

CITY AND COUNTY OF SWANSEA

NOTICE OF MEETING

You are invited to attend a Meeting of the

AUDIT COMMITTEE

At: Committee Room 5, Guildhall, Swansea

On: Tuesday, 16 June 2015

Time: 2.00 pm

AGENDA

	Page No.
1 Election of Chair for the 2015-2016 Municipal Year.	
2 Election of Vice-Chair for the 2015-2016 Municipal Year.	
3 Apologies for Absence.	
4 Disclosures of Personal and Prejudicial Interests.	1 - 2
1. Minutes. To approve the Minutes of the meeting of the Audit Committee held on 9 April 2015.	3 - 6
6 Wales Audit Office Briefing - Key Issues for Audit Committees.	
7 Briefing - ICT Contract Transfer.	
8 Wales Audit Office - 2015 Audit Plan - City and County of Swansea.	7 - 24
9 Internal Audit Monitoring Report Quarter 4 2014/15.	25 - 28
10 Coastal Project Correspondence. (For Information)	29 - 33
11 Audit Committee Work Plan.	34 - 35
12 Date of Next Meeting - 2 p.m. on Tuesday, 18 August 2015.	



Patrick Arran
Head of Legal, Democratic Services & Procurement
Monday, 8 June 2015

Contact: Democratic Services - 01792 636923

AUDIT COMMITTEE (12)

Lay Member:

Name:

Term of Office:

Mr Alan M Thomas	27.11.12 – 04.05.2017
------------------	-----------------------

Councillors:

Labour Councillors: 8

Cyril Anderson	David Phillips
John C Bayliss	Robert V Smith
Bob A Clay	Des W W Thomas
Geraint Owens	Lesley V Walton

Liberal Democrat Councillors: 2

Jeff W Jones	Paul M Meara
--------------	--------------

Independent Councillor: 1

Lynda James	
-------------	--

Conservative Councillor: 1

Paxton R Hood-Williams	
------------------------	--

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
Sharon Heys	Principal Lawyer
PricewaterhouseCoopers	External Auditors
Councillor M H Jones	Chair of Scrutiny Programme Committee
Archives	
Democratic Services	
Spares	

Email Only:

Dave Mckenna	Overview & Scrutiny Manager
Richard Rowlands	Business Performance Manager
Patrick Fletcher	Communications

Total Copies Needed:

30

Disclosures of Interest

To receive Disclosures of Interest from Councillors and Officers

Councillors

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

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

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

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

Officers

Financial Interests

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

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 6, GUILDHALL, SWANSEA ON
THURSDAY, 9 APRIL 2015 AT 3.00 PM

PRESENT: Mr A M Thomas (Independent Chair) presided

Councillor(s)	Councillor(s)	Councillor(s)
A M Cook	L James	R V Smith
P R Hood-Williams	D Phillips	L V Walton

Officers:-

P Beynon – Chief Auditor
S Heys - Principal Lawyer
J Tinker - Democratic Services
Coordinator

Also present:-

D Hanley Crofts -
PricewaterhouseCoopers

84 **APOLOGIES FOR ABSENCE.**

Apologies for absence were received from Councillors J C Bayliss and R A Clay.

85 **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.

86 **MINUTES.**

RESOLVED the Minutes of the meeting of the Audit Committee held on 12 March 2015 be approved as a correct record.

Matters Arising

Coastal Project – Final Wavehill Evaluation Report

The Chair indicated that he had written to the Leader regarding the lessons learned from this Project and would attach the letter and any response to the agenda for the next meeting. The Chief Auditor also provided further information regarding WEFO as requested at the last Committee meeting.

Fundamental Audits 2013/14 – Recommendations Tracker Update

The Chief Auditor gave an update regarding the retention of hard copies of contracts for school based staff.

