, actions and targets set out in the Corporate Improvement Plan.

- The Council publishes a **Single Integrated Plan** which replaces the Community Strategy. The Plan is developed by the Local Service Board following a Single Needs Assessment and Consultation Exercise.
- A **Code of Corporate Governance** based on the CIPFA/SOLACE governance framework has been adopted by the Council.
- A **Business Planning Process** exists which aims to more clearly align previously disparate budget and planning processes, such as equalities, sustainability and risk management into a 4 year planning cycle with an annual review. Each Head of Service must produce a Business Plan and an e-learning tool and Business Planning Toolkit is available to ensure consistency across the Council.
- A **Medium Term Financial Plan** is approved by Council each year which provides for a balanced budget in the following year and a projection for the next 3 years based on a combination of detail, where known, and forecasts based on best available evidence.

3.5 **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- A **Council Constitution** exists which sets out the framework and rules governing the Council's business described in 16 Articles. The Constitution also includes a Scheme of Delegation and a number of Rules of Procedure, Codes and Protocols as well as the Councillors' Allowances Scheme.
- A **Constitution Working Group** exists to review all aspects of the Council Constitution and to make appropriate recommendations for change.
- Separate **Codes of Conduct** exist in the Council Constitution for **Members and Officers** which describe the high standard of conduct expected of them. There is also a **Member/Officer Protocol** which guides the relationship between them to ensure the smooth running of the Council.
- The **Chief Executive**, as Head of the Paid Service, leads the Council's officers and chairs the Executive Board
- A new **Corporate Management Structure** was put in place during 2013/14 to deliver thematic and cross cutting working across the Council and across partnerships. The Executive Board, Directors' Group and Top Managers Group were established from 01/09/13 with specific roles and project portfolios.
- The Head of Finance and Delivery is designated the Council's **S151 Officer** and is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control.
- The Council's financial management arrangements during 2013/14 complied with the governance requirements of the **CIPFA**

Statement on the Role of the Chief Financial Officer in Local Government (2010).

- An **Audit Committee** exists to review and scrutinise the Council's financial affairs, review and assess the risk management, internal control and corporate governance arrangements, oversee the internal and external audit arrangements and review the financial statements.
- The Head of Legal, Democratic Services and Procurement has been designated as the Council's **Monitoring Officer** and is responsible for investigating and reporting on any allegations of contraventions to any laws, policies, procedures, regulations or maladministration and breaches of the Council's Constitution
- The Council is the Administering Authority for the **City and County of Swansea Pension Fund** and is responsible for all issues relating to the governance of the Pension Fund. For 2013/14, the functions were undertaken by the Pension Fund Committee which replaced the Pension Fund Panel with effect from 01/04/13.

3.6 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council has defined its **Values** as Innovation, Teamwork, Caring, Respect, Enthusiasm and Openness. A detailed description of each value and what it means to the Council is available on the Intranet.
- The **Standards Committee** made up of 4 councillors and 5 independent members promotes and maintains high standards of conduct by Councillors, assists Councillors to observe their Code of Conduct, monitors the operation of the Code and deals with breaches of the Code of Conduct referred to them by the Public Service Ombudsman for Wales
- The **Anti Fraud and Corruption Policy** applies to all councillors and employees. It outlines the Council's commitment to preventing, discouraging, detecting and investigating fraud and corruption whether attempted on the Council or from within the Council. The Policy was reviewed and updated in 2013/14 and published in the new online Employee Handbook which went live on 01/04/14.
- A new **Corporate Complaints Policy** based on the Welsh Government Model for complaints handling was adopted by Council on 14/03/13. The policy governs the investigation of complaints from members of the public including complaints about service provision. A Corporate Complaints Annual Report is presented to Cabinet each year.
- A **Whistle Blowing Policy** exists which encourages and enables employees to raise serious concerns without fear of harassment or victimisation. The Policy was reviewed and updated in 2013/14

and published in the new online Employee Handbook which went live on 01/04/14.

