

# 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, 2 October 2014

**Time:** 3.00 pm

## AGENDA

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<b>1 Apologies for Absence.</b>	
<b>2 Disclosures of Personal and Prejudicial Interests.</b>	<b>1 - 2</b>
<b>3 Minutes.</b> To approve the Minutes of the Special Meeting of the Audit Committee held on 17 September 2014.	<b>3 - 6</b>
<b>4 Report(s) of the Wales Audit Office: -</b>	
4a Wales Audit Office Performance Audit Programme 2014-15.	<b>7 - 8</b>
4b Update on Completion of the Audit of the Statement of Accounts. (Verbal)	
<b>5 Internal Audit Annual Report 2013/14.</b>	<b>9 - 21</b>
<b>6 Annual Report of School Audits 2013/14.</b>	<b>22 - 36</b>
<b>7 Audit Committee - Work Plan.</b>	<b>37 - 38</b>
<b>8 Date of Next Meeting - 3 p.m. on Thursday, 30 October 2014.</b>	



**Patrick Arran**  
**Head of Legal, Democratic Services & Procurement**  
**Wednesday, 24 September 2014**

**Contact: Jeremy Parkhouse: - 01792 636016**

## AUDIT COMMITTEE (12)

### Lay Member:

Mr Alan M Thomas (Chair)
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### Councillors:

#### Labour Councillors: 8

Bob A Clay	Vacancy
Phil Downing	Robert V Smith
Vacancy	Des W W Thomas
Geraint Owens	Lesley V Walton

#### Liberal Democrat Councillors: 2

Jeff W Jones (Vice Chair)	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
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## 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 SPECIAL MEETING OF THE AUDIT COMMITTEE

HELD AT COUNCIL CHAMBER, CIVIC CENTRE, SWANSEA ON  
WEDNESDAY, 17 SEPTEMBER 2014 AT 4.00 PM

**PRESENT:** Mr A M Thomas (Independent Chair) presided.

<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
P Downing	L James	J A Raynor
R Francis-Davies	J W Jones	R V Smith
P R Hood-Williams	P M Meara	L V Walton

**Also Present:**

K Williams - PricewaterhouseCoopers  
D Hanley-Crofts - PricewaterhouseCoopers

**Officers:**

P Beynon - Chief Auditor  
T Davies - Investigations Manager  
P Thomas - Principal Benefits Officer  
M Hawes - Head of Finance & Delivery  
D Smith - Directorate Lawyer  
S Woon - Democratic Services Officer

22 **APOLOGIES FOR ABSENCE.**

An apology for absence was received from Councillor R A Clay.

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

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

24 **MINUTES.**

**RESOLVED** that the Minutes of the Meeting of the Audit Committee held on 7 August, 2014, be accepted as a correct record.

An update was provided in relation to Minute No. 16(2) – Wavehill Evaluation Report.

25 **EDUCATION BRIEFING - SCHOOLS DELEGATION**

The Chair referred to a number of issues in Primary Schools arising from internal audits. As a result of concerns expressed by the Audit Committee and following a

meeting with colleagues in Education, the Chief Education Officer was tasked with providing information on progress and accountability.

The Chief Education Officer provided a presentation on the Schools Delegation process. The presentation included details in respect of:

- Resources – Whose Responsibility? and the Role of Governors, Local Authority and Estyn;
- Schools – Education Act 2002;
- Governing Body – 3 Core Strategic Functions;
- Governing Body Compliance with Local Authority Requirements;
- Estyn – 3 Key Questions;
- Outcomes;
- Provision;
- Leadership;
- Process and Context;
- Local Authority Role – How we seek to oversee school arrangements;
- Steps – Poor level of Audit assurance/Significant Overspend/Surplus.

The Chief Education Officer circulated guidance for the inspection of secondary schools from September 2014.

Issues arising from Member discussions included:

- a. The effect of greater responsibility on governing bodies to manage budgets and the subsequent increases in issues being identified by internal audit;
- b. The need to develop medium term financial planning within schools;
- c. The role of business managers in secondary schools and the opportunity to share this role with primary schools in the area;
- d. The procedure for recording gifts given to school staff by parents/suppliers;
- e. The quality of school governor training;
- f. The increasing demands on the governing body;
- g. The identification of early signs that a school is not functioning properly, e.g. failure to collect dinner money in a reasonable manner;
- h. The procedure for monitoring progress in relation to schools who have been identified by internal audit on more than one occasion;
- i. The outputs in schools in Swansea is deemed to be good; and
- j. Timescales involved in identifying difficulties following a change of staff or governing body at a school.

The Chair thanked the Chief Education Officer for his presentation.

**RESOLVED** that;

- a. The briefing be **NOTED**; and
- b. an update be provided to the Committee in six months.

26 **HOUSING BENEFIT INVESTIGATION TEAM ANNUAL REPORT 2013/14.**

The Investigations Manager presented the Benefits Investigation Team End of Year Report 2013/14.

Members' noted the headline figures, joint working with the DWP investigators, data matching, fraud awareness; staff resources; interviews under caution; overpayments and sanction action; the National Fraud Initiative; a summary of Operation Bugs; sources of fraud referrals; fraud referrals status summary; fraud referrals breakdown of status type; sources of fraud cases investigated/under investigation and a selection of publicity.

Key issues arising from Member discussions included:

- The need to ensure people who are eligible to claim are given every opportunity to claim their entitlements;
- The percentage of reoffenders;
- The difference between the money recovered and the cost involved in the investigation;
- The impact of the Single Fraud Investigation Service in relation to staffing and the specialised work undertaken by the Authority in relation to Council Tax which would not be included in the Service;
- The timescales in relation to the transfer of Council staff to the Single Fraud Investigation Service.

**RESOLVED** that:

- a. The presentation be **NOTED**; and
- b. The Head of Finance & Delivery provide a report on single person discounts at the meeting on 30 October, 2014.

27 **REPORT OF THE WALES AUDIT OFFICE - AUDIT OF FINANCIAL STATEMENTS 2013/14 PROGRESS REPORT - CITY AND COUNTY OF SWANSEA.**

Representatives of PricewaterhouseCoopers on behalf of the Wales Audit Office presented the Audit of Financial Statements 2013/14 Progress Report and advised that the final version would be available at the next meeting.

A summary was provided in relation to progress with:

- Valuation of Properties;
- Employment Provisions;
- Finalisation of Accounts;
- Uncorrected Mis-statements;
- Change in Council tax regime in the manner in which the Welsh Government deal with this; and
- Significant and Elevated Audit Risks.

Members discussed the purpose and manner in which valuations of properties are calculated.

**RESOLVED** that:

- a. The report be **NOTED**; and
- b. The final report be submitted to the Committee at the meeting on 2 October, 2014.

