

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

**HELD AT COMMITTEE ROOM 1, CIVIC CENTRE, SWANSEA ON
THURSDAY, 27 NOVEMBER 2014 AT 3.00 PM**

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

Councillor(s)	Councillor(s)	Councillor(s)
R A Clay	P R Hood-Williams	P M Meara
A M Cook	L James	R V Smith
P Downing	J W Jones	L V Walton

47 **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor D W W Thomas.

48 **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.

49 **MINUTES**

RESOLVED that the Minutes of the Meeting of the Audit Committee held on 30 October 2014 be agreed as a correct record, subject to the following amendment:

Add "Apologies for absence were received from Councillor P M Meara".

The Committee were updated on the following:

Section 106 Agreements

It was confirmed that Internal Audit were currently auditing Section 106 Agreements. Members questioned whether possible missed opportunities to negotiate Section 106 Agreements in the past were being included in the audit.

It was explained that this would be difficult to identify during a routine audit but that specific examples could be looked at if highlighted by Councillors.

50 **REPORT OF DEFICIENCIES OF INTERNAL CONTROLS - CITY AND COUNTY OF SWANSEA.**

K Williams, PricewaterhouseCoopers provided a report on behalf of the Wales Audit Office of Deficiencies of Internal Controls within the City and County of Swansea.

It was outlined that the appointed auditor is required to obtain an understanding of the internal controls relevant to the audit when identifying and assessing the risks of material misstatement. This was in respect of the financial position of the Authority at 31 March 2014. The Authority's internal controls were considered in order to design audit procedures, to provide sufficient assurance to allow the appointed auditor to express an opinion on the truth and fairness of the financial statements. They were not considered for the purposes of expressing an opinion on the effectiveness of internal control. It was added that no significant deficiencies in internal control had been identified. However, recommendations have been raised for the Authority in order to further improve its control environment. The work had been completed and had identified 19 deficiencies in the Authority's internal controls. The matters covered in the report were limited to those which in the appointed auditor's opinion were of sufficient importance to merit reporting to the Committee in the context of its governance role. None of these matters were deemed to be of significant risk and had already been discussed with the Head of Finance and Delivery.

The Authority had made progress in enhancing its control environment and implementing recommendations raised last year. The auditors had followed up the recommendations in the prior year Controls Report issued in November 2013. It was found that all of the 15 recommendations raised in the prior year had been implemented. None of the recommendations were deemed to be of significant risk. Details of the matters identified were provided.

Details were also provided of the matters arising from the review of the arrangements in place and the recommendations for action. It was not intended to provide a complete overview of the financial systems and procedures of the Authority. However, details of the systems audited as part of the interim audit were provided. It was added that the Wales Audit Office had met with Internal Audit during the course of the interim audit and had conducted a review of the core financial systems internal audit reports to inform the risk assessment and understanding of the systems. The Wales Audit Office were able to partially place reliance on the work of Internal Audit with regards to payroll controls. A number of new recommendations had been raised as a result of the interim and final audit work and these recommendations were detailed.

The Committee discussed the following:

- Consideration of assets not formally re-valued during the year.
- Guildhall valuation.

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- Integrity of valuation working papers.
- Discounted cash flow model for Council dwelling.
- Infrastructure assets.
- Early retirement/voluntary redundancy for teachers.
- School bank balances and encouraging schools to have bank accounts.
- Journals, particularly segregation of duties, which needs robust thought, particularly the level of risk against additional resource.
- Debtors listings and bad debt right-offs, particularly those over £10,000.
- Internal Audit capacity and the need to work within agreed resource limits in order to be able to produce a genuine and realistic work plan.
- Re-certifications of users' accounts, particularly the closing of user accounts once individuals had left the Authority.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) the Head of Finance and Delivery update the Committee with regards to the level of risk against additional resource for journals;
- (3) the Head of Finance and Delivery provides the Committee with an update report regarding bad debt right-offs;
- (4) in future schools be requested to provide bank balances as at 31 March or prior to the Easter holidays where necessary.

