

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
TUESDAY, 16 FEBRUARY 2016 AT 2.00 PM

PRESENT: Mr A M Thomas (Independent Chair) Presided

Councillor(s)

C Anderson
L James
D Phillips
L V Walton

Councillor(s)

T J Hennegan
J W Jones
R V Smith

Councillor(s)

P R Hood-Williams
P M Meara
D W W Thomas

Officer(s)

Mike Hawes	- Head of Finance & Delivery / Section 151 Officer
Brian Roles	- Head of Education Inclusion
Mike Hawes	- Head of Finance & Delivery / Section 151 Officer
Louise Herbert-Evans	- Education Project Manager
Paul Beynon	- Chief Auditor
Sharon Heys	- Solicitor
Suzanne Mort	- Democratic Services
Jeremy Parkhouse	- Democratic Services Officer

Also Present

Steve Barry	- Wales Audit Office
Geraint Norman	- Wales Audit Office

Apologies for Absence

Councillor(s): R A Clay and T M White

59 **WELCOME - WALES AUDIT OFFICE.**

The Chair, on behalf of the Audit Committee, welcomed Geraint Norman, Wales Audit Office to the meeting. It was explained that the Wales Audit Office had taken over from PricewaterhouseCoopers as external auditors.

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

In accordance with the code of conduct adopted by the City and County of Swansea, the following interests were declared: -

Councillor C Anderson – Minute No.64 – Internal Audit Monitoring Report Q3 2015/16 – Primary Care and Family Centre in Mayhill - personal.

Councillor P R Hood-Williams - Minute No.64 - Internal Audit Monitoring Report Q3 2015/16 – Governor of Crwys and Cila Community Primary Schools - personal.

Councillor L James - Minute No.64 - Internal Audit Monitoring Report Q3 2015/16 – Governor of Pennard Primary School - personal.

Councillor J W Jones - Minute No.64 - Internal Audit Monitoring Report Q3 2015/16 – Wife is Chair of Governors at Hendrefoilan School - personal.

61 **MINUTES.**

RESOLVED that the Minutes of the meeting of the Audit Committee held on 15 December 2015 be approved as correct record.

62 **WALES AUDIT OFFICE PERFORMANCE AUDIT UPDATE.**

S Barry, Wales Audit Office presented the Wales Audit Office 2015-16 Work Programme Update for February 2016. Details were provided on the following: -

- Corporate Assessment Follow Up;
- Financial Resilience;
- Corporate Improvement Plan Audit;
- Improvement Plan Audit;
- Annual Improvement Report (AIR);
- The Strategic Approach of Councils to Income Generation and Charging for Services;
- Council Funding of Third-Sector Services;
- The Effectiveness of Local Community Safety Partnerships;
- National Report Recommendation Follow Up.

Discussions centred around the following: -

- Sharing good practice between authorities in relation to income and charging;
- Cascading summaries of national reports to authorities;
- Council funding of third sector services and broadening consultation to community organisations, particularly sports clubs;
- Value for money, financial responsibility, financial management, governance and effectiveness of partnership working/partners;
- Concerns in relation to unelected bodies, particularly ERW Regional Consortium.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) The Chair writes to the Wales Audit Office outlining concerns in relation to the ERW Regional Consortium.

63 **RISK MANAGEMENT - UPDATE.**

The Head of Finance and Delivery provided the Committee with a detailed and informative verbal update regarding risk management.

He referred to the processes undertaken within the Authority regarding service and performance planning within departments that used a balanced scorecard to manage and monitor risk. This reflected the ongoing workload of the Executive Board and monitored the 4 key areas of finances and forward planning; workforce; customers; departmental performance management.

He highlighted risks relating to finance, specifically the late announcement by the Welsh Government relating to funding on 9 March 2016 which posed a huge risk to Council Tax billing for the Authority in April 2016. He added that business plans within services should link directly with corporate risks.

The Committee asked the Officer a number of questions, which were responded to accordingly. Discussions centred around the following: -

- Identifying new risks going forward and monitoring processes;
- Management of financial reserves and the achievement of financial savings by effective financial planning;
- Potential risks in the future arising from the devolution of tax raising powers;
- Risks relating to the proposed Local Government re-organisation;
- Risks relating to the key areas such as safeguarding and schools and the extent to which these are influenced by external bodies;
- Changes taking place in the Council's risk profile;
- The inclusion of risk management in the Governance Review and the potential for Councillors to have access to the risk register.

RESOLVED that: -

- 1) The contents of the update be noted;
- 2) The Chair and Head of Finance and Delivery draft a response to the Welsh Government regarding the late announcement of funding;
- 3) The Head of Legal and Democratic Services be requested to consider Councillor access to the risk register in the forthcoming Governance Review report.

64 **RECOMMENDATIONS TRACKER REPORT 2014/15.**

The Chief Auditor presented the Fundamental Audits 2014/15 – Recommendations Tracker report. The report provided a summary of the recommendations made following the fundamental audits 2014/15 and identified whether the agreed recommendations had been implemented.

For the 2014/15 Annual Plan, a risk based approach was taken to fundamental audits and any audits which had received the highest level of assurance for 3 consecutive years were moved to a 2 year cycle of audits. Appendix 1 provided, for each fundamental audit, the number of recommendations made following the 2014/15 audits and whether they had been implemented, partly implemented, not implemented or were not yet due.

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The latest position on the 52 recommendations made was summarised in the following table: -

Recommendations	Number	%
Implemented	33	63.5
Partly Implemented	4	7.7
Not Implemented	5	9.6
Not Yet Due	10	19.2
Total	52	100

Ignoring the recommendations which were not yet due for implementation, the percentage of recommendations implemented by 31 December 2015 was 79%. There were 10 recommendations which were not yet due, of which 8 related to Payroll, where an electronic solution was being developed and was scheduled to be completed by 1 April 2016. In addition, Accounts Receivable had only completed 50% of the 12 agreed recommendations by the end of December 2015. However, it was noted that the Section had suffered from staffing issues including staff leaving and staff sickness.