- The **Internal Audit Section** operates in accordance with the Public Sector Internal Audit Standards and is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.7 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The **Decision Making** process is clearly set out in the Constitution along with the scheme of delegation and the terms of reference of Cabinet, Committees, Scrutiny Boards, Panels, Forums and Groups.
- The **Cabinet** (as Executive) is responsible for most day to day decisions and acts in line with the Council's overall policies and budget. Following the Election in May 2012, a new Cabinet structure was put in place based on new portfolios and cross-cutting themes.
- A **Challenge Panel** consisting of 12 members considers any Cabinet decisions which have been 'called in' if the Chair of the Council accepts that the call in is valid. The criteria used by the Chair to decide on validity are tightly set and the Chair receives appropriate advice from officers. The Challenge Panel considers whether the decision is a well founded and appropriate decision of Cabinet
- All reports to Council and Cabinet must include paragraphs detailing the **Financial and Legal Implications** of the report.
- The **Scrutiny Programme Committee** is responsible for developing the Council's Scrutiny Work Programme via a single workplan, holding Cabinet Members to account and providing challenge on specific themes. The Committee will set up informal **Scrutiny Panels and Working Groups** to undertake the detailed work of scrutiny and will appoint **Scrutiny Conveners** to chair the various Scrutiny Panels
- The role of Scrutiny is to improve the performance of services, to provide an effective challenge to the Executive and to engage non-executive members in the development of policies, strategies and plans. A **Scrutiny Work Planning Conference** is held each year to choose topics for review and a **Scrutiny Annual Report** is presented to the Scrutiny Programme Committee.
- A **Corporate Risk Policy** is in place which describes how risk management is implemented in the Council to support the realisation of strategic objectives. A **Risk Management Framework** also exists which aims to help managers and members at all levels to apply risk management principles consistently across their areas of responsibility.

- Corporate, Directorate and Service **Risk Registers** are in place to capture all risks that could affect the Council

3.8 **Develop the capacity and capability of members and officers to be effective**

- **Induction courses** are held for all new councillors and employees and a detailed **Councillors Training Programme** is delivered on an annual basis.
- Regular **Cabinet and Executive Board Away Days** are held where thematic issues are discussed such as Sustainable Swansea – fit for the future, One Swansea Plan and poverty and prevention.
- A new **Employee Performance Management Policy** was developed during 2013/14 and published in the new online Employee Handbook which went live on 01/04/14. The policy establishes a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance.
- Monthly **One to One meetings** are held involving the Leader, Cabinet Members, Chief Executive, Corporate Directors, Chief Officers, Heads of Service and 3rd tier staff as part of the performance management process
- Each Corporate Director holds a monthly **Performance and Financial Monitoring** meeting where Chief Officers and Heads of Service report on progress in terms of continuous improvement and budgets
- The Council Constitution includes **Financial Procedure Rules** which govern the financial management of the Council
- Financial Procedure Rules are supplemented by detailed **Accounting Instructions** which aid sound financial administration by setting out the principal controls and procedures for a range of functions to be followed by all departments. From time to time the Accounting Instructions are reviewed and ad hoc instructions may also be issued such as the current spending restrictions.
- The Council Constitution includes **Contract Procedure Rules** which govern the purchasing of goods and services and the letting of contracts with the aim of obtaining the best use of resources and value for money. Contract Procedure Rules were reviewed during 2013/14 and a new set of rules were approved by Council on 15/04/14

3.9 **Engaging with local people and other stakeholders to ensure robust public accountability**

- A **Consultation and Engagement Strategy 2011-14** exists to ensure effective consultation and engagement with residents and partner organisations.

- The **Swansea Voices Panel** consists of a representative sample of 1,250 residents and provides a means for consulting on service provision and local issues. There is also a ward representative role for each councillor.
- The **Swansea Leader** is published every 2 months and delivered to every household in the area informing people about the Council's work and the progress it is making. An electronic version of the Swansea Leader is available on the Council's website.
- A range of **Information for Stakeholders** is available on the Council website including agendas, which are published in advance of meetings and minutes of all Council, Cabinet, Committee and Scrutiny Board meetings. Citizens can attend meetings of the Council, Cabinet, Committees and Scrutiny Boards except where confidential or exempt information is likely to be disclosed and the meeting is therefore held in private. The Council website is being re-launched during 2014/15.
- Citizens also have the right to ask questions and time is set aside at each Council and Cabinet meeting for **Public Questions**
- **Financial Monitoring Reports** which monitor the revenue and capital budgets are produced on a quarterly basis and reported to Cabinet
- **Performance Monitoring Reports** are produced for Cabinet on a quarterly basis and performance results are certified at the end of the year and any inconsistencies are investigated.