87 **PRESENTATION - PEER REVIEW.**

Dean Taylor, Director of Corporate Services gave a presentation regarding the progress of the Peer Review. He stated that further to the Peer Review Report being reported to Cabinet and Council in February 2015 the WLGA Peer Review Action Plan would be now submitted to Cabinet on 14 April 2015 and referred to Council for information. He gave an overview and explained how this was conducted as part of good governance with Council's expected to have a Peer Review every 4 years. The 4 main objectives were:-

- Learn from elsewhere
- Develop our approach to self - evaluation
- Assist our preparation for the WAO Corporate Assessment
- Support overall objective of self - regulation

The 3 areas of focus were Governance, Change and Delivery. How the interviews and workshops were conducted with officers was described. As a result an action plan had been produced with 22 recommendations. The key themes were outlined together with the proposed actions. It was hoped to dovetail the actions with the findings from the Welsh Audit Office Corporate Assessment. The key themes were:-

- Cultural Change
- Pace
- Celebrate Success
- Learning from Others

These themes were explained. It was considered beneficial if a separate presentation take place on the Cultural Change. It was stated that quarterly updates would be provided on the action plan.

The Director was thanked for his useful and informative presentation and it was requested that copies of this presentation and the Cabinet Report be circulated to all Members.

88 **BRIEFING - CORPORATE GOVERNANCE REVIEW.**

Patrick Arran, Head of Legal Democratic Services & Procurement gave a verbal update regarding the Corporate Governance Review and highlighted the priorities and values. It was stated that there was a need to transfer services to meet changing needs and demands. This would take place by means of engaging stakeholders. As part of this process a considerable amount about of work had been done on the model Constitution. A major part of this was the speed of decision making and the

scheme of delegation, which arose from the Peer Review. This would also include the suggestion from Wales Audit Office to record Officers' delegation.

The two main principles of this review were performance and effective roles.

The Chair thanked Patrick Arran for his update and he volunteered to attend a future meeting to detail the actions that had been carried out regarding this review.

89 **PRESENTATION - RISK MANAGEMENT ANNUAL REVIEW.**

Mike Hawes, Head of Financial Services and Delivery gave a presentation regarding the Risk Management Annual Review. The types of risks were described which included Financial, Operational and Reputational. The 4 T's in relation to risk were transfer, tolerate, treat and terminate. The risk classification matrix was explained and an outline provided of the current Corporate Risks. It was stated that there was a future commitment by the Executive Board to develop and review risk registers and adoption of a balanced scorecard aids in identifying risks.

Questions were asked if risks that were being treated would be monitored as part of this review.

The Chair thanked Mike Hawes for his useful and informative presentation.

90 **INTERNAL AUDIT CHARTER.**

The Chief Auditor outlined the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1st April 2013 and presented the Internal Audit Charter for approval by the Committee. It was stated that the Internal Audit Charter for the City and County of Swansea had been reviewed with some changes, as shown in Appendix of the report. Paragraphs 7.5 and 7.6 were highlighted in respect of establishing a Corporate Fraud Team.

RESOLVED that the Internal Audit Charter be approved.

91 **INTERNAL AUDIT ANNUAL PLAN 2015/16.**

The Chief Auditor presented the Internal Audit Annual Plan 2015/16 to the Audit Committee for approval. A summary of the Internal Audit Plan 2015/16 was shown in Appendix 1 and a list of audits planned for the year was shown in Appendix 2 of the report, together with the number of days planned for each audit.

Questions were asked regarding the number of audits that had been deferred as a result of staff resources and the impact of this. It was stated that a Self- Assessment approach was being developed for audits of primary schools, branch libraries, school kitchens and district housing offices. A discussion took place regarding Self- Assessment for primary schools in particular the process of spot checks and how many pilots were being undertaken.

It was reported that progress made by the Internal Audit Section in achieving the Audit Plan would be reported to the Audit Committee on a quarterly basis.

RESOLVED that the Internal Audit Annual Plan 2015/16 be approved.

92 **DRAFT AUDIT COMMITTEE ANNUAL REPORT 2014/15.**

The Chief Auditor presented a report which provided the draft Audit Committee Annual Report for 2014/15 Municipal year. The report described the assurance that had been gained by the Audit Committee from various sources during 2014/15 and also outlined a number of areas where briefings had been provided to the Committee.

RESOLVED that:

- 1) The Committee review and discuss the draft Audit Committee Annual Report 2014/15;
- 2) The Annual Report be presented to Council.

93 **AUDIT COMMITTEE WORK PLAN.**

The Audit Committee Workplan for 2015/16 were provided for information. It was stated that the final WEFO Coastal Report would be submitted on 18 August 2015. The dates of some of the forthcoming meetings were amended and therefore, the dates for meetings for the municipal year were as follows:-

16 June 2015

18 August 2015

20 October 2015

15 December 2015

16 February 2016

19 April 2016

The meeting ended at 4.55 p.m.