An analysis of the recommendations, which had been partly or not implemented over the classification of audit recommendations used by the Internal Audit Section was attached at Appendix 2. The recommendations which had been partly or not implemented were shown at Appendix 3.

It was concluded that overall the results of the Recommendations Tracker exercise to the end of December 2015 were positive with 79% of agreed recommendations due for implementation already implemented. However a number of recommendations were not due for implementation by the end of December but a review of progress in implementing these recommendations had shown that progress was being made and it was expected that the recommendations would be implemented by the due date. A further review of the recommendations which had been partly or not implemented would be undertaken during the fundamental audit for 2015/16.

The Committee asked the Officer questions, who responded accordingly. Discussions centred around the following: -

- Staff risk due to sickness and minimising the impact of stress as a result of less staff in the organisation;
- Merging teams, additional training for staff and the support available to staff within the Authority;
- The change proposed in Accounts Receivables by adding interest to invoices;
- Reducing the backlog of unidentified / unallocated receipts;
- Costs relating to debt write offs;
- Improvements made by moving responsibility for the recovery of Social Services debts and financial assessments to Finance and Delivery;
- Procedures followed regarding debt recovery, particularly in respect of smaller debts and use of court bailiffs;
- Division of duties to lessen the risk of fraud with non-teaching staff;

- Pension estimates and lump sum calculations.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) An update report on the level of write offs be added to the workplan.

65 **INTERNAL AUDIT MONITORING REPORT Q3 2015/16.**

The Chief Auditor reported the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2015 to 31 December 2015.

A total of 22 audits were finalised during Quarter 3. The audits finalised 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. A total of 217 audit recommendations were made and management agreed to implement 215 recommendations i.e. 99.1% against a target of 98%.

An analysis of the recommendations agreed during Quarter 3 was provided. Appendix 2 showed each audit included in the Plan approved by Committee in April 2015 and identified the position as at 31 December 2015 for each audit.

Appendix 3 showed brief details of the significant issues which led to 5 audits being considered to be moderate. There were other less significant findings also included in the final audit reports issued to management.

A Management Action Plan which includes a series of recommendations to address the issues arising from each audit receiving a negative level of assurance has been agreed with management. 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.

Details of follow ups completed between 1 October 2015 and 31 December 2015 were provided. It was reported that a follow up visit to the Music Service found that substantial progress had been made with all but one of the agreed recommendations being fully implemented. The outstanding recommendation had been subject to the preparation of a business case to purchase a bespoke system to administer recharges, which at the time of the follow-up was awaiting management approval.

The Committee commented on the following: -

- Audits completed relating to grants received at the request of outside bodies, e.g. ERW and the costs / time incurred by the Authority;
- Effect of such audits upon the audit plan and which organisation has the responsibility for paying for such audits;
- Audits of Trading Standards, Car Parks and Pentrehafod Pool and Sports Hall;
- Sickness levels compared to previous years' records;
- Follow up visit to the Music Service.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) The impact of high sickness levels for internal audit compared to previous years be reported to the Committee.

66 **INTERNAL AUDIT PLAN 2016/17 - METHODOLOGY.**

The Chief Auditor provided a briefing to the Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2016/17 being reported to the Committee for approval in April 2016.

The Internal Audit Plan Methodology was provided. It was added that the requirement to produce an Internal Audit Annual Plan is included in the Public Sector Internal Audit Standards (PSIAS) which are mandatory for all internal audit providers in the UK public sector.

An extract of the PSIAS requirements regarding internal audit planning was attached at Appendix 1. A copy of the Risk Assessment form used was attached at Appendix 2.

The Committee discussed the following: -

- Auditing every area of the Authority within a 5 year period;
- Methods of working used by Internal Audit, i.e. negotiating with different service areas, number of audits undertaken in certain service areas and political awareness;
- Impact of Sustainable Swansea upon audit work;
- How major changes within the Authority effects the Audit Plan.

RESOLVED that the methodology for preparing the Internal Audit Annual Plan 2016/17 be noted.

67 **AUDIT COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE QUESTIONNAIRE.**

The Chief Auditor reported a draft Self-Assessment Questionnaire as a basis for a review of the Committee's performance in 2015/16 which would be used to inform the Committee's Annual Report.

RESOLVED that: -

- 1) The draft Self-Assessment Questionnaire be noted;
- 2) The completed Questionnaire be used as the basis for the Audit Committee Annual Report 2015/16.

68 **AUDIT COMMITTEE WORK PLAN.**

The Audit Committee Workplan to May 2017 was provided for information.

It was added that details of a training session would be added in March 2016.

69 **EXCLUSION OF THE PUBLIC.**

The Committee was requested to exclude the public from the meeting during consideration of the item(s) of business identified in its recommendation(s) to the report on the grounds that it/they involve(s) the disclosure of exempt information as set out in the exclusion paragraph of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, relevant to the item(s) of business set out in the report.

The Committee considered the Public Interest Test in deciding whether to exclude the public from the meeting for the items of business where the Public Interest Test was relevant as set out in the report.

RESOLVED that the public be excluded for the following items of business.

(CLOSED SESSION)

70 **YGG LON LAS LESSONS LEARNED - REFERRAL FROM CABINET.**

RESOLVED that: -

- 1) The item be deferred to a Special Audit Committee meeting;
- 2) The date and time of the Special Audit Committee be circulated in due course.

The meeting ended at 4.25 pm

CHAIR