

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 February 2016

Time: 2.00 pm

Chair: Mr Alan M Thomas

Membership:

Councillors: C Anderson, R A Clay, T J Hennegan, P R Hood-Williams, L James, J W Jones, P M Meara, D Phillips, R V Smith, D W W Thomas, L V Walton and T M White

AGENDA

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1 Apologies for Absence.	
2 Disclosures of Personal and Prejudicial Interests. http://www.swansea.gov.uk/DisclosuresofInterests	
3 Minutes. To approve the Minutes of the previous meeting of the Audit Committee.	1 - 5
4 Wales Audit Office Performance Audit Update.	6 - 7
5 Risk Management - Update. (Verbal)	
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Next Meeting: Tuesday, 19 April 2016 at 2.00 pm

A handwritten signature in black ink, appearing to read 'P. Arran', written in a cursive style.

Patrick Arran
Head of Legal and Democratic Services
Tuesday, 9 February 2016

Contact: Democratic Services

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 6, GUILDHALL, SWANSEA ON
TUESDAY, 15 DECEMBER 2015 AT 2.00 PM

PRESENT: Mr A M Thomas (Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
T M White

Councillor(s)

R A Clay
L James

Councillor(s)

T J Hennegan
L V Walton

Also Present: -

Councillor R C Stewart – Leader of the Council
Councillor M H Jones – Chair of Scrutiny Programme Committee

Officer(s)

P Arran – Head of Legal and Democratic Services
P Beynon – Chief Auditor
S Heys – Principal Lawyer
J Parkhouse – Democratic Services Officer

Apologies for Absence

Councillor(s): J W Jones, P M Meara, D Phillips and R V Smith

50 **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 R A Clay – Minute No.53 – Chair of Communities CAC – personal.

Councillor T J Hennegan – Minute No.53 – Member of Communities and Corporate Services CAC's – personal.

Councillor L V Walton – Minute No.53 - Member of two CAC's – personal.

51 **MINUTES.**

RESOLVED that the Minutes of the meeting of the Audit Committee held on 20 October and Special Audit Committee held on 17 November 2015 be approved as correct records.

52 **BRIEFING - CABINET ADVISORY COMMITTEES.**

Councillor R C Stewart, Leader of the Council provided the Committee with a verbal briefing regarding Cabinet Advisory Committees (CAC's).

He outlined that CAC's had been re-introduced to the Authority in order to involve non executive Councillors in the democratic process. The Cabinet system used by the Authority was exclusive and the majority of non Cabinet Councillors only had input via scrutiny. Involvement in the CAC's had allowed Councillors to create and drive forward changes.

He emphasised the differences between CAC's and Scrutiny, how CAC's assist the Cabinet Members in formulating / changing policy and how it was important that no duplication of work occurred. There had initially been some confusion regarding the scope of the CAC's which had been established to reflect Council priorities.

The Committee asked questions of the Leader who responded accordingly. Discussions centred around the following: -

- CAC's were going in the right direction and required time to 'bed-in';
- The lack of resources provided to CAC's compared to Scrutiny and the need to consider having additional officer support for CAC's, especially in the current financial climate;
- The best use of Councillor and officer resources within the Authority;
- Reviewing the effectiveness of CAC's on a regular basis;
- CAC's looking at Council priorities.

RESOLVED that: -

- 1) The contents of the briefing be noted;
- 2) The Leader be invited to a future meeting in order to provide an update report.

53 **CHAIR SCRUTINY PROGRAMME COMMITTEE.**

Councillor M H Jones, Chair of the Scrutiny Programme Committee provided the Committee with a verbal update on the work of scrutiny. She explained the background to scrutiny, particularly the change in working methods in having one committee and a number of working panels and added that all non-executive Councillors should be part of the scrutiny process. She stated that in her opinion, scrutiny did not have sufficient resources, particularly when dealing with challenging topics.