3.10 The Council's Annual Statement of Accounts includes **Group Accounts** which incorporates the companies shown below. The Annual General Meeting of the Council appoints councillors to sit on the Boards of the companies. The number of councillors appointed is shown against each company

- Swansea City Waste Disposal Co. Ltd (1 councillor)
- Wales National Pool Swansea Ltd (3 councillors)
- National Waterfront Museum Swansea Ltd (3 councillors)
- Swansea Stadium Management Co. Ltd (2 councillors)
- Bay Leisure Ltd (2 councillors)

3.11 The services provided by the Swansea City Waste Disposal Company transferred back to the Council with effect from 01/08/13.

3.12 A number of methods are in place to monitor the activities and performance of the companies including councillor/officer steering groups, strategic and operational meetings and management groups.

3.13 A partnership unit has been set up by the Head of Culture, Sport/Leisure and Tourism to monitor the activities of externally funded partner providers and an Annual Report on Leisure Partnerships is presented to Council each year

4. Review of Effectiveness

4.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report, and also by comments made by the external auditor and other review agencies and inspectorates

4.2 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following broad headings

4.3 Internal Control Self Assessment

- Each Head of Service has provided a signed **Senior Management Assurance Statement** for 2013/14 which provides assurance over the internal control, risk management and governance framework for their area of responsibility.

4.4 Internal Sources of Assurance

The following provide assurance based, partly, on reports covering 2012/13 as the reports for 2013/14 are not yet available. The 2013/14 reports will be reflected in the next Annual Governance Statement

- The **Annual Performance Review 2012/13 'Improving What Matters'** was reported to Council on 22/10/13. The report also included the Council's response to the proposals for improvement made by the Wales Audit Office in its Annual Improvement Report 2013.
- The **Standards Committee** met on 8 occasions during 2013/14 and the **Standards Committee Annual Report 2012/13** was presented to Council on 24/09/13.
- The **Scrutiny Programme Committee and Panels** met throughout 2013/14 and were supported by the Scrutiny Support Unit. The **Scrutiny Annual Report 2012/13** was presented to the Scrutiny Programme Committee on 08/07/13.
- The annual **Scrutiny Work Planning Conference 2013/14** was held on 20/05/13 and a report on the **Scrutiny Work Programme 2013/14** was agreed by the Scrutiny Programme Committee on 10/06/13
- The **Corporate Complaints Policy** was in place throughout 2013/14 and the **Complaints Annual Report 2012/13** was presented to Cabinet on 15/10/13.
- The **Internal Audit Annual Report 2012/13** was reported to the Audit Committee on 15/08/13 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2012/13,

Internal Audit can give reasonable assurance that the systems of internal control were operating adequately and effectively and that no significant weaknesses were identified

The following provides assurance based on reports covering 2013/14

- The forward looking **Corporate Improvement Plan 2013-17** '*Standing up for a Better Swansea*' produced in accordance with the Local Government (Wales) Measure 2009 was adopted by Council on 30/07/13. The Plan includes the 8 Improvement Objectives that the Council will address in the coming years.
- The One Swansea Plan 2013 was adopted by Council on 24/09/13 as the **Single Integrated Plan** which replaced the Community Strategy. The Plan includes 6 population outcomes i.e. broad conditions for communities and 21 challenges i.e. what has to change to make progress towards achieving the outcomes.
- The **Audit Committee** met on 11 occasions during 2013/14 and followed a structured workplan which covered all areas of the Committee's responsibilities. The Committee includes a lay member as required by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee. The Committee received the Internal Audit Annual Report 2012/13 as well as quarterly Internal Audit Monitoring Reports for 2013/14 showing progress against the Annual Internal Audit Plan.
- The **Constitution Working Group** only met once during 2013/14 to agree the suitability of the prospective Lord Mayor and Deputy Lord Mayor.
- The **Medium Term Financial Plan 2015/16 – 2017/18** was approved by Council on 18/02/14. The Plan outlined the significant shortfall in funding faced by the Council over the period and the strategy to be adopted to address the shortfall.
- The **Corporate Risk Management Framework** is being reviewed by Executive Board to strengthen links between corporate, directorate and service risk reporting and to seek assurance about day to day risk management. Corporate Risks have recently been updated as part of this and will form part of future quarterly balanced scorecard reporting.
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
- Quarterly **Performance Monitoring Reports** were presented to Cabinet during 2013/14.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2013/14.
- All reports presented to Cabinet and Council during 2013/14 had been reviewed by Finance and Legal staff and included the appropriate paragraphs detailing the **Financial and Legal Implications** of the report.