CHAIR



2015 Audit Plan

City and County of Swansea

Audit year: 2014-15

Issued: March 2015

Document reference: 226A2015

Status of document

This document has been prepared for the internal use of City and County of Swansea as part of work performed/to be performed in accordance with statutory functions.

No responsibility is taken by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

Contents

2015 Audit Plan

Summary	4
Financial audit	4
Performance audit	8
Fee, audit team, independence and timetable	9

Appendices

Respective responsibilities	13
National value-for-money studies	16

2015 Audit Plan

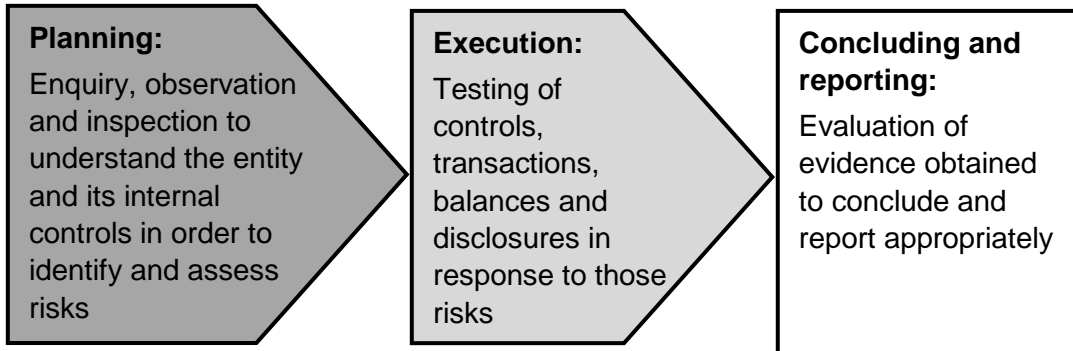
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not City and County of Swansea has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be either significant or elevated, which therefore require special audit consideration, are set out in **Exhibit 2**, along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Significant audit risks	Proposed audit response
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of a sample of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for evidence of bias; • evaluate the rationale for any significant transactions outside the normal course of business; and • incorporate an element of “unpredictable” audit work, which varies each year.
<p>There is a risk of material misstatement due to fraud in income and non-pay expenditure recognition and as such is treated as a significant risk (ISA 240.26-27).</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of a sample of journals processed to income and non-pay expenditure ledger codes during the year; • review the application of relevant accounting policies to ensure that they are in compliance with accounting standards; and • perform substantive procedures on a sample basis to ensure that income and non-pay expenditure has been appropriately accounted for in the correct period.

Elevated audit risks	Proposed audit response
<p>Valuation of property, plant and equipment (PPE) and investment property</p> <p>The Council is required to ensure that for PPE and Investment Property assets held on the Balance Sheet the carrying amount is not materially different from the fair value of these assets at the year-end. This valuation process and the underlying assumptions adopted are subject to a number of judgements and as such an elevated risk has been assessed.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> consider the appropriateness of the Council's proposed approach to the valuation of PPE and Investment Properties; and test the valuation of such assets on a sample basis using internal valuation specialists as appropriate.
<p>Completeness and valuation of the provision for equal pay and job evaluation</p> <p>The Single Status Agreement committed authorities to undertake equal pay reviews and to introduce non-discriminatory pay structures, addressing the fact that local government employees were often employed on differing terms and conditions.</p> <p>The Council has settled a number of equal pay claims to date and has undertaken a significant amount of work to develop a model to support the calculation of its provision for Equal Pay and Job Evaluation.</p> <p>The calculation of this provision is subject to a number of judgements and as such an elevated risk has been assessed.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> review the status of the equal pay and job evaluation exercise with officers and consider whether the proposed accounting treatment is appropriate; consider the continued appropriateness of the methodology used to derive the overall estimate and the reasonableness of the assumptions therein; perform sample testing on individual cases; and to the extent that the provision has been utilised after the year end, compare the payments made to the amounts provided in the accounts.

10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The level of overall materiality has been determined to be based on one per cent of total expenditure. The levels at which I judge individual misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and, therefore, I will not report them.
12. My fees are based on the following assumptions:
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review; and
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me.
13. In addition to my responsibilities in respect of the audit of City and County of Swansea's statutory financial statements set out above, I am also required to certify a

return to the Welsh Government which provides information about City and County of Swansea to support preparation of Whole of Government Accounts.