The Committee asked a number of questions of the Chair of Scrutiny who responded accordingly. Discussions centred around the following: -

- Scrutiny holding the Executive to account, co-option of expertise from outside the Authority and using its authority effectively;
- Scrutiny of other public sector organisations where services affect the Authority, e.g. health;
- The importance of partnership working;
- Methods of communication used by the Scrutiny Team;

- Encouraging public participation in Scrutiny;
- Scrutiny reporting process to Cabinet.

RESOLVED that: -

- 1) The contents of the discussions be noted;
- 2) The Chair of the Scrutiny Programme Committee be invited to a future meeting in order to provide an update report.

54 **CORPORATE GOVERNANCE REVIEW UPDATE.**

The Head of Legal and Democratic Services provided the Committee with a verbal update on the Corporate Governance Review.

He stated that due to the size of the review, WLGA had been asked to assist. The work had been commissioned by the Executive Board and Rod Alcott (WLGA) had met with the Chief Executive last week to discuss his findings.

The report would be finalised before 31 March 2016.

RESOLVED that the contents of the update be noted.

55 **ANNUAL AUDIT LETTER - CITY & COUNTY OF SWANSEA 2014/15.**

The Chief Auditor, in the absence of the PricewaterhouseCoopers representative, presented the Wales Audit Office Annual Audit Letter – City and County of Swansea 2014-15.

It was outlined that the letter summarised the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004, and reporting responsibilities under the Code of Audit Practice.

The following was outlined: -

- The Authority complied with its responsibilities relating to financial reporting and use of resources;
- The Auditor General for Wales was satisfied that the Authority had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources;
- The Auditor General for Wales issued a certificate confirming that the audit of the accounts had been completed on 28 September 2015;
- Work to date on certification of grant claims and returns had not identified significant issues that would impact on the 2015-16 accounts or key financial systems.

It was added that on 28 September 2015, the Auditor General for Wales issued an unqualified audit opinion on the accounting statements confirming that they

presented a true and fair view of the Authority's and the Pension Fund's financial position and transactions. This report was contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in the Audit of Financial Statements report on 21 September 2015.

RESOLVED that the contents of the report be noted.

56 **RISK MANAGEMENT UPDATE.**

The Chief Auditor, on behalf of the Director of Corporate Services, presented a Risk Management Update report. The purpose of the report was to update the Committee on the process of Risk Management, reporting and mitigation across the Council.

It was outlined that all individual risks had a 'responsible officer' identified whose job it was to monitor and control each risk on a periodic basis. Risk registers were made up of collections of individual risks. The Council had three main levels of risk register: corporate, directorate and service. There was also an Information Management Risk Register. A copy of the Corporate Risk Register was provided at Appendix A.

Details regarding corporate risks, corporate and directorate risk registers, service risk registers, responsible officers and assurance checks were provided.

The Committee discussed the information contained within the report. Discussions centred around the following: -

- How the Authority deals with red risks;
- Risk assessments;
- The need for a more detailed report;
- Financial and reputational risks to the Authority;
- Risk procedure details contained on the Council website;
- Evidence of assurance checks.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) A more detailed report be presented to a future meeting;
- 3) The Chief Auditor circulates the link to access risk procedure details contained on the Council website.

57 **CHAIR'S LETTERS. (FOR INFORMATION)**

The letters of the Chair in respect of Adult Services Audits and Streetworks audit were provided for information.

NOTED comments of the Committee in relation to cost analysis.

58 **AUDIT COMMITTEE - WORK PLAN. (FOR INFORMATION)**

The Audit Committee Work Plan was provided for information.

The Chair requested that Councillors return their questionnaires as soon as possible.