28 **REPORT OF THE WALES AUDIT OFFICE - CERTIFICATION OF GRANTS AND RETURNS 2012/13 - CITY AND COUNTY OF SWANSEA.**

Representatives of PricewaterhouseCoopers on behalf of the Wales Audit Office presented the Certification of Grants and Returns 2012/13 report.

The outcome of the work was detailed and it was noted that a small number of anomalies had been adjusted. Recommendations had been made as a result of emerging themes which were common in most local authorities year on year.

Key issues arising from Member discussions included:

- a. Comparisons with other Local Authorities with regard to European grants and the ability to receive information in a timely manner;
- b. Joint working with other Authorities.

**RESOLVED** that the report be **NOTED**.

28 **AUDIT COMMITTEE WORK PLAN.**

The Audit Committee Work Plan was provided for information.

29 **MEETINGS OF THE AUDIT COMMITTEE FOR THE REMAINDER OF THE 2014/15 MUNICIPAL YEAR.**

**RESOLVED** that meetings of the Audit Committee would take place at 3.00 p.m. for the remainder of the meetings scheduled for the Municipal Year.

The meeting ended at 6.00 pm

**CHAIR**



## CITY AND COUNTY OF SWANSEA

### WALES AUDIT OFFICE PERFORMANCE AUDIT PROGRAMME 2014-15

Improvement Assessment 2014-15	Output	Status
<b>Corporate Assessment</b>	<b>Local Report</b>	Site work confirmed first two weeks November. WAO to lead with PWC support.
<b>Improvement Planning</b>	<b>Certificate to confirm compliance with LG Measure</b>	Audit of Council's Improvement Plan undertaken early June Certificate of compliance issued 27 <sup>th</sup> June 2014.
<b>Performance Reporting</b>	<b>Certificate to confirm compliance with LG Measure</b>	Audit of Council's Annual Report 2013/14 to take place in October/November 2014 following its publication by the Council.
Local Government All Wales /National Studies 2014/2015	Output	Status
<b>Financial Planning Assessment</b> To assess whether authorities have robust approaches in place to manage the budget reductions to secure a stable financial position that enable them to continue to operate for the foreseeable future	<b>National Report and Local Summary</b>	<b>In progress:</b> Local report in draft
<b>Delivering with less</b> – A study involving all 22 local authorities to answer the headline question: <b>Are councils effectively delivering their leisure and recreation services with fewer resources?</b> The focus of the study is on tracking changes in leisure service provision in the last decade.	<b>National Report</b>	<b>In Development:</b>

<p><b>Independence of older people</b> Are Councils working effectively to minimise demand for social care and health services for older people and supporting them to live independently?</p>	<p><b>National Report</b></p>	<p><b>In Development:</b> Review is being developed in conjunction with Older Persons Commissioner in Wales (OPCW) and CSSIW; latter will be working with PwC to deliver fieldwork.</p>
<p><b>Regional Education Consortia</b> Alongside Estyn's 'thematic survey report to evaluate work of regional school improvement service. Purpose of Study is to assess whether the Welsh Government's arrangements for regional consortia are likely to deliver the intended improvement in support to schools and local authorities.</p>	<p><b>Findings will be reported to the Welsh Government Public Accounts Committee</b></p>	<p><b>In Progress:</b> Site work timing – Visits to Consortium 8-11 December 2014.</p>
<p><b>Safeguarding</b></p>	<p><b>National and Local Summary</b></p>	<p><b>In Progress:</b> Anticipated publication date October 2014 Local Safeguarding report issued to Council to check factual accuracy; response received from Council 12<sup>th</sup> September and amendments accepted by WAO. Local Report now to be finalised and published early October 2014.</p>
<p><b>Whistleblowing</b> Whistle blowing relating more to Governance framework and issues.</p>	<p><b>National report</b></p>	<p><b>In Progress:</b> Site work underway – findings to contribute to national summary report. Local feedback arrangements to be confirmed.</p>
<p><b>Impact of Welfare Reform on social housing</b></p>	<p><b>National Report, shared learning event.</b></p>	<p><b>In Progress:</b> National report anticipated publication - October 2014. No local output available for this review.</p>
<p><b>Delivering with less – the impact on Environmental Health Services and citizens</b></p>	<p><b>National Report and Local Summary feedback</b></p>	<p><b>In Progress:</b> Anticipated that National Report will be published October 2014; local summaries to be published shortly after.</p>

S Barry, Wales Audit Office Manager. Local Government South Region: 24th September 2014

## Report of the Chief Auditor

Audit Committee – 2 October 2014

### INTERNAL AUDIT ANNUAL REPORT 2013/14

<b>Purpose:</b>	This report reviews the work of the Internal Audit Section during 2013/14 and includes the Chief Auditor's required opinion on the internal control environment for 2013/14 based on the audit testing completed in the year
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss and review the progress against the Internal Audit Annual Plan 2013/14
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee:  <ol style="list-style-type: none"><li>1. Review and discuss the work of the Internal Audit Section during 2013/14;</li><li>2. Consider the Chief Auditor's opinion on the internal control environment.</li></ol>
<b>Report Author:</b>	Paul Beynon
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sharon Heys
<b>Access to Services Officer:</b>	Kirsty Roderick

#### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 This report reviews the work of the Internal Audit Section in 2013/14 and compares its performance against the Internal Audit Annual Plan

for the year which was approved by the Audit Committee on 18<sup>th</sup> April 2013.

- 1.3 A series of Performance Indicators are used to measure the performance of the Section against agreed targets set at the start of the year and also in comparison with other Welsh Authorities. A review of the Performance Indicators in 2013/14 is included in this report.
- 1.4 This report also contains the Chief Auditor's required opinion on the overall standards of the control environment in operation in the Council based on the testing performed during 2013/14.

## **2. Review of 2013/14**

- 2.1 A summary of time spent in 2013/14 on the different categories of Internal Audit work is shown in Appendix 1. This shows a reduction of 252 days (8.4%) in the actual productive audit days achieved against the planned number of productive days.
- 2.2 The loss of productive days was due to vacancies and maternity leave exceeding the planned time by 369 days (12.2%). This is equivalent to the loss of almost 2 members of staff for the entire year.
- 2.3 The impact of the loss of productive time was offset by the use of a contingency of 37 days included in the Annual Plan and reductions in staff training, holidays, sick leave and administration of 82 days.
- 2.4 As a result of the loss of productive days and an increase in the amount of time spent on projects and special investigations which is discussed below, the Internal Audit Annual Plan was reviewed and a number of lower risk audits included in the Plan were deferred until 2014/15.
- 2.5 Appendix 1 also shows the impact of the loss of productive days across directorates and other types of audit work such as systems and computer audits. In most cases, any audits deferred in 2013/14 will be the first call on available resources during 2014/15.
- 2.6 The original Internal Audit Annual Plan 2013/14 contained 165 audit jobs, of which 105 (64%) were completed to at least draft report stage during the year. Each job produced an audit report which was discussed and agreed with the client. The reports included recommendations to improve any weaknesses or areas of concern identified during the audit in relation to systems, procedures and controls. During the year 99.5% of recommendations made were accepted by clients.
- 2.7 A list of the audits finalised each quarter has been included in the Quarterly Monitoring Reports presented to the Audit Committee during

the year. A complete list of each audit finalised during 2013/14 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 2.