51 **INTERNAL AUDIT ANNUAL PLAN 2014/15 - MONITORING REPORT FOR THE PERIOD 1ST JULY 2014 TO 30TH SEPTEMBER 2014.**

The Chief Auditor presented the Internal Audit Annual Plan 2014/15 - Monitoring Report for the period 1 July 2014 to 30 September 2014. The report detailed the audits finalised and any other work undertaken by the Internal Audit Section. It was added that a total of 16 audits were finalised during quarter 2 and these were listed at Appendix 1 which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed.

An analysis of the audits finalised during the first quarter was also provided and showed that a total of 115 audit recommendations were made and management agreed to implement 114 recommendations, i.e. 99.1% against a target of 98%. Details were also provided of the significant issues which led to the waste management audit being considered to be "moderate". There were other less significant findings also included in the final audit report issued.

The Internal Audit Section also certified the following grants as required by the terms and conditions of the grant issued by the funding body:

- Foundation Phase Grant 2013/14 - £7,333,341.
- Revenue and Training Grant 2013/14 - £213,631.
- School Uniform Grant 2011/12 - 2013/14 - £172,213.
- Out of School Childcare Grant 2013/14 - £164,712.
- National Trading Standards Board Grant 2013/14 - £150,000.

It was added that in each case it was found that the grant had been spent in accordance with the terms and conditions, although in some cases recommendations were made to improve control over the grants in future years.

Details of the follow-ups completed between 1st June 2014 to 30th September 2014 were also provided.

The Committee asked questions of the Chief Auditor who responded accordingly. The key issues arising from discussions included:

- Significant budget overspends at waste management.
- ICT audits, including ISIS change control and ICS administration.
- Grand Theatre catering.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) the Head of Waste Management be invited to the next scheduled meeting in order to explain the significant budget overspends.

52 **FUNDAMENTAL AUDITS 2013/14 - RECOMMENDATIONS TRACKER.**

The Chief Auditor presented a report which provided a summary of the recommendations made following the Fundamental Audits 2013/14 and identified whether the agreed recommendations had been implemented. It was added that the recommendations tracker identified the actions agreed by management at the end of each fundamental audit and tracks whether they have been implemented by the agreed date. The number of recommendations made following the Fundamental Audits 2013/14 was 71, which was a significant reduction of the previous year where 89 recommendations were made. The report summarised the position as at 31 August 2014 on the implementation of the recommendations made.

Details of the systems considered to be fundamental and subject to an annual audit were provided. The latest position on the 71 recommendations made was summarised as follows:

Recommendations	Number	Percentage
Implemented	40	57%
Partly implemented	1	1%
Not implemented	1	1%
Not yet due	29	41%
TOTAL	71	100%

Not including the recommendations which are not yet due for implementation, the percentage of recommendations implemented by 31 August 2014 is 97% which far exceeded the implementation rate for previous years. An analysis of the recommendations which had been partly or not implemented was provided at Appendix 2, the recommendation which had been partly implemented was shown at Appendix 3 and the recommendation not implemented was shown at Appendix 4.

It was concluded that overall, the results of the recommendations tracker exercise to the end of August 2014 were extremely positive with 97% of agreed recommendations due for implementation already implemented. However, the large

number of recommendations which were not due for implementation by the end of August meant that it was too early to draw any firm conclusions regarding the recommendations tracker exercise for 2013/14. A further update would be provided to a future Committee meeting providing the position at the end of January 2015.

RESOLVED that the contents of the report be noted.

53 **AUDIT COMMITTEE WORK PLAN.**

The updated Audit Committee Work Plan was provided for information. The Committee discussed the following topics:

- School audits and training for school governors.
- The Committee working in partnership with the Scrutiny Programme Committee in order to avoid duplication.
- Auditing options analysis and project management process
- Auditing governance of the Authority.
- Auditing the budget process and proposed budget savings.
- Auditing variable costs for the Authority.
- Whistleblowing policy - it was confirmed that this is included in the Staff Handbook and the point of reference for staff are the Monitoring Officer or Head of Human Resources.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) the Chair of the Scrutiny Programme Committee be provided with the papers of future Committee meetings.

54 **DATE OF NEXT MEETING - 3 P.M. ON THURSDAY, 15 JANUARY 2015.**

NOTED that the next meeting be held at 3.00 p.m. on Thursday 15 January 2015.

The meeting ended at 4.30 pm

CHAIR