The meeting ended at 3.45 pm

CHAIR

City and County of Swansea Council

WAO 2015-16 work programme update for February 2016

Item no.	Project	Description	Update	Timescale
1	Corporate Assessment Follow up	Review progress against proposals for improvement published in June 2015	In progress	Complete by June 2016
2	Financial Resilience	Lines of enquiry will be focussed on the following aspects: <ul style="list-style-type: none"> • Financial Planning • Financial Control • Financial Governance • Key Financial Indicators 	Fieldwork completed in November and report being drafted	Feb 2016
2015-16 Improvement Assessment				
3	Corporate Improvement Plan Audit	Review Council arrangements to secure continuous improvement, its progress against previous proposals for improvement and the setting of improvement objectives for the year	IAL1 letter of certification	Completed
4	'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives	IAL2 letter of certification	Completed
5	Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	In progress	June 2016

2014-15 Local Government Studies				
6	The strategic approach of councils to income generation and charging for services	Study of councils' strategic approach to charging; the approval process for setting and reviewing charging within a council; the impact of charging on services and service users; and the legislative basis for charging.	In progress	Publish July 2016
7	Council funding of third-sector services	Study of the level of investment in voluntary sector services to benchmark findings against 2009-10 and earlier assessments; review of the measures used to judge the effectiveness of funding in a tracer area; review decision making processes to determine whether the principles of good governance in funding third sector services are being followed. A key component for the work is the formation of a steering group with membership drawn from WCVA, Citizen Advice, WLGA/LGDU and WAO.	In progress	Publish August 2016
8	The effectiveness of local community safety partnerships	Study of the effectiveness of community safety partnerships and the impact of the work of partnerships in delivering improvement within their communities. The review will be delivered at a Welsh Government; Police and Crime Commissioner; and local authority level.	In progress	Publish June 2016
9	National Report recommendation follow up	Follow up councils' progress on implementing recommendations contained in our national studies published in 2014-2015.	In progress	Complete by June 2016

S Barry WAO Manager 9 February 2016

Agenda Item 6

Report of the Chief Auditor

Audit Committee – 16 February 2016

FUNDAMENTAL AUDITS 2014/15 – RECOMMENDATIONS TRACKER

Purpose:	This report provides a summary of the recommendations made following the fundamental audits 2014/15 and identifies whether the agreed recommendations have been implemented
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to fulfil its role in monitoring the implementation of audit recommendations
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	It is recommended that Committee review and discuss the progress made in implementing the recommendations made following the fundamental audits 2014/15
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 Section has defined follow up procedures which are designed to provide assurance that agreed recommendations have been implemented by management within the agreed timescales. For fundamental audits, a Recommendations Tracker exercise is completed each year where the auditor will review the actions taken to implement e agreed recommendations.
- 1.2 The fundamental audits are the systems which are so significant to the achievement of the Council's objectives that they are audited ether annually or every 2 years.

- 1.3 The Recommendations Tracker identifies the actions agreed by management at the end of each fundamental audit and tracks whether they have been implemented by the agreed date.
- 1.4 This report summarises the position as at 31 December 2015 on the implementation of the recommendations made following the 2014/15 fundamental audits.

2. Recommendations Tracker 2014/15

2.1 The following systems are considered to be fundamental and until 31 March 2014 were subject to an annual audit.

- Main Accounting System (2)
- Fixed Assets (2)
- Housing and Council Tax Benefit (2)
- Council Tax (2)
- NNDR (1)
- Cash (2)
- Accounts Payable (1)
- Accounts Receivable (1)
- External Investments and Borrowing (2)
- Pension Fund Investments (2)
- Payroll (1)
- Pensions Administration (1)
- Teachers Pensions (1)
- Housing Rents (2)

2.2 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. The number of years between each audit is shown in brackets above and is subject to an annual review as part of the audit planning process.

2.3 Appendix 1 shows, for each fundamental audit, the number of recommendations made following the 2014/15 audits and whether they have been implemented, partly implemented, not implemented or are not yet due.

2.4 The latest position on the 52 recommendations made is 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

- 2.5 Ignoring the recommendations which are not yet due for implementation, the percentage of recommendations implemented by 31 December 2015 is 79%.
- 2.6 There are 10 recommendations which are not yet due of which 8 relate to Payroll where an electronic solution is being developed for the filing of Payroll documentation where relevant documents will be attached to the employee record on the Oracle Payroll System which will remove the need for paper files. The electronic solution is scheduled to be in place by 1 April 2016 and a review of the progress in developing the solution has shown that Payroll are on course due to fully implement the electronic solution by the due date.
- 2.7 The other audit worthy of comments is Accounts Receivable where only 50% of the 12 agreed recommendations had been implemented by the end of December 2015. However, it was noted during the follow up visit that the Section has suffered from staffing issues including the Team Leader obtaining another job and a number of staff being absent due to long term sickness.
- 2.8 An analysis of the recommendations, which have been partly or not implemented over the classification of audit recommendations used by the Internal Audit Section, is attached in Appendix 2. The Appendix shows that a number of medium risk recommendations have not been fully implemented.
- 2.8 The recommendations which have been partly or not implemented are shown in Appendix 3.