- 2.8 The amount of time spent on special investigations in 2013/14 was 187 days which exceeded the planned time by 47 days. A summary of the main investigations is shown in the following table.

<b>Investigation</b>	<b>Outcome</b>
Domiciliary Care provider	This is subject to an ongoing investigation
Employment Training Overspend 2012/13	A review of the cause of the overspend leading to a series of recommendations to improve budget monitoring. The service put together a recovery plan to prevent further overspending.
Primary School - VAT	A school had failed to charge VAT when collecting income from staff for private purchases. The VAT has now been recovered and a voluntary declaration made to HMRC. All schools were asked to declare any similar arrangements.
School Caretaker	A review of a caretaker working at 3 sites with excessive contracted hours. The caretaker subsequently resigned from one of the posts held.

- 2.9 In addition to the investigations shown above, work has been carried out to investigate the data matches identified by the Audit Commission as part of the National Fraud Initiative (NFI) 2012 exercise. NFI matches data between systems and across organisations in an attempt to detect and prevent fraud. The data submitted includes Housing Benefits, Payroll, Pensions, Creditors and Housing Rents
- 2.10 A total of over 18,000 matches were received from the NFI 2012 exercise – all of which could potentially have been fraudulent. However experience has shown that the vetting of matches can quickly identify those which require further investigation. At the time of writing this report (August 2014), 25 matches were found to be either fraudulent or errors with a total value of just over £68,000 of which action was being taken to recover £43,000.
- 2.11 As well as the planned audit work and special investigations, a number of other areas of work were undertaken during the year which are shown below
- The Annual Governance Statement 2013/14 was written in consultation with other officers. The Annual Governance Statement reviews whether the Council has complied with its Code of Corporate Governance. The draft Statement was reported to the

Audit Committee in July 2014 and to Cabinet for approval in September 2014 before being signed by the Chief Executive and Leader and published with the Statement of Accounts 2013/14. .

- Certification of an increasing number of grant claims on behalf of the Welsh Government as required by the terms and conditions of the grant. The grants included Community Focused Schools, School Uniform, Foundation Phase, Primary School Free Breakfast Initiative, Appetite for Life, School Based Counselling and Bus Service Operators.
- In addition, 2 grants received from the National Trading Standards Board were also certified during 2013/14.
- Verification of the methodology for calculating equal pay settlements prior to payment. This work led to a reduction in the overall cost of around £272k.
- Review and reconciliation of the data transfer to the new Business Rates System
- Involvement in the Social Services Finance Project providing advice on proposed changes to systems and procedures.
- Validation of fixed assets spreadsheets prior to the completion of the Annual Statement of Accounts.
- Monthly review of P Card purchases introduced to confirm appropriateness and authorisation of a sample of transactions.
- Participation in a number of specialist groups established by the South Wales Chief Auditors Group including IT, Education, Social Services and Contracts/Procurement. The Groups share best practice and are a source of expertise.

### **3. Follow Ups**

3.1 It is important that action is taken to ensure that management have implemented the recommendations agreed following each audit. The Internal Audit Section uses a risk based approach to follow up audits as shown below

- Fundamental audits are subject to a Recommendations Tracker exercise mid way through the year to confirm that the agreed recommendations have been implemented. The results of the Recommendation Tracker exercise are reported to the Audit Committee.
- Non Fundamental audits which receive a 'moderate' or 'limited' level of assurance receive a follow up visit usually within 6 months to test whether the 'high' and 'medium' risks recommendations have been implemented. The results of any follow up visits for non fundamental audits are included in the quarterly monitoring reports presented to the Audit Committee.

3.2 The Recommendations Tracker exercise carried out in 2013/14 was reported to the Audit Committee in January 2014 where it found that 76% of agreed recommendations had been implemented by 30/11/13.

A further report on the position as at 31/03/14 was reported to the Audit Committee in June 2014 where it was noted that 89% of agreed recommendations had been implemented but that progress with the outstanding recommendations had been delayed due to the involvement of key staff in projects linked to the Sustainable Swansea – fit for the future initiative.

- 3.3 During 2013/14, 5 follow up visits were made and it was found that in all except 1 case substantial progress had been made in implementing the agreed recommendations. The issues for the audit where limited progress had been made was resolved following escalation to the relevant Head of Service.

#### **4. Performance Indicators**

- 4.1 A series of 12 Performance Indicators (PI's) are used to measure the work of the Internal Audit Section. The PI's measure output, quality and cost and are also measured by other local authority Internal Audit Sections across Wales to provide comparable statistics.

- 4.2 The PI's are shown in detail in Appendix 3 which shows that in 2013/14, the Internal Audit Section met or exceeded the target set at the start of the year for 9 out of the 12 PI's. This is an excellent performance and all staff within the Section should be congratulated on the PI results in 2013/14.

- 4.3 The PI's where the target set at the start of the year was not achieved were

- PI 1 Audit assignments achieved against planned
- PI 8 Directly productive time achieved against planned time
- PI 10 Staff turnover rate

- 4.4 The failure to achieve the above PI's are linked to the vacant posts experienced by the Section during 2013/14

- 4.5 The Comparator PI's showing Swansea's PI results against the average results for 5 comparable authorities in Wales have been included in this report in the past. However, the results from 2 comparator authorities have not been received to date so the comparison is not available at the present time.

#### **5. Internal Control Opinion**

- 5.1 The system of internal control is designed to help the Council to manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.