14. I am also responsible for the audit of the City and County of Swansea’s pension fund accounts, for which a separate audit plan has been issued.

Risk of fraud

15. International Standards on Auditing (UK&I) state that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of those charged with governance
<p>My objectives are to:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial statements due to fraud; • obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and • respond appropriately to fraud or suspected fraud identified during the audit. 	<p>Management's responsibilities in relation to fraud are to:</p> <ul style="list-style-type: none"> • design and implement programmes and controls to prevent, deter and detect fraud; • ensure that the entity's culture and environment promote ethical behaviour; and • perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation. 	<p>Your responsibility as part of your governance role is to:</p> <ul style="list-style-type: none"> • evaluate management's identification of fraud risk, implementation of antifraud measures and creation of appropriate 'tone at the top'; and • ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.

16. We enquire of those charged with governance:
- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
 - What fraud detection or prevention measures (eg whistleblower lines) are in place in the entity?
 - What role you have in relation to fraud?
 - What protocols/procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

Performance audit

17. I am required by the Measure to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with requirements to make arrangements to secure continuous improvement. I must also carry out audits of whether the authority has discharged its duties under the Measure. My improvement assessment work, combined with my work on financial matters, also discharges my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
18. I am also required under the Measure to undertake a corporate assessment at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. I undertook such an assessment of the City and County of Swansea during 2014-15 and anticipate publishing my report by June 2015.
19. I set out in this section the 12-month programme of performance audit work to be undertaken at City and County of Swansea. The content of the programme has been determined by a consideration of the risks and challenges facing City and County of Swansea, the extent of accumulated audit and inspection knowledge, including that of other external review bodies, as well as other available sources of information including City and County of Swansea's own mechanisms for review and evaluation.
20. The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 4: Components of my performance audit work



21. The performance work I propose to undertake is summarised in [Exhibit 5](#).

Exhibit 5: Contents of my 2015-16 performance audit work programme

	Specific projects
Improvement audit and assessment	<p>‘Improvement plan’ audit Audit of discharge of duty to publish an improvement plan.</p> <p>‘Assessment of performance’ audit Audit of discharge of duty to publish an assessment of performance.</p> <p>Financial management review Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on reserves position, policy and use of reserves.</p> <p>Governance review Details to be agreed following publication of my Corporate Assessment report.</p> <p>Performance management review Details to be agreed following publication of my Corporate Assessment report.</p> <p>Locally determined review(s) Details to be agreed following publication of my Corporate Assessment report.</p>
Follow-up work	Details to be agreed following publication of my Corporate Assessment report.
Local government studies	<p>The strategic approach of councils to income generation and charging for services.</p> <p>Council funding of third-sector services.</p> <p>The effectiveness of local community safety partnerships.</p>
Good practice	In line with the my commitment to identify and share good practice, I will continue to host shared learning seminars, identify relevant case studies and focus my work on identifying and promoting effective practice.

Fee, audit team and timetable

Fee

22. Your estimated fee for 2015 is set out in [Exhibit 6](#).

Exhibit 6: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work ¹	262,000	262,000
Performance audit work: ²	104,188	107,550
Grant certification work (estimate) ³	100,565	106,615
Total fee	466,753	476,165

Notes:

¹ Payable November 2014 to October 2015.

² Payable April 2015 to March 2016.

³ Payable as work is undertaken.

23. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with City and County of Swansea.
24. The grant claim certification programme for 2013/14 is substantially complete with two claims currently being finalised (both received February 2015). I expect to provide you with a report summarising my key findings in the near future. In order to provide an indication of the likely cost of grant certification work, I have assumed that I will be required to provide certificates on a similar number of claims for 2015/16.
25. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

Audit team

26. The main members of my team, together with their contact details, are summarised in Exhibit 7.

Exhibit 7: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director	029 2032 0500	John.herniman@wao.gov.uk
Jane Holownia	Engagement Lead – Performance Audit	029 2032 0500	Jane.holownia@wao.co.uk
Steve Barry	Performance Audit Manager	07786 190210	Steve.barry@wao.co.uk