- The **Pension Fund Committee** met on 4 occasions during 2013/14 and dealt with all issues relating to the governance of the Pension Fund

4.5 External Sources of Assurance

- The Wales Audit Office produces an **Annual Improvement Report** under the Local Government (Wales) Measure 2009. The report is produced in association with other inspectors such as ESTYN and CSSIW and shows how well the Council is improving the services it provides. The **Annual Improvement Report 2013/14** was published on 05/06/14 and reported to Cabinet on 29/07/14. The report's main conclusions were that the Council made good progress in delivering its improvement priorities apart from recycling, got better at reporting how well it is performing, is developing a consistent approach to evaluating itself, has strengthened its capacity to drive improvement by completing its management restructure and established a strategy for managing the significant financial challenges it faces.
- The Wales Audit Office provided two **Improvement Assessment Letters 2013/14** as required by the Local Government (Wales) Measure 2009. The letters identify compliance with the Measure in terms of improvement planning and the requirement to make arrangements for continuous improvement. The letters also include some proposals for improvement.
- The Appointed Auditor's **Annual Audit Letter** was sent to the Leader on 28/11/13 and presented to the Audit Committee on 12/12/13. The letter stated that *'The Council complied with its responsibilities relating to financial reporting and use of resources'*. The letter also stated that an unqualified audit opinion had been issued on the accounting statements confirming that they present a true and fair view of the Council's, Group's and Pension Fund's financial position and transactions.
- The **Wales Audit Office's Controls Report 2012/13** was presented to the Audit Committee on 12/12/13. The report made recommendations regarding 10 weaknesses identified in the Council's internal controls, all of which were considered to be medium or low risk. The report also identified the progress made in implementing the recommendations made in the previous year's Controls Report.
- PwC on behalf of the Wales Audit Office presented the **Audit of Accounting Statements – Report to Those Charged with Governance** for 2012/13 to Cabinet on 17/09/13. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The report also indicated that the auditor intended to issue an unqualified audit report on the financial statements for 2012/13.
- The Council is subject to **Statutory External Inspections** by various bodies including Wales Audit Office, ESTYN and CSSIW.

In June 2013, ESTYN published its report on the Quality of Local Authority Education Services for Children and Young People in Swansea, The report, which was presented to Council by Estyn on 22/10/13 judged Swansea's current performance as adequate (good features outweigh areas shortcomings) and the prospects for improvement as good (good features and no important shortcomings). The Chief Executive established a Corporate Education Improvement Board and Education Leadership Board to address the issues and recommendations arising from the report. The CSSIW Annual Review and Evaluation Report 2012/13 for Swansea concluded that '*adult services have improved and there is sustained progress*' and '*child and family services are making steady progress in the face of increased demand.*' However the report also identified potential risks to be considered.

- 4.6 The Annual General Meeting of the Council held on 09/05/13 appointed the required number of councillors to sit on the Boards of the companies included in the Council's **Group Accounts**. Changes were made to the representatives on Bay Leisure and Swansea Stadium Management Company at Council on 19/11/13.
- 4.7 The Annual Report on Leisure Partnerships for 2012/13 was presented to Council on 15/04/14. The report reviewed the Wales National Pool Swansea, National Waterfront Museum Swansea, Liberty Stadium and the LC in detail and provided information on the monitoring arrangements in place.
- 4.8 The legislation which required waste disposal operations to be carried out 'at arms length' has been repealed. The Council undertook a full review of the operations of Swansea City Waste Disposal Company in light of its current waste strategy and decided to bring the whole operation back in house. The Company's assets and liabilities as well as its employees transferred into the Council from 01/08/13 and the liquidation of the Company will follow in due course.
- 4.9 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5 Significant Governance Issues