3. Conclusion

- 3.1 Overall the results of the Recommendations Tracker exercise to the end of December 2015 are positive with 79% of agreed recommendations due for implementation already implemented.
- 3.2 However a number of recommendations were not due for implementation by the end of December but a review of progress in implementing these recommendations has shown that progress is being made and it is expected that the recommendations will be implemented by the due date.
- 3.3 A further review of the recommendations which have been partly or not implemented will be undertaken during the fundamental audit for 2015/16.

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: Fundamental Audit Reports 2014/15

Appendices: Appendix 1 – Implementation of Recommendations
Appendix 2 – Classification of Recommendations
Appendix 3 – Not or Partly Implemented Recommendations

**Fundamental Audits 2014/15
Implementation of Recommendations**

Audit	Implemented	Recommendations			Total No. of Recs.
		Partly Implemented	Not Implemented	Not Yet Due	
Fixed Assets - no audit					0
Main Accounting					0
Housing & Council Tax Benefit - no audit					0
Cash - no audit					0
NNDR	3				3
Council Tax	4				4
Accounts Receivable	6	2	4		12
Accounts Payable	5				5
Treasury Management	1			2	3
Pension Fund Investments - no audit					0
Payroll	7	2		8	17
Pensions Admin	6				6
Teachers Pensions	1		1		2
Housing Rents - no audit					0
Total	33	4	5	10	52

Fundamental Audits 2014/15
Classification of Recommendations

Audit	Partly Implemented				Not Implemented			
	HR	MR	LR	GP	HR	MR	LR	GP
Fixed Assets								
Main Accounting								
Housing & Council Tax Benefit								
Cash								
NNDR								
Council Tax								
Accounts Receivable		1	1			1	2	1
Accounts Payable								
Treasury Management								
Pension Fund Investments								
Payroll		2						
Pensions Admin								
Teachers Pensions						1		
Housing Rents								
Total	0	3	1	0	0	2	2	1
Key HR - High Risk MR - Medium Risk LR - Low Risk GP - Good Practice								

**Fundamental Audits 2014/15 - Recommendations Tracker
Not or Partly Implemented Recommendations**

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
Accounts Receivable 2014/15						
	SERVICE DEPARTMENTS Raising of Invoices					
2.1.2	All non-statutory services/works should be paid for in advance of the supply.	MR	AR to contact Neighbourhood Officer to discuss whether changes to invoicing procedures need to be amended in these circumstances	Neighbourhood Officer/AR Team Leader	August 2015	Not implemented - meeting to be arranged to discuss current processes
3.3.4	AR TEAM A policy decision should be taken as to when and in what circumstances interest will be changed. There is functionality within R12 that would allow interest to be added to invoices	GP	To be discussed with Head of Finance and Delivery	Chief Treasury & Technical Officer	September 2015	Not implemented - this has been deferred due to the immateriality of the sums involved.

**Fundamental Audits 2014/15 - Recommendations Tracker
Not or Partly Implemented Recommendations**

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
3.5.4	Unidentified/Unallocated Receipts An exercise should be undertaken to reduce the value of Unidentified and Unallocated cash receipts	LR	AR Team to reduce the backlog of unidentified and unapplied receipts	AR Team Leader	December 2015	Partly Implemented - efforts have been made to reduce the backlog however progress has been restricted due to lack of resources and overall Section priorities. Efforts to continue to reduce the backlog will continue as and when resource allows
3.7.1	Write Offs Debts written off should be analysed to ascertain the reason why certain types of debt are uncollectable. Where possible, action should then be taken to try and reduce the level of write-offs in the future.	MR	Write off analysis to be carried out as part of the annual write off reconciliation exercise.	Financial Operational Manager	Implemented May 2015	Partly Implemented - analysis of debts written off during 2014/15 started but not completed due to lack of staff resources. The AR Team Leader is now undertaking a write off review for 2015/16
3.7.4	The use of external debt recovery agencies should be considered and a decision made on whether it would be beneficial	LR	Alternatives to current processes will be considered in consultation with Head of Finance and Delivery in current service development phase	Head of Finance & Delivery/Chief Treasury & Technical Officer	September 2015	Not implemented - this will be considered in the forthcoming financial year.

Fundamental Audits 2014/15 - Recommendations Tracker
Not or Partly Implemented Recommendations

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
3.9 3.9.2 Page 16	<p>Monitoring and Reporting</p> <p>Management reports should be extended to include performance targets that measure debt collected, written-off and cancelled as a percentage of turnover,. Likewise, the aging of debt should be summarised by salesperson and type/stage of debt to determine if there are any concerns with the current age profile.</p>	LR	New reports to analyse recovery performance are in the process of being developed	Financial Operational Manager/AR Team Leader	December 2015	Not implemented - the resource requirement to undertake development of the report outweighs benefits at this current time. Shall be considered when resource allows

**Fundamental Audits 2014/15 - Recommendations Tracker
Not or Partly Implemented Recommendations**

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
Payroll 2014/15						
2.3.1 b) Page 17	All leaver forms for Salaries and Teachers must be signed by a suitably authorised member of staff	MR	All documentation should be checked for an authorised signature, staff will be reminded. Note that Authorised Signatory process currently being fully reviewed to take into account self-service requirements.	Payroll Team Leader	30/04/2015	Partly implemented - updated signatory lists have been requested but not all departments have replied Authorised signatories received are held in Employee Services Manager's office to prepare one consistent file, will be completed by 29/02/2016.
2.10 2.10.3	Employee Access A division of duties should be introduced to the system for all areas to ensure different users set up an employee record and enter the payment details. (Previous Audit Recommendation)	MR	On-going, as the Employee Restructure is looked at and ISIS is developed for schools. Complete segregation of HR Ed Non Teachers implemented 1st May 2015 - well ahead of target date	Employee Services Manager/Payroll Team Leader	Implemented 01/05/15	Partly implemented - a segregation of duties has been introduced for non-teaching staff in Education but is still to be introduced for teaching staff

**Fundamental Audits 2014/15 - Recommendations Tracker
Not or Partly Implemented Recommendations**

Report Ref	Recommendation	Class	Agreed Action/Comments	Responsibility For Implementation	Implementation Date	Action Taken
Teachers Pensions 2014/15						
2.4	<u>Enhanced Pension</u>					
2.4.5	All pension estimates and pension lump sum calculations should be checked and confirmed by a second officer. This check should be evidenced by the signature of both officers concerned	MR	A new dedicated pension team will be set up when the new Employee Services structure is implemented. This will provide more resource to ensure calculations are signed by two officers	Payroll Team Leader	April 2015	Not implemented - new team has been set up but has had other priorities. An electronic solution is being pursued.

Report of the Chief Auditor

Audit Committee – 16 February 2016

INTERNAL AUDIT ANNUAL PLAN 2015/16 MONITORING REPORT FOR THE PERIOD 1 OCTOBER 2015 TO 31 DECEMBER 2015

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2015 to 31 December 2015.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2015/16
Consultation:	Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the 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 2015/16 was approved by the Audit Committee on 9 April 2015 and quarterly monitoring reports are 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 1 October 2015 to 31 December 2015.

2. Audits Finalised 1 October 2015 to 31 December 2015

2.1 The only vacant post currently within the Internal Audit Section is 0.5 of an Auditor post which was highlighted in the Annual Plan report and was initially being kept vacant until 30th September 2015 but will now continue for the rest of the year.