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Name	Role	Contact number	E-mail address
Samantha Spruce	Performance Assessment Lead	07879 848672	Samantha.spruce@wao.gov.uk
Kevin Williams	Engagement Leader – Financial Audit	029 2080 2161	kevin.a.williams@uk.pwc.com
Rebecca Nelson	Engagement Manager – Financial audit	029 2080 2692	rebecca.l.nelson@uk.pwc.com
Felicity Quance	Grant Manager	029 2080 2233	felicity.quance@uk.pwc.com
Darragh Hanley-Crofts	Financial Audit Manager – Financial Audit	07715 211 476	darragh.e.hanley-crofts@uk.pwc.com
Ellie Allchurch	Financial Audit Team Leader – Financial Audit	07917 154 380	eleanor.k.allchurch@uk.pwc.com

Independence

27. I can confirm that my team members are all independent of City and County of Swansea and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.
28. At the beginning of the audit process my audit team is required to assess their independence as your external auditor. I have made enquiries of all audit teams providing services to you and I have set out below the relationships that, in my professional judgement, may be perceived to impact upon my independence and the objectivity of my audit team, together with the related safeguards.

Services provided	Fee (estimate)	Threats to independence and safeguards in place
Certification of grant claims and returns	TBC	<p>Self-Review Threat: my audit team will conduct the grant certification. There is no self-review threat as the audit team are certifying management completed grant returns and claims.</p> <p>Self-Interest Threat: my audit team has no financial or other interest in the results of the Council. I have concluded that this work does not pose a self-interest threat.</p> <p>Management Threat: my audit team is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: I will not be acting for, or alongside, management and I have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: Work complements my audit team's</p>

Services provided	Fee (estimate)	Threats to independence and safeguards in place
		external audit appointment and does not present a familiarity threat.

29. Senior officers and members should not seek or receive personal financial or tax advice from my audit team. Senior officers and members who receive such advice from us should notify me, so that I can put appropriate conflict management arrangements in place.
30. Therefore at the date of this plan I confirm that in my professional judgement, my audit team are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of my audit team is not impaired.

Timetable

31. I will provide reports, or other outputs as agreed, to City and County of Swansea covering the areas of work identified in this document. My key milestones are set out in [Exhibit 8](#).

Exhibit 8: Timetable

Planned output	Work undertaken	Report finalised
2015 Audit Plan	March 2015	April 2015
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Financial Accounts Memorandum 	July – September 2015	September 2015
Performance work: <ul style="list-style-type: none"> Improvement plan audit Assessment of performance audit Financial management review Governance review Performance management review 	June 2015 November 2015 October 2015 September 2015 October 2015	Estimated* June 2015 November 2015 December 2015 November 2015 December 2015
Annual Improvement Report	June – December 2015	March 2016
Annual Audit Letter 2014	October 2014	November 2014

* Subject to timely clearance of draft findings with City and County of Swansea.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements, which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether City and County of Swansea has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- City and County of Swansea's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect City and County of Swansea's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and

-
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within City and County of Swansea from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Electronic communication

During the engagement, my audit team may from time to time communicate electronically with you. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

My audit team may also need to access external electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access external networks via your internet connection and that they may do this by connecting their laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and my audit team shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between you and my audit team and my audit teams reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Quality arrangements

I want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with me how my service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately. In this way I can ensure that your concerns are dealt with carefully and promptly. I undertake to look into any complaint carefully and promptly and to do all I can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales.

If you are not satisfied with the way your complaint has been dealt with, you can contact the Complaints Investigation Manager at the Wales Audit Office by phone on 029 2032 0500, or by email at complaints@wao.gov.uk. Further details about the complaints process are available at www.wao.gov.uk/complaints

Appendix 2

National value-for-money studies

City and County of Swansea may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly and are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure.

The table below covers all of the value-for-money studies work currently programmed, although some of this work is still at an early stage of development. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. I will shortly be considering and consulting on potential topic areas for future value-for-money studies to start, and potentially in some cases to be reported, in 2015-16.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
GP prescribing	April to June 2015
Welsh Government investment in next generation broadband infrastructure	April to June 2015
Regional education consortia	April to June 2015
Welsh Government acquisition of Cardiff Airport	April to June 2015
Rail services	April to June 2015
Orthopaedic services	April to June 2015
NHS clinical coding	Summer 2015
NHS waiting lists and private practice	Summer 2015
Picture of public services	Autumn 2015
Development of Natural Resources Wales	Autumn 2015
Regeneration Investment Fund for Wales ²	To be confirmed
Wales Life Sciences Investment Fund ³	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

² While in clearance, the timescale for publication is uncertain for reasons specific to the project.