- 5.1 The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2012/13 and the action taken during the year to address the issues

Issue	Proposed Action	Action Taken
Develop rationalised set of priorities	Prepare Corporate Improvement Plan that links to Single Integrated Plan and sets out outcome based improvement objectives and performance measures	Corporate Improvement Plan 2013/17 – <i>Standing Up for a Better Swansea</i> – was published in August 2013. The Plan was developed using an outcome based approach (Results Based Accountability), which identified improvement priorities showing the Council's contribution to the Single Integrated Plan. The WAO confirmed that the Council had discharged its statutory improvement planning duties. Further work will take place during 2014/15 on developing a rationalised set of priorities as part of a Corporate Plan
Reporting to Citizens	Undertake annual review of performance that measures Council's success delivering its Improvement Plan and objectives on the basis of 'impact' for citizens.	The Annual Performance Review 2012/13 published in October 2013 sought to outline the Council's view of its success delivering its Improvement Objectives. The WAO acknowledged in its <i>Annual Improvement Report</i> that the Council had got better at reporting how well it is performing and is developing a consistent approach to evaluating itself. Further work will take place in 2014/15 on embedding the Council's emerging approach to self-evaluation
Scrutiny Arrangements	Complete the review of the new Scrutiny arrangements in line with the Wales Audit Office National Scrutiny Improvement Study	Following positive engagement in the Improvement Study, the Scrutiny Programme Committee has identified and acted upon a number of improvement themes.
Compliance by Schools	Continue to provide challenge and direction to schools to embed the improvements	Schools continue to receive appropriate guidance, direction and challenge, building further on the

	already made to ensure compliance with financial regulations, accounting instructions, procurement processes etc.	improvements already made. This will continue and the overall impact monitored.
Arms Length Operations	Undertake a review of the governance arrangements	A review has been completed and a 'lessons learnt' report presented to Executive Board. An audit of the governance arrangements for partnerships is underway and will report during 2014/15
Senior Management Assurance Statements	Review evidence available to confirm statements made by Heads of Service for a sample of Senior Management Assurance Statements	A review will be undertaken of the Senior Management Assurance Statements provided in May 2014.

5.2 The following table identifies issues which have been raised during the review of effectiveness and the proposed action to be taken during 2014/15 to address the issues

Issue	Proposed Action
Develop a rationalised set of priorities for the Council.	Develop a Corporate Plan with a reduced set of corporate priorities and performance indicators focussing on what matters to Swansea.
Improve the processes for reporting to Citizens	Publish an annual review of performance where the Council sets out its view of its performance delivering its improvement priorities in a more accessible way e.g. case studies highlighting actual improvements.
Review of Arms Length Operations	Complete audit review of the governance arrangements of partnerships
Review of Regional Collaborative Arrangements	Review the effectiveness of the governance arrangements for the Council's Regional Collaborative Arrangements.
Review of Senior Management Assurance Statements	Review evidence available to confirm statements made by Heads of Service for a sample of Senior Management Assurance Statements

Review of the Council's Code of Corporate Governance	The Code of Corporate Governance was approved by Council in June 2008 and it is proposed to review and update the Code.
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5.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed Chief Executive
Date

Signed..... Leader
Date

Agenda Item 7

Report of the Chief Auditor

Audit Committee – 7 August 2014

INTERNAL AUDIT ANNUAL PLAN 2013/14 MONITORING REPORT FOR THE PERIOD 1st JANUARY 2014 TO 31st MARCH 2014

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 st January 2014 to 31 st March 2014.
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:	Executive Board, Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that: - 1) 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 January 2014 to 31st March 2014.

2. Audits Finalised 1st January 2014 to 31st March 2014

- 2.1 A total of 65 days were lost in Quarter 4 due to vacancies as a Senior Auditor post remained vacant throughout the quarter as the post holder was covering the vacant Group Auditor post.
- 2.2 A total of 14 audits were finalised during the quarter. 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 A summary of the assurance levels for each of the audits finalised during Quarter 4 is shown in the following table

Assurance Level	High	Substantial	Moderate	Limited
Number	3	10	1	0

- 2.4 A total of 89 audit recommendations were made and management agreed to implement all recommendations made i.e. 100% against a target of 98%.
- 2.5 The following table shows brief details of the significant issues which led to the YGG Tirdeunaw audit being considered to be 'moderate'. There were other less significant findings also included in the final audit report issued to the Headteacher and Chair of the Governing Body.