2.2 The Internal Audit Section has continued to experience unusually high levels of sickness with a total of 35 days sick leave being recorded in the 3rd Quarter. This gives a total of 138 days sick leave for the year against an annual budget of 49 days.

2.3 A total of 22 audits were finalised during Quarter 3. 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.

2.4 An analysis of the audits finalised during the 3rd Quarter is shown in the following table

Assurance Level	High	Substantial	Moderate	Limited
Number	5	12	5	0

2.5 A total of 217 audit recommendations were made and management agreed to implement 215 recommendations i.e. 99.1% against a target of 98%.

2.6 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during Quarter 3 is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
5	54	115	41	215

2.7 To allow the Audit Committee to more closely monitor the progress being made during the year by the Internal Audit Section to achieve its Annual Plan, Appendix 2 shows each audit included in the Plan approved by Committee in April and identifies the position as at 31 December for each audit.

2.8 A number of audits are shown in Appendix 2 as being deferred, the total number of days for the deferred audits is 177. The audits have been deferred partly due to the increased level of sickness mentioned above but also due to increased time spent on grant audits and clients being unable to accommodate an audit due to service pressures.

2.9 A number of audits which were originally deferred until 2016/17 have now been brought forward to the current year to replace some of the

audits deferred. The audits brought forward are highlighted in bold in Appendix 2. The number of days for the audits brought forward is 94 which then leaves audits with a total of 83 days being deferred.

- 2.10 In 2014/15 almost 500 days were deferred and in 2013/14 just under 350 days were deferred due to the level of vacancies experienced in both years. The likely outcome in the current year of less than 100 days being deferred shows that the Internal Audit Section has been far more successful in delivering the Audit Plan for 2015/16.
- 2.11 Appendix 3 shows brief details of the significant issues which led to the 5 audits being considered to be moderate. There were other less significant findings also included in the final audit reports issued to management
- 2.12 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.
- 2.13 Any audit which receives a moderate or limited level of assurance is also reported to the relevant Directorate PFM meeting so that the action taken to implement the agreed recommendations can be monitored by the Director and Head of Service
- 2.14 The Internal Audit Section was also involved in the following work during Quarter 3 which was not included in the Audit Plan for 2015/16
- Continued sample testing of Equal Pay calculations prior to offers being made to staff
 - A review of the process for calculating Back Pay due to staff who gained following the implementation of Single Status. Sample testing of back pay will continue for the remainder of this year.
 - The ERW Regional Consortium has required an Internal Audit review of the following grants prior to the grant claims being signed off by the ERW Section 151 Officer. This work was unplanned and has taken up a great deal of Internal Audit resource
 - School Effectiveness Grant 2014/15
 - Welsh in Education Grant 2014/15
 - 14 – 19 Learning Pathways Grant 2014/15
 - Pupil Deprivation Grant 2014/15
 - Education Improvement Grant 2015/16
 - Review of financial controls in place at a Pupil Referral Unit at the request of management

- Financial appraisal of prospective partner to develop an integrated purpose built Primary Care and Family Centre in Mayhill
- Review of issues regarding salary payments at the request of Head of Finance and Delivery

3. Follow Ups Completed 1 October 2015 to 31 December 2015

- 3.1 The follow up procedures operated by the Internal Audit Section include visits to any non fundamental audits which received a moderate or limited level of assurance to confirm that action has been taken by management to address the concerns raised during the original audit.
- 3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Head of Finance and Delivery.
- 3.3 During the 3rd Quarter, a follow up visit was made to confirm the implementation of the recommendations arising from the Music Service audit which had received a moderate level of assurance in April 2015.
- 3.4 The 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.
- 3.5 The Recommendations Tracker exercise for 2014/15, which reviews the implementation of recommendations made during the fundamental audits was completed in Quarter 3 and is subject to a separate report on the agenda for this meeting.

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 3 2014/15
Appendix 2 Internal Audit Plan 2015/16 – Progress to 31/12/15
Appendix 3 Moderate Level of Assurance – Significant Issues

INTERNAL AUDIT - MONITORING REPORT QUARTER 3 2015/16

Head of Service	Audit	