³ While in clearance, the timescale for publication is uncertain for reasons specific to the project.

Topic	Anticipated publication timeframe
Early intervention and public behaviour change ⁴	To be confirmed
Welsh Government interventions in local government ⁵	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

⁴ In the short-term, development of a new picture of public services report will take priority over this work. However, the picture of public services report is likely to reflect on these themes in some way. Wales Audit Office staff will also be exploring opportunities to take forward work in this area as part of our good practice exchange programme.

⁵ Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales and to take into account any wider implications arising from the local government reform programme.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk

Report of the Chief Auditor

Audit Committee – 16 June 2015

INTERNAL AUDIT ANNUAL PLAN 2014/15 MONITORING REPORT FOR THE PERIOD 1st JANUARY 2015 TO 31st MARCH 2015

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 st January 2015 to 31 st March 2015.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2014/15
Consultation:	Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that: the Committee review and discuss the work of the Internal Audit Section and note the contents of this report
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Internal Audit Annual Plan 2014/15 was approved by the Audit Committee on 24th April 2014 and quarterly monitoring reports have been presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits which were finalised in the period 1st January 2015 to 31st March 2015.

2. Audits Finalised 1st January 2015 to 31st March 2015

2.1 A total of 38 days were lost in Quarter 4 due a part time auditor post being vacant throughout the quarter

2.2 A total of 17 audits were finalised during Quarter 4. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.

2.3 An analysis of the audits finalised during the 4th quarter is shown in the following table and it pleasing to note that the number of audits achieving a high level of assurance is increasing.

Assurance Level	High	Substantial	Moderate	Limited
Number	5	11	0	1

2.4 A total of 81 audit recommendations were made and management agreed to implement all recommendations made i.e. 100% against a target of 98%.

2.5 The significant issues which led to the Section 106 Agreements audit receiving a limited level of assurance are shown below

- One file selected for testing could not be located and it was found that no system is in place to record the movement and transfer of files. An electronic document management system is in place but at the time of the audit not all files were held on the electronic system
- The Section 106 Agreements database is not up to date, from a sample of 5 Agreements tested, 2 had not been entered onto the database.
- There is no management check in place to ensure that the Section 106 Agreements database is updated on a prompt basis
- There is no reconciliation between the Section 106 Agreements and the income and expenditure details recorded on the General Ledger
- There is no system in place to ensure compliance with the terms and conditions of the Section 106 Agreements including the collection of contributions and their subsequent use.

2.6 A Management Action Plan has been agreed with the Planning Control Manager which includes a series of recommendations to address the issues shown above. A follow up audit will be arranged within 6 months of the final report being issued to confirm that the agreed recommendations have been implemented.

2.7 The Head of Economic Regeneration and Planning and the Planning Control Manager will attend the Audit Committee to provide assurance

to the members that the issues identified in the report are being addressed.

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

Grant	Amount £
ESF LSB Team Around the Family Grant 2011 - 2014	406,151
ESF LSB Healthy Partnerships	68,082
ESF LSB Low Carbon Swansea	98,612

- 2.9 It was found that the grants had been spent in accordance with the purpose of the grant and that only eligible expenditure was included.
- 2.10 During the quarter, Internal Audit also reviewed the accounts of a partnership that the Council is involved in for the re-cycling of road surface materials. This work was completed at the request of the Head of Highways and Transportation and the information requested was provided to the Head of Service.

3. Follow Ups Completed 1st January 2015 to 31st March 2015

- 3.1 No follow up audits were undertaken in in Quarter 4?