Audit	Assurance Level	Reasons
YGG Tirdeunaw	Moderate	<ul style="list-style-type: none"> • High level of school dinner money arrears • Discrepancies in meal numbers recorded by school and kitchen • Failure to comply with Contract Procedure Rules • Official orders not always raised for purchases • Contractor insurance details not always checked • Authorised signatory list out of date

- 2.6 A Management Action Plan has been agreed with the Headteacher which includes a series of recommendations to address the issues shown above. 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.

3. Follow Ups Completed 1st January 2014 to 31st March 2014

- 3.1 A follow up of the Social Services Debt Recovery audit which had received a 'moderate' level of assurance was completed during Quarter 4 and it was found that substantial progress had been made in implementing the agreed recommendations.

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 4 2013/14

INTERNAL AUDIT MONITORING REPORT - QUARTER 4 2013/14

Head of Service	Audit	Date Finalised	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Housing & Public Protection	Housing Rents	12/02/14	High	2	2	0
Finance & Delivery	Treasury Management - Borrowing & Investments	17/02/14	High	2	2	0
Education Planning & Resources	School Kitchens	13/03/14	High	2	2	0
Education Planning & Resources	Morrison Comprehensive School	08/01/14	Substantial	10	10	0
Education Planning & Resources	Ysgol Gymraeg Y Cwm	16/01/14	Substantial	5	5	0
Education Planning & Resources	Pentrechwyth Primary School	28/01/14	Substantial	6	6	0
Education Planning & Resources	Tre Uchaf Primary School	12/02/14	Substantial	8	8	0
Human Resources & Organisational Development	Pensions Administration	21/02/14	Substantial	6	6	0
Education Planning & Resources	YGG Llwynderw	21/02/14	Substantial	10	10	0
Education Planning & Resources	Blaenymaes Primary School	25/02/14	Substantial	11	11	0
Education Planning & Resources	Ynystawe Primary School	03/03/14	Substantial	6	6	0
Education Planning & Resources	Casllwchwr Primary School	10/03/14	Substantial	6	6	0
Education Planning & Resources	Craigfelen Primary School	31/03/14	Substantial	7	7	0
Education Planning & Resources	YGG Tirdeunaw	03/03/14	Moderate	8	8	0
Total				89	89	0

Agenda Item 8

Report of the Head of Finance & Delivery

Audit Committee – 7 August 2014

AUDIT COMMITTEE – WORKPLAN

Purpose:	This report details the Audit Committee Workplan to May 2015.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins
FOR INFORMATION	

1. Introduction

- 1.1 The Audit Committee's Workplan to May 2015 is attached in Appendix 1 for information

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 2014/15

AUDIT COMMITTEE WORKPLAN 2014/15

Date of Meeting	Reports
7 th August 2014	Coastal Report Update Draft Statement of Accounts 2013/14 Draft Annual Governance Statement 2013/14 Internal Audit Monitoring Report Q4 2013/14
4 th September 2014	Education Briefing – Schools Delegation Housing Benefit Investigation Team Annual Report 2013/14 Wales Audit Office National Report – Local Authority Review of Governance Wales Audit Office Performance Audit – Mid Term Report
2 nd October 2014	Audited Statement of Accounts 2013/14 PwC ISA 260 Report 2013/14 Internal Audit Annual Report 2013/14 Annual Report of School Audits 2013/14
30 th October 2014	Internal Audit Monitoring Report Q1 2014/15 Risk Management Half Yearly Review 2014/15
27 th November 2014	Internal Audit Monitoring Report Q2 2014/15 Recommendations Tracker Report 2013/14 PwC Controls Report 2013/14 PwC Annual Audit Letter 2013/14
15 th January 2015	Audit Committee Review of Performance 2014/15
12 th February 2015	Internal Audit Monitoring Report Q3 2014/15
12 th March 2015	Internal Audit Annual Plan 2015/16 Risk Management Annual Review 2014/15
9 th April 2015	PwC Annual Financial Audit Outline 2014/15