- 5.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.
- 5.3 Prior to 01/04/12, the Internal Audit Section gave an opinion rating at the end of each audit assignment however opinion ratings were replaced by levels of assurance at the start of 2012/13. The basis used for each opinion rating and level of assurance is shown in Appendix 4
- 5.4 This means that at the moment there is a mix of audits some of which have opinions ratings and some which have levels of assurance. Although the basis for the opinion ratings and levels of assurance are different, they have been combined in the following table for comparative purposes

Opinion / Level of Assurance	As at 31/03/13		As at 31/03/14		Variation	
	No.	%	No.	%	No.	%
Good/High	73	16.7	68	17.4	-5	0.7
Satisfactory/Substantial	304	69.6	278	71.3	-26	1.7
Adequate/Moderate	55	12.6	40	10.3	-15	-2.3
Unsatisfactory/Limited	5	1.1	4	1.0	-1	-0.1
<b>Total</b>	<b>437</b>	<b>100.0</b>	<b>390</b>	<b>100.0</b>	<b>-47</b>	<b>0.0</b>

- 5.5 The table shows a reduction in the overall number of audits included in Internal Audit Plan. This is due to a large number of Social Services establishment audits being subject to an self assessment audit which now appears as a single audit.
- 5.6 Although this may be slightly confusing, a pleasing trend can be identified from looking at the percentage of audits under each opinion rating / level of assurance. It can be seen that the number of audits receiving a positive rating / level of assurance has increased by 2.4% over the course of the year while the number of audits with a negative rating / level of assurance has decreased by the same figure.
- 5.7. Overall, based on the audit testing completed in 2013/14, Internal Audit can give reasonable assurance that the systems of internal control are operating effectively and that no significant weaknesses were identified in 2013/14 which would have a material impact on the Council's financial affairs.

## **6. Equality and Engagement Implications**

- 6.1 There are no Equality and Engagement implications associated with this report.

## **7. Financial Implications**

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



## **8 Legal Implications**

8.1 There are no legal implications associated with this report

**Background Papers:** Internal Audit Plan 2013/14

**Appendices:** Appendix 1 Internal Audit Plan 2013/14 – Summary  
Appendix 2 Internal Audit Section – Audits Finalised 2013/14  
Appendix 3 Internal Audit – Performance Indicators 2013/14  
Appendix 4 Audit Opinion Ratings / Levels of Assurance

INTERNAL AUDIT PLAN 2013/14 - SUMMARY

APPENDIX 1

Categories of Audit Work	Actuals 2012/13		Plan 2013/14		Actuals 2013/14		Variation 2013/14	
	Days	%	Days	%	Days	%	Days	%
People	498	16.2	639	21.2	495	16.5	-144	-4.7
Place	434	14.1	433	14.4	351	11.6	-82	-2.8
Corporate Servcies	262	8.5	109	3.6	124	4.1	15	0.5
Systems Audits	378	12.3	447	14.8	392	13.0	-55	-1.8
Computer Audits	81	2.6	77	2.6	49	1.6	-28	-1.0
Contract Audits	8	0.3	15	0.5	4	0.1	-11	-0.4
Projects and Special Investigations								
1. Projects	132	4.3	184	6.1	195	6.5	11	0.4
2. Special Investigations	202	6.6	140	4.6	187	6.2	47	1.6
Miscellaneous Audits	0	0.0	5	0.2	0	0.0	-5	-0.2
<b>Productive Days</b>	<b>1995</b>	<b>64.9</b>	<b>2049</b>	<b>68.0</b>	<b>1797</b>	<b>59.6</b>	<b>-252</b>	<b>-8.4</b>
Other Activities								
1. Staff Training	85	2.8	113	3.7	98	3.2	-15	-0.5
2. Holidays & Public Holidays	461	15.0	458	15.2	431	14.3	-27	-0.9
3 Sick and Special Leave	102	3.3	69	2.3	47	1.6	-22	-0.7
4. Admin, Planning, Control, Clerical Support etc	223	7.7	197	6.5	179	5.9	-18	-0.6
5. Contingencies	0	0.0	37	1.2	0	0.0	-37	-1.2
6. Secondments	0	0.0	0	0.0	0	0.0	0	0.0
7. Vacancies	116	3.8	24	0.8	294	9.8	270	9.0
8. Voluntary Reduction in Hours	51	1.7	52	1.7	49	1.6	-3	-0.1
9. Maternity Leave	0	0.0	0	0.0	99	3.3	99	3.3
10. Non Audit Work	41	0.8	17	0.6	22	0.7	5	0.1
<b>Non Productive Days</b>	<b>1079</b>	<b>35.1</b>	<b>967</b>	<b>32</b>	<b>1219</b>	<b>40.4</b>	<b>252</b>	<b>8.4</b>
<b>Total Days</b>	<b>3074</b>	<b>100.0</b>	<b>3016</b>	<b>100.0</b>	<b>3016</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2013/14

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Delivery & Information	Change Control - Corporate	15/08/13	High	0	0	0
Economic Regeneration & Planning	Rural Development Plan	31/10/13	High	4	4	0
Education Planning & Resources	Pengelli Primary School	05/07/13	High	2	2	0
Education Planning & Resources	School Kitchens	13/03/14	High	2	2	0
Financial Services	NNDR 2012/13	08/05/13	High	1	1	0
Financial Services	Cash 2012/13	02/07/13	High	4	4	0
Financial Services	Pension Fund Investments 2012/13	04/07/13	High	0	0	0
Financial Services	Council Tax 2012/13	08/07/13	High	3	3	0
Financial Services	Capital Accounting - Fixed Assets 2012/13	24/07/13	High	6	6	0
Financial Services	Housing & Council Tax Benefit 2012/13	09/10/13	High	4	4	0
Financial Services	Treasury Management - Borrowing & Investments 2013/14	17/02/14	High	2	2	0
Highways & Transportation	SWWITCH	06/11/13	High	0	0	0
Housing & Public Protection	Housing Rents 2013/14	12/02/14	High	2	2	0
Adult Services	Unified Assessment of Care	21/05/13	Substantial	3	3	0
Corporate Building & Property Services	Quadrant Rents	05/08/13	Substantial	3	3	0
Corporate Building & Property Services	Energy Management	20/11/13	Substantial	4	4	0
Corporate Building & Property Services	Control of Contracts - CBS Projects & Procurement	12/12/13	Substantial	6	6	0
Culture & Tourism	Gymnastics Development	10/04/13	Substantial	7	7	0
Culture & Tourism	Sports Development	10/04/13	Substantial	7	7	0
Culture & Tourism	Plantasia	23/04/13	Substantial	19	19	0
Culture, Sport, Leisure & Tourism	Libraries Administration	29/10/13	Substantial	9	9	0
Culture, Sport, Leisure & Tourism	Community Buildings	16/12/13	Substantial	5	5	0
Culture, Sport, Leisure & Tourism	Archives	23/12/13	Substantial	18	18	0
Culture, Sport/Leisure & Tourism	Brangwyn Hall	23/08/13	Substantial	5	5	0
Delivery and Information	File (Database) Controls	24/04/13	Substantial	2	2	0
Delivery and Information	Ffynnon Data	20/05/13	Substantial	2	2	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2013/14