4 Equality and Engagement Implications

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

5. Financial Implications

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

6. Legal Implications

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

Background Papers: Internal Audit Plan 2014/15

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 4 2014/15

INTERNAL AUDIT - MONITORING REPORT QUARTER 4 2014/15

Head of Service	Audit	Date	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Finance & Delivery	Blue Badges	05/01/15	High	1	1	0
Finance & Delivery	Housing Advances	15/01/15	High	2	2	0
Waste Management	Skip Hire	28/01/15	High	3	3	0
Finance & Delivery	Cash	04/03/15	High	0	0	0
Finance & Delivery	Capital Accounting	13/03/15	High	3	3	0
Highways & Transportation	Home to School Transport	13/01/15	Substantial	2	2	0
Housing & Public Protection	Renewals and Adaptations	20/01/15	Substantial	7	7	0
Child & Family Services	Foster Swansea	21/01/15	Substantial	3	3	0
Housing & Public Protection	Townhill District Housing Office	27/01/15	Substantial	6	6	0
Cultural Services	Branch Libraries	09/02/15	Substantial	3	3	0
Economic Regeneration & Planning	Swansea Market	11/02/15	Substantial	15	15	0
Highways & Transportation	Clydach Depot - Finance and Admin	23/02/15	Substantial	9	9	0
Education Planning & Resources	Terrace Road Primary School	23/02/15	Substantial	6	6	0
Human Resources & Organisational Development	Teachers Pensions	26/02/15	Substantial	2	2	0
Finance & Delivery	TSB Accounts	02/03/15	Substantial	4	4	0
Cultural Services	Morrison Leisure Centre	03/03/15	Substantial	5	5	0
Economic Regeneration & Planning	Section 106 Agreements	26/03/15	Limited	10	10	0
Total				81	81	0

Report of the Chief Auditor

Audit Committee – 16 June 2015

COASTAL PROJECT – CORRESPONDENCE

Purpose:	This report informs Committee members of the correspondence between the Chair and the Leader following the review of the final evaluation report into the Coastal Project produced by Wavehill Consulting.
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 final evaluation report into the Coastal Project produced by Wavehill consulting was presented to the Audit Committee on 12th March 2015.
- 1.2 Following the meeting, the Chair wrote to the Leader highlighting a number of lessons which could be learnt from the Committee's review of the Coastal Project over the last 2 years.
- 1.3 A copy of the Chair's letter and the response form the Leader is attached.

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 – Chair’s letter to Leader

Appendix 2 – Response from Leader



CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

30/03/15

Councillor Rob Stewart
Leader
City & County of Swansea
Guildhall
Swansea
SA1 4PE

Dear Councillor Stewart

Audit Committee – Coastal Project

The final evaluation report into the Coastal Project was presented to the last meeting of the Audit Committee on 12th March. The report was produced by Wavehill Ltd, an independent consultancy firm engaged by the Regional Project Board to provide periodic evaluation reports over the course of the Project.

The Audit Committee first became aware of the Coastal Project following an Internal Audit investigation into the circumstances surrounding the imposition of a 20% retention on the grant funding in August 2013 due to WEFO's concerns that the Project was slow in achieving the agreed outcomes in particular placing participants into employment.

There was a detailed discussion of the final evaluation report at the last Audit Committee and the members felt that there were some significant lessons to be learnt from the Council's involvement in the Coastal Project and it was agreed that I should bring the Committee's concerns to your attention to complete the circle of the Audit Committee's review of Coastal.

The Committee's main concerns and the lessons to be learnt are as follows:

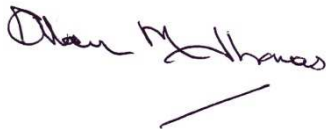
- How such a wide scale Project was initiated in the first place and received funding from WEFO.
- The confusion that existed between the social aspects of the Project and the economic benefits e.g. the target of participants entering employment. The employment target was clearly the most significant target for WEFO although locally the social impact on participants was seen as equally as important.

- The cost effectiveness of the Coastal Project. The cost benefit analysis included in the Wavehill report states that for every £1 invested in the Project there was a positive return of £1.09.
- The significant risks taken on by the City and County of Swansea as the lead authority/project sponsor for the Coastal Project.

The Committee felt that it was important that the recommendations included in the Wavehill report should be considered in any future bids submitted in the 3rd round of European funding which is coming up in the near future. This will ensure that any lessons to be learnt from the Coastal Project are considered fully and action is taken to minimise the risks

It is also noted that the aims of the Swansea Bay City Region include increasing job opportunities by supporting employment growth and supporting people to get back into employment through a range of targeted support programmes. The actions required to ensure the achievement of these aims needs to carefully consider the risks that arose with the Coastal project where there was a mix of economic and social outcomes which led to a misunderstanding of the desired outcome by some of those involved in the delivery of the Project.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan M. Thomas', with a horizontal line underneath it.

