

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, 15 January 2015

Time: 3.00 pm

AGENDA

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1 Apologies for Absence.	
2 Disclosures of Personal and Prejudicial Interests.	1 - 2
3 Minutes. To approve the Minutes of the meeting of the Audit Committee held on 27 November 2014.	3 - 8
4 Waste Management Audit - Head of Service Briefing.	
5 Procurement by Schools - Briefing.	
6 Report(s) of the Wales Audit Office: -	
6a Annual Audit Letter - City and County of Swansea 2013/14.	9 - 11
6b Update Regarding 2013/14 Audit Completion Certificate. (Verbal)	
7 Audit Committee Annual Review of Performance 2014/15. (Verbal)	
8 Audit Committee - Work Plan. (For Information)	12 - 14
9 Date of Next Meeting - Thursday, 12 February 2015.	



Patrick Arran
Head of Legal, Democratic Services & Procurement
Wednesday, 7 January 2015

Contact: Democratic Services: - 636016

AUDIT COMMITTEE (12)

Lay Member:

Name:

Term of Office:

Mr Alan M Thomas (Chair)	27.11.12 – 04.05.2017
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Councillors:

Labour Councillors: 8

Bob A Clay	D Phillips
A M Cook	Robert V Smith
Phil Downing	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
Debbie Smith	Directorate Lawyer
Dave Mckenna	Overview & Scrutiny Manager
Sharon Heys	Principal Lawyer
Richard Rowlands	Business Performance Manager
Patrick Fletcher	Communications
PricewaterhouseCoopers	External Auditors
Councillor M H Jones	Chair of Scrutiny Programme Committee
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 MEETING OF THE AUDIT COMMITTEE

HELD AT THE CIVIC CENTRE, SWANSEA
ON THURSDAY 27 NOVEMBER 2014 AT 3.00 P.M.

PRESENT: Mr A M Thomas (Independent Chair) presided

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

ALSO PRESENT:

K Williams - PricewaterhouseCoopers

Officers:

P Beynon - Chief Auditor
S Heys - Principal Lawyer
J Parkhouse - Democratic Services Officer

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 THE WALES AUDIT OFFICE - 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

Minutes of the Meeting of the Audit Committee (27.11.2014) Cont'd

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.
- 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 1 JULY 2014 TO 30 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 - 3.00 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 p.m.

CHAIR



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Councillor Rob Stewart – Leader

City and County of Swansea
Civic Centre
Oystermouth Road
Swansea
SA1 3SN

Reference	KW/RN
Date	26 November 2014
Pages	1 of 3

Dear Councillor Stewart

Annual Audit Letter – City and County of Swansea 2013-14

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2014, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 17 September 2014, and a more detailed report will follow in due course.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

The Council is continuing to improve its financial management arrangements so that it is able to address the financial challenges ahead.

The Auditor General is currently conducting a Corporate Assessment of the Council and our findings will be shared with management in due course.

I have not yet issued a certificate confirming that the audit of the accounts has been completed

When I issued my audit opinion, on 30 September 2014, I was not able to issue a certificate confirming that the audit of the accounts had been completed because the Pension Fund's Annual Report had not been finalised. On 26 November 2014, I issued an unqualified opinion with regard to the consistency of the accounting statements with the Pension Fund's Annual Report.

A certificate confirming that the audit of accounts has been completed is to be issued following the Council's approval of the accounting statements, in accordance with regulation 11 of the Accounts and Audit (Wales) regulations.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2014-15 accounts or key financial systems.

My annual grant report for 2012-13 confirmed that 44 grant claims were certified by PwC. Of those 16 were unqualified without amendment, 15 claims were amended following our audit, seven claims were certified with a qualification and six claims were amended and qualified. A detailed report on my grant certification work for 2013-14 will follow in March 2015 once this year's programme of certification work is complete.

The financial audit fee for 2013-14 is currently expected to be in line with the agreed fee set out in our report to Cabinet on 23 September 2014.

Yours sincerely

Kevin Williams (PwC)
For and on behalf of the Appointed Auditor

Cc Mr Jack Straw – Chief Executive

Agenda Item 8

Report of the Head of Finance & Delivery

Audit Committee – 15 January 2015

AUDIT COMMITTEE – WORKPLAN

Purpose:	This report details the Audit Committee Workplan to May 2015 and provides an outline Workplan for the 2015/16 municipal year.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins
FOR INFORMATION	

1. Introduction

- 1.1 The Audit Committee's Workplan to May 2015 is attached in Appendix 1 for information
- 1.2 A draft Workplan for the following municipal year is also attached in Appendix 2

2. Equality and Engagement Implications

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

3. Financial Implications

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

4. Legal Implications

- 4.1 There are no legal implications associated with this report

Background Papers: None

Appendices: **Appendix 1** – Audit Committee Workplan 2014/15
Appendix 2 – Draft Audit Committee Workplan 2015/16

AUDIT COMMITTEE WORKPLAN 2014/15

Date of Meeting	Reports
15 th January 2015	Audit Committee Review of Performance 2014/15 PwC Annual Audit Letter 2013/14 Procurement by Schools – Briefing Waste Management Audit – Head of Service Briefing
12 th February 2015	Internal Audit Monitoring Report Q3 2014/15 Internal Audit Plan 2015/16 - Methodology Wales Audit Office Performance Audit Update Education Challenge Advisers - Update
12 th March 2015	Internal Audit Charter 2015/16 Risk Management Annual Review 2014/15 Recommendations Tracker 2013/14 - Update
9 th April 2015	Internal Audit Annual Plan 2015/16 PwC Annual Financial Audit Outline 2014/15 Bad Debt Write Offs – Briefing Wales Audit Office – Corporate Assessment Draft Audit Committee Annual Report 2014/15

DRAFT AUDIT COMMITTEE WORKPLAN 2015/16

Date of Meeting	Reports
9 th April 2015	Internal Audit Annual Plan 2015/16 PwC Annual Financial Audit Outline 2014/15 Bad Debt Write Offs – Briefing Wales Audit Office – Corporate Assessment
June 2015	Draft Annual Governance Statement 2014/15 Internal Audit Monitoring Report Q4 2014/15 Wales Audit Office Performance Audit Work 2015/16
July 2015	Draft Statement of Accounts 2014/15
August 2015	Internal Audit Annual Report 2014/15 Annual Report of School Audits 2014/15 Internal Audit Monitoring Report Q1 2015/16
September 2015	Housing Benefit Investigation Team Annual Report 2014/15 Risk Management Half Yearly Review 2015/16 Wales Audit Office Performance Audit – Mid Term Report
October 2015	Audited Statement of Accounts 2014/15 PwC ISA 260 Report 2015/16
November 2015	Internal Audit Monitoring Report Q2 2015/16 Recommendations Tracker Report 2014/15
December 2015	PwC Controls Report 2014/15
January 2016	PwC Annual Audit Letter 2014/15 Audit Committee Review of Performance 2015/16
February 2016	Internal Audit Monitoring Report Q3 2015/16 Wales Audit Office Performance Audit Update
March 2016	Internal Audit Charter 2016/17 Risk Management Annual Review 2015/16
April 2016	Internal Audit Annual Plan 2016/17 PwC Annual Financial Audit Outline 2015/16 Draft Audit Committee Annual Report 2015/16