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Economic Regeneration & Planning	Planning Services - Administration & Fees	30/08/13	Substantial	5	5	0
Education Effectiveness	Children & Young People Participation Unit	30/08/13	Substantial	7	7	0
Education Effectiveness	School Effectiveness	23/09/13	Substantial	7	7	0
Education Inclusion	Stepahead Education Centre	22/07/13	Substantial	10	10	0
Education Inclusion	Arfryn Education Centre	16/12/13	Substantial	18	18	0
Education Planning & Resources	Waurarwydd Primary School	09/05/13	Substantial	4	4	0
Education Planning & Resources	Bishop Vaughan Comprehensive School	10/05/13	Substantial	8	8	0
Education Planning & Resources	Pennard Primary School	13/05/13	Substantial	8	8	0
Education Planning & Resources	Plasmarl Primary School	19/06/13	Substantial	7	7	0
Education Planning & Resources	Pentre'r Graig Primary School	21/06/13	Substantial	17	17	0
Education Planning & Resources	YG Gwyr	04/09/13	Substantial	12	12	0
Education Planning & Resources	Parklands Primary School	16/09/13	Substantial	7	7	0
Education Planning & Resources	Morrison Primary School	11/11/13	Substantial	11	11	0
Education Planning & Resources	St Illtyd's Primary School	12/11/13	Substantial	3	3	0
Education Planning & Resources	Ysgol Pen-y-Bryn	18/11/13	Substantial	9	9	0
Education Planning & Resources	YGG Gellionen	18/11/13	Substantial	10	10	0
Education Planning & Resources	Pentrefod Comprehensive School	19/11/13	Substantial	14	14	0
Education Planning & Resources	Whitestone Primary School	16/12/13	Substantial	12	12	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
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
Financial Services	Cashiers Office	02/07/13	Substantial	6	6	0
Financial Services	Accounts Payable 2012/13	09/07/13	Substantial	8	8	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2013/14

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Highways & Transportation	Swansea Marina	29/07/13	Substantial	9	9	0
Highways & Transportation	Swansea City Bus Station	09/09/13	Substantial	8	7	1
Housing & Public Protection	Penlan District Housing Office	25/07/13	Substantial	12	11	1
Housing & Public Protection	Licensing Division	09/09/13	Substantial	7	7	0
Housing & Public Protection	Town Centre District Housing Office	25/11/13	Substantial	5	5	0
Housing & Public Protection	Furniture Store - Tenancy Scheme	03/12/13	Substantial	12	12	0
Human Resources	CRB / DBS	10/04/13	Substantial	7	7	0
Human Resources & Organisational Development	Pensions Administration 2013/14	21/02/14	Substantial	6	6	0
Legal, Democratic Services and Procurement	Purchasing Cards	18/04/13	Substantial	8	8	0
Public Protection	Pollution Control	09/05/13	Substantial	5	5	0
Social Services - Directorate Services	Social Services - Use of Taxis	08/10/13	Substantial	8	8	0
Communication & Consultation	E-Commerce	31/10/13	Moderate	10	10	0
Delivery & Information	ICS Administration	07/08/13	Moderate	15	15	0
Delivery & Information	Change Control - ISiS	22/08/13	Moderate	4	4	0
Education Inclusion	Key Stage 4 Education Centre	12/11/13	Moderate	19	18	1
Education Planning & Resources	Bishop Gore Comprehensive School	30/04/13	Moderate	8	8	0
Education Planning & Resources	Llangyfelach Primary School	06/12/13	Moderate	11	11	0
Education Planning & Resources	YGG Tirdeunaw	03/03/14	Moderate	8	8	0
Financial Services	Accounts Receivable 2012/13	19/07/13	Moderate	17	17	0
Human Resources & Organisational Development	Payroll 2012/13	08/07/13	Moderate	17	17	0
Adult Services	Community Alarms Service	07/11/13	Limited	15	15	0
Delivery and Information	Procurement of Telephones	01/05/13	Limited	4	4	0
<b>Total</b>				<b>587</b>	<b>584</b>	<b>3</b>

INTERNAL AUDIT - PERFORMANCE INDICATORS 2013/14

APPENDIX 3

Performance Indicator			2012/13			2013/14			2014/15
			Target	Actual	Comparator	Target	Actual	Comparator	Target
1	Audit Assignments achieved against planned	%	75	66	79	75	64		75
2	Clients satisfied with quality of audit service	%	98	100	98	98	100		98
3	Audit recommendations accepted against made	%	95	99	100	95	99		95
4	Audits completed within planned time	%	70	78	63	70	77		70
5	Directly productive time against time available	%	65	69	69	65	69		65
6	Average period - from response to final report	Days	3	1	3	3	1		3
7	Average period - closing meeting to draft report	Days	10	2	19	10	2		10
8	Directly productive time achieved against planned time	%	90	96	88	90	88		90
9	Average cost per directly chargeable day	£	258	253	228	269	259		256
10	Staff turnover rate	%	15	8	7	15	25		15
11	Staff costs per 1,000 population	£	2,311	2,104	2,238	2,279	1,940		2,024
12	Staff costs per £m gross revenue expenditure (inc. HRA)	£	755	670	787	667	614		648

The 'Comparator' figures are based on the average of 5 comparable authorities, but to date 2 authorities have yet to provide their results.

**AUDIT OPINION RATINGS / LEVELS OF ASSURANCE**

**Basis of Audit Opinion Ratings – operated until 31/03/12**

<b>Opinion Rating</b>	<b>Risks Identified</b>	<b>Report Recommendations</b>
Good	Minimal	Minor
Satisfactory	Some	Some changes in procedures etc needed
Adequate	Many	Some significant changes needed
Unsatisfactory	Major	Fundamental changes needed

**Basis of Audit Level of Assurance – operated from 01/04/12**

<b>Assurance Level</b>	<b>Basis</b>	<b>Description</b>
High Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High or Medium Risk. Any recommendations are mainly Good Practice with few Low Risk recommendations.	There is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High Risk. Occasional Medium Risk recommendations allowed provided all others are Low Risk or Good Practice	There is generally a sound system of internal control but there is some scope for improvement as the ineffective controls may put the system objectives at risk
Moderate Assurance	Recommendations for ineffective controls affecting the material areas of the service are at least Medium Risk	The ineffective controls represent a significant risk to the achievement of system objectives
Limited Assurance	Recommendations for ineffective controls affecting the material areas of the service are High Risk	The ineffective controls represent unacceptable risk to the achievement of the system objectives

# Agenda Item 6

## Report of the Chief Auditor

Audit Committee – 2 October 2014

### ANNUAL REPORT OF SCHOOL AUDITS 2013/14

<b>Purpose:</b>	This report provides a summary of the school audits undertaken by the Internal Audit Section during 2013/14 and identifies some common issues found during the audits
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss and review the school audits undertaken during 2013/14 and any common themes identified.
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee review and discuss the school audits undertaken during 2013/14
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sharon Heys
<b>Access to Services Officer:</b>	Kirsty Roderick

#### 1. Introduction

- 1.1 An audit of each primary, secondary and special school in Swansea is undertaken every 3 years. A standard audit programme exists for each school sector.
- 1.2 For a number of years, a report summarising the school audits undertaken each year has been prepared for the Chief Education Officer. The report also identifies the common themes which have been found during the audits.

#### 2. School Audits Annual Report 2013/14

- 2.1 The School Audits Annual Report 2013/14 is attached in Appendix 1.



**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:** Internal Audit Plan 2013/14

**Appendices:** Appendix 1 Annual Report of Schools Audits 2013/14

**City & County of Swansea  
Internal Audit Report 2013/14  
Education: Annual Report of School Audits**

**1. INTRODUCTION**

- 1.1 Each year a significant amount of audit resource is spent on school audits. The Internal Audit Section reviews all Primary, Secondary and Special Schools within the City and County of Swansea.
- 1.2 For routine audits, a risk assessment is carried out at individual school level. Based on this, a rolling programme of schools audits is undertaken. All schools are now planned to be audited every 3 years.
- 1.3 The audit scope for schools during 2013/14 included the following areas:
- ◆ Governance
  - ◆ Health and Safety / Fire / Premises Security Assessments
  - ◆ Management of Delegated Resources
  - ◆ Collection of Income and Bankings (including dinner money)
  - ◆ Authorisation of Free School Meals
  - ◆ Petty Cash
  - ◆ Budget Preparation and Monitoring
  - ◆ Purchasing of Goods and Services
  - ◆ Payment of Creditors
  - ◆ School Inventory
  - ◆ Verification of PLASC to Budget Share
  - ◆ Verification of Employees
  - ◆ School Fund (audit and presentation to Governing Body)
  - ◆ Computer Security and Data Protection
- 1.4 There are slight variations between the work undertaken at Primary cheque book, Primary non cheque book and Secondary Schools. However the scope of the audit remains more or less the same for all three sectors.
- 1.5 In addition to the Internal Audit review, schools are also subject to audit by Estyn within a six year cycle. A revised inspection framework was introduced from September 2010.
- 1.6 At the routine audit, a formal level of assurance is provided for the overall financial management and certain other areas within the school as defined above. The assurance levels vary across four categories, namely High, Substantial, Moderate and Limited assurance.

- 1.7 Recommendations arising from each audit are contained within a Management Action Plan and are prioritised according to perceived risk. Therefore, the Headteacher has an indication of Internal Audit's view of the level of risk that the school could be exposed to if the recommendations are not implemented.
- 1.8 Once the Action Plan has been finalised with the Headteacher, a copy of the final Audit Report and Action Plan is forwarded to the Chair of the School's Governing Body and the Chief Education Officer for information. Agreed actions are followed up in accordance with the Management Action Plan implementation timetable to ensure that they have been satisfactorily implemented.
- 1.9 As the operation of local bank accounts remains a key area for examination during audits, Primary cheque book schools audits take 4.5 days and non cheque book Schools 4 days. The budgeted time for Secondary School audits is 10 days.
- 1.10 The remainder of this report provides information on the various developments that have occurred during the year and the school audits undertaken during 2013/14.

## **2. DEVELOPMENTS / OTHER WORK UNDERTAKEN DURING THE YEAR**

- 2.1 During the year, in addition to the school audits covered as part of our cyclical review, other work was also undertaken as noted below:-
- 2.2 Special investigations and other ad-hoc work where there are allegations or suspicions of malpractice or fraud, or where our advice is requested.
- 2.3 In addition, audit follow up procedures require a follow up visit for any audits where the overall level of assurance is less than 'Substantial'.
- 2.6 During 2013/14, 1 primary school was followed up to ensure that the recommendations previously raised had been implemented. It was noted that the school still had not fully implemented the recommendations made and this has been reported again to the Chair of the Governing Body. This school has also been subject to a great deal of debate at the Audit Committee.
- 2.7 With regards to other ad-hoc work, we have again been involved with the Procurement Section to address areas of non-compliance within schools in relation to purchasing.
- 2.8 As noted in last year's report, written guidance was circulated to all schools in 2011. In addition, in January and February 2012, a series of Procurement workshops were held which were jointly led by Procurement and Internal Audit. As shown in the table in point 3.6 later, procurement continues to account for the significant majority of recommendations

made as part of our school audits, representing 35% of all recommendations made in 2013/14 across the 11 recommendation categories shown in the table.

- 2.9 Further to this, it should be noted that Contract Procedure Rules were amended in April 2014. The amendments have seen changes to the required process for obtaining quotations and documentation retention, primarily for 'Band A' purchases (below £5k) and also for the 'Single Tender Application' process.
- 2.10 A dedicated Senior Procurement Officer for Education was appointed in July 2013 in order to deal solely with education procurement issues and to act as a point of contact for all schools for all procurement related queries, issuing procurement guidance to schools when necessary.
- 2.11 Procurement, in collaboration with Internal Audit, have undertaken a number of training sessions for Deputy Headteachers and School Admin Staff in order to ensure schools are aware of the impact of the above changes and to ensure they follow the correct procedures. It is envisaged that these will continue into 2014/15.
- 2.12 In addition, Internal Audit has revised the standard letters which accompany the final audit reports issued to both the Headteacher and the Chair of the Governing Body. The revised version reinforces the requirement for the final report to be presented and discussed at the next full Governing Body meeting, as instances have been noted during 2013/14 where audit reports had not been presented at such meetings.

### 3 PRIMARY SCHOOLS

- 3.1 16 primary schools were visited by Internal Audit during 2013/14, all of which operated their own bank account. The level of assurance for each school is shown in Appendix 1.
- 3.2 The level of assurance on the financial management and internal controls operating at the Schools are summarised as follows:

Level of Assurance	Schools 2012/13	Schools 2013/14
High	4	0
Substantial	20	14
Moderate	1	2
Limited	0	0
<b>Total</b>	<b>25</b>	<b>16</b>

- 3.3 The level of assurance awarded confirms the view that primary schools in Swansea are generally well run with sound internal controls and financial management in the majority of cases, although there are a minority of schools where this is not the case.

- 3.4 A total of 148 recommendations were made as a result of the audit process, representing an average of 9.25 recommendations per school. Some schools had more recommendations than the average – others less so. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all of the recommendations made.
- 3.5 It should be noted that a direct correlation between the number of recommendations identified at each school and the overall level of assurance cannot always be made. This is due to differences in the significance of the individual recommendations made at each audit. Therefore, the number of recommendations made for each school has not been reported, solely reporting the overall level of assurance provided for each school.
- 3.6 However, an analysis of the areas where audit recommendations have been made is summarised below. As can be seen, the main areas identified during 2013/14 were in relation to Procurement, as was also the case in 2012/13. However, Procurement does cover a number of areas. School meals administration was the next highest. Appendix 3 details the main categories reported upon within each audit area.

<b>Audit Area</b>	<b>Total Recommendations 2012/13 based on 25 Schools</b>	<b>Total Recommendations 2013/14 based on 16 Schools</b>
Governance	6	0
Health and Safety/Fire/ Premises Security Assessments	8	14
Management of the School	10	14
Procurement	61	52
Bank	4	5
Income	22	10
School Meals inc banking	9	18
School Funds	12	8
Inventory	12	6
IT	16	15
Other	7	6
<b>TOTAL</b>	<b>167</b>	<b>148</b>

- 3.7 Procurement is again identified as the main issue in a number of schools. Headteachers are reminded of the requirement to comply with the Scheme for the Financing of Schools, Contract Procedure Rules (CPR's), Financial Regulations and Accounting Instructions. Also the Procurement Section and their Procurement Guide are available to assist schools with any procurement issues.
- 3.8 The main areas where problems have arisen regarding procurement are highlighted below:-

- Not obtaining the relevant number of quotations where expected. This was mainly noted where services were procured or accumulated annual spend for a particular 'item' exceeded £1k per year
- Not raising authorised purchase orders at the point of committal or at all. This was identified as more of an issue for the purchase of 'services' as opposed to 'goods'. This is also important as it allows for effective budget monitoring and proper certification procedures. It is also a record of what has been ordered, helps to minimise disputes and to facilitate matching to the invoice both in terms of price and quantity.
- Not obtaining the relevant dispensation, waiver etc where CPR's were not followed.

3.9 As noted in 2.7 to 2.9, schools have been made aware of all such issues and the need to comply as part of the Procurement workshops provided in the past. This is in addition to the findings contained within each schools audit report. These have been reported repeatedly over the years to both the Headteacher and the Chair of the Governing Body of the relevant school.

3.10 It is also noted that the average number of recommendations made per school has increased in year from 6.68 to 9.25. As may be seen in the table above, this increase is primarily due to an increase in the number of recommendations made in the following areas:-

- Health and Safety/Fire/Premises Security – primarily in relation to the lack of evidence of schools acting upon and implementing recommendations made in Health & Safety Inspections and/or Fire Risk Assessments.
- Procurement – failure to follow Contract Procedure Rules in relation to obtaining quotations or the relevant dispensation. Also the failure to undertake employment status checks for payments made to self-employed individuals.
- School Meals – lack of evidence of taking effective action to recover school meal arrears. In addition, issues were noted in relation to ineffective recording of meals prepared, served and paid for with a lack of adequate reconciliation of such figures.
- IT – in particular, significant issues have been encountered in year in relation to the increase in the roll out of mobile tablet devices such as iPads. Other IT issues encountered include failure to change passwords regularly and non-deletion of old system user access.

3.11 Whilst we report on non-compliance in these areas, what the above summary figures do not reflect is the number of instances of non-compliance noted per school i.e. we would include a recommendation regardless of the number of instances of non-compliance, with the extent and significance of the issue being highlighted in the School report.

#### 4. SECONDARY SCHOOLS

4.1 4 secondary schools were visited by Internal Audit during 2013/14. The level of assurance at each school can be seen in Appendix 2.

4.2 The level of assurance on the financial management and internal controls operating at these Schools were as follows:

Level of Assurance	Schools 2012/13	Schools 2013/14
High	1	0
Substantial	2	4
Moderate	1	0
Limited	0	0
<b>Total</b>	<b>4</b>	<b>4</b>

4.3 A total of 41 recommendations were made, which represents an average of 10.25 recommendations per school. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all recommendations made.

4.4 An analysis of findings to identify areas for improvement is shown below and has again highlighted Procurement as the main issue.

Audit Area	Total Recommendations 2012/13 based on 4 Schools	Total Recommendations 2012/13 based on 4 Schools
Governance	0	0
Health and Safety/Fire/ Premises Security Assessments	2	4
Management of the School	2	4
Procurement	9	16
Bank	1	2
Income	3	5
School Funds	1	2
Inventory	2	3
IT	0	4
Other	4	1
<b>TOTAL</b>	<b>24</b>	<b>41</b>

4.5 The figures show an increase in the number of recommendations made, but this may also be due to the mix of schools involved.

4.6 As with primary schools, procurement is identified as the main area for concern from an audit perspective. The same comments as noted in 3.7 to 3.9 apply here.

4.7 It is also noted that the average number of recommendations made per school has increased in year from 6 to 10.25. As may be seen in the table above, this increase is primarily due to an increase in the number of recommendations made in the following areas:-

- Procurement – failure to follow Contract Procedure Rules in relation to obtaining quotations or the relevant dispensation. Also the failure to undertake employment status checks for payments made to self-employed individuals.
- IT – in particular, significant issues have been encountered in year in relation to the increase in the roll out of mobile tablet devices such as iPads. Other IT issues encountered include failure to change passwords regularly and non-deletion of old system user access.

## 5. SPECIAL SCHOOLS

5.1 No special schools were audited in 2013/14.

## 6. QUALITY MEASURES

6.1 At the end of each audit, Headteachers are provided with a Quality Control Questionnaire (QCQ) which allows them to comment on the quality of the audit service provided. A copy of the questionnaire is attached at Appendix 4.

6.2 Each completed questionnaire is reviewed and where appropriate comments are taken into account in planning future audits.

6.3 QCQ results are fed into a Performance Indicator which shows the percentage of clients expressing 'at least satisfaction' with the conduct of audit assignments undertaken by Internal Audit. For this exercise, this relates to the QCQ's issued for audits finalised in 2013/14 as at the time of writing this report.

6.4 The target for schools at least satisfied with the quality of audit service for 2013/14 was 98%. The QCQ's returned to date for 2013/14 have exceed this threshold at 99%.

6.5 The response rate to our QCQ survey was as follows:

	<b>QCQ's issued</b>	<b>Response No</b>	<b>Response %</b>
Primary Schools	14	5	36%
Secondary Schools	3	3	100%
<b>Overall</b>	<b>17</b>	<b>8</b>	<b>47%</b>

NB: We continue to follow up QCQ's on an ongoing basis, so the above response rates may increase.



## **7. CONCLUSION**

- 7.1 This annual report provides information on school audits undertaken during 2013/14 and identifies the main areas for improvement in relation to the financial management and other areas of schools.
- 7.2 A good working relationship exists between schools and the Internal Audit Section, with Headteachers generally responding positively to audit recommendations. However, the raising of orders and compliance with Contract Procedure Rules does remain a concern. In many instances these have been repeatedly reported over the years.
- 7.3 Procurement still remains the main issue as noted in the main body of the report and attention should be guided to this area. However, as noted earlier in the report, recent changes to the Contract Procedure Rules and subsequent refresher training that has been and will continue to be rolled out in this area will hopefully reinforce the message in relation to what processes schools are required to follow.
- 7.4 However, it is concerning that despite having raised issues in relation to procurement at schools repeatedly for a number of years and schools accepting audit recommendations in this area, the primary area of concern continues to be in relation to procurement. It seems little progress has been made by schools in terms of implementing recommendations in this area despite a significant amount of effort on the part of both Internal Audit and Procurement.
- 7.5 It is again the opinion of the Internal Audit Section that financial management systems established in schools continue to provide a generally high level of assurance, subject to the procurement compliance issues as noted above.

**APPENDIX 1****PRIMARY SCHOOLS AUDITED 2013/14**

<b>School</b>	<b>CB/NCB</b>	<b>Level of Assurance</b>
Blaenymaes Primary	CB	Substantial
Casllwchwr Primary	CB	Substantial
Craigfelen Primary	CB	Substantial
Cwmrhydyceirw Primary	CB	Substantial
Morrleston Primary	CB	Substantial
Parklands Primary	CB	Substantial
Pentrechwyth Primary	CB	Substantial
Pentre'r Graig Primary	CB	Substantial
Tre Uchaf Primary	CB	Substantial
Whitestone Primary	CB	Substantial
Ynystawe Primary	CB	Substantial
Ysgol Cymraeg y Cwm	CB	Substantial
YGG. Llwynderw	CB	Substantial
YGG. Tan-y-Lan	CB	Substantial
Seaview Community Primary	CB	Moderate
YGG. Tirdeunaw	CB	Moderate

**CB = Cheque Book ; NCB = Non Cheque Book.**

**APPENDIX 2****SECONDARY SCHOOLS AUDITED 2013/14**

<b>School</b>	<b>Level of Assurance</b>
Bishopston Comprehensive	Substantial
Morrison Comprehensive	Substantial
Pentrefafod Comprehensive	Substantial
Ysgol Gyfun Gwyr	Substantial

## APPENDIX 3

### AREAS REVIEWED AT PRIMARY/SECONDARY SCHOOLS DURING 2013/14

AUDIT AREA	MAIN CATEGORIES REVIEWED IN EACH AUDIT AREA
<b>Governance</b>	Role and responsibilities of Governors, Committees and staff Policies and Committees Governors involvement in setting the School Development Plan Finance, Administration and CRB
<b>Health &amp; Safety/ Fire/ Premises</b>	Health and safety inspections Fire Risk assessments and Portable Appliance Testing Self review of security issues
<b>Procurement</b>	Ordering procedures (Non orders) Payment procedures Authorisation of orders / invoices Governing Body approval of payments more than £5k Compliance with Contract Procedure Rules Insurance arrangements for non Authority 'approved' suppliers. Cheque stock records Leases
<b>School Funds</b>	School fund signatories Audit and presentation of the School fund Distribution of School savings Other
<b>Management of the School</b>	Budget setting, approval and monitoring Authorised signatories Register of Business Interests Delegated powers
<b>Inventory</b>	Format and security of the School inventory Keeping the inventory up-to-date inc disposal procedures Physical checks Other
<b>School Meals</b>	Dinner money arrears Certification of CS3's by Headteacher CS3 meals served to PM2 meals reconciliations Weekly banking of Dinner monies (PM2 reconciliations) Entitlement to Free School Meals

<b>Bank</b>	Cheque signatories
	Bank reconciliations
<b>Income</b>	Banking and security of income held on site.
	C&D Senior Management review
	Letting applications
	Other income
	Raising and monitoring of invoices
<b>IT</b>	Computer-based records to be password-protected/ backed up/passwords to be changed regularly
	Users no longer employed to be deleted by the system manager
	Data Protection
<b>Other</b>	Self employment status
	Verification of employees and payment of travel expenses
<b>PLASC</b>	Verification PLASC return to Budget share

CITY AND COUNTY OF SWANSEA  
DINAS A SIR ABERTAWE

QUALITY CONTROL QUESTIONNAIRE

INTERNAL AUDIT SECTION

We are keen to monitor and, where possible, improve the quality of our work. We have adopted a number of performance indicators that we report on monthly, quarterly or annually. One of these is your view of the overall quality etc. of our work.

For this reason please complete the questions below indicating your level of satisfaction with various aspects of our audit. Any additional comments you may have should also be included, particularly if you are less than satisfied\* with any aspect of the audit.

AUDIT: \_\_\_\_\_ DATE OF ISSUE: \_\_\_\_\_

AUDIT FILE REF. NO: \_\_\_\_\_ AUDITOR(S): \_\_\_\_\_

ASPECT OF AUDIT	VERY SATISFIED	SATISFIED	DIS-SATISFIED	VERY DIS SATISFIED
<b>AUDIT PLANNING</b> Appropriateness of scope and objectives of audit				
Usefulness of initial discussions with auditor(s)				
Timing of audit				
<b>CONDUCT OF AUDIT</b> Duration of audit				
General helpfulness of auditors				
Consultation on findings				
<b>AUDIT REPORT</b> Fair presentation of findings				
Importance of findings				
Usefulness of recommendations				
Consultation on findings and recommendations				
<b>OVERALL</b> How would you rate the overall usefulness of the audit?				

OTHER COMMENTS:

SIGNED: \_\_\_\_\_ DATE: \_\_\_\_\_

DESIGNATION/POST TITLE: \_\_\_\_\_

*Please return to the Chief Auditor, Room 3.3.12, Civic Centre or by email.*

## Report of the Head of Finance & Delivery

Audit Committee – 2 October 2014

### AUDIT COMMITTEE – WORKPLAN

<b>Purpose:</b>	This report details the Audit Committee Workplan to May 2015.
<b>Report Author:</b>	Paul Beynon
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sharon Heys
<b>Access to Services Officer:</b>	Kirsty Roderick

#### 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
2 <sup>nd</sup> 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 Wales Audit Office Performance Audit – Mid Term Report
30 <sup>th</sup> October 2014	Internal Audit Monitoring Report Q1 2014/15 Risk Management Half Yearly Review 2014/15 PwC Controls Report 2013/14 Council Tax Single Person Discount
27 <sup>th</sup> November 2014	Internal Audit Monitoring Report Q2 2014/15 Recommendations Tracker Report 2013/14 PwC Annual Audit Letter 2013/14
15 <sup>th</sup> January 2015	Audit Committee Review of Performance 2014/15
12 <sup>th</sup> February 2015	Internal Audit Monitoring Report Q3 2014/15
12 <sup>th</sup> March 2015	Internal Audit Annual Plan 2015/16 Risk Management Annual Review 2014/15
9 <sup>th</sup> April 2015	PwC Annual Financial Audit Outline 2014/15