Mr A Thomas
Chair, Audit Committee.

cc Jack Straw. Chief Executive, City and County of Swansea, Guildhall,
Swansea, SA1 4PE

CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

Mr Alan Thomas
 Chair of Audit Committee
 C/O Members Support
 The Guildhall
 Swansea
 SA1 4PE

Please ask for: Councillor Rob Stewart
 Gofynnwch am: (01792) 636141
 Direct Line:
 Llinell
 Uniongyrochol: cllr.rob.stewart@swansea.gov.uk
 E-Mail / E-Bost: RS/SH/12611
 Our Ref / Ein Cyf:
 Your Ref / Eich
 Cyf:
 Date / Dyddiad: 20 April 2015

If you require this or any other information in another format e.g. Braille, audio tape or a different language, please contact me

Dear Mr Thomas,

Audit Committee – Coastal Project

Thank you very much for the recent letter that you sent following consideration by the Committee of the final Wavehill evaluation report.

I acknowledge your concerns around the initiation of the project in 2008, and I share your view that it is essential that the Council takes on board the recommendations of the WAVEHILL report in all future ESF and ERDF applications.

As you are aware the Council has recently initiated an external funding panel which will consider all future bids for external funding as well as administer the Council's own grants to external bodies.

I would also agree that the process must start earlier than final submission to the panel and I will ask the Council's European Officer, Mr Paul Relf, to ensure that lessons learnt are adequately considered in terms of future applications including the risks associated with being a lead body.

Many thanks again for your comments.

Yours sincerely

COUNCILLOR ROB STEWART
LEADER & CABINET MEMBER FOR FINANCE & STRATEGY

COUNCILLOR/Y CYNGHORYDD
ROB STEWART
LEADER / ARWEINYDD

CABINET OFFICE, CIVIC CENTRE, OYSTERMOUTH ROAD, SWANSEA SA1 3SN
 SWYDDFA'R CABINET, CANOLFAN DDINESIG, HEOL YSTUMLLWYNARTH, ABERTAWE SA1 3SN

☎ (01792) 636141 📠 (01792) 636196
 ✉ cllr.rob.stewart@swansea.gov.uk www.swansea.gov.uk

Agenda Item 11

Report of the Head of Finance & Delivery

Audit Committee – 16 June 2015

AUDIT COMMITTEE – WORKPLAN

Purpose:	This report details the Audit Committee Workplan to May 2016.
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 2016 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 2015/16

AUDIT COMMITTEE WORKPLAN 2015/16

Date of Meeting	Reports
16 June 2015	Key Issues for Audit Committees – Wales Audit Office Briefing ICT Contract Transfer – Briefing Wales Audit Office - Audit Plan 2015 Internal Audit Monitoring Report Q4 2014/15 Coastal Project – Letter to Leader and Response
18 August 2015	Wales Audit Office – Corporate Assessment Draft Statement of Accounts 2014/15 Draft Annual Governance Statement 2014/15 PwC Annual Audit 2014/15 - Interim Report Internal Audit Annual Report 2014/15 Annual Report of School Audits 2014/15 Internal Audit Monitoring Report Q1 2015/16 Bad Debt Write Offs – Briefing
20 October 2015	Corporate Governance Review – Update Chair of Scrutiny Programme Committee Wales Audit Office Performance Audit – Mid Term Report Housing Benefit Investigation Team Annual Report 2014/15 Audited Statement of Accounts 2014/15 PwC ISA 260 Report 2015/16 Audit Committee Annual Report 2014/15 – follow up
15 December 2015	PwC Controls Report 2014/15 PwC Annual Audit Letter 2014/15 Risk Management Half Yearly Review 2015/16 Internal Audit Monitoring Report Q2 2015/16 Recommendations Tracker Report 2014/15
16 February 2016	Wales Audit Office Performance Audit Update Internal Audit Monitoring Report Q3 2015/16 Internal Audit Plan 2016/17 - Methodology Audit Committee Review of Performance 2015/16
19 April 2016	External Auditor Annual Financial Audit Outline 2015/16 Internal Audit Charter 2016/17 Internal Audit Annual Plan 2016/17 Risk Management Annual Review 2015/16 Draft Audit Committee Annual Report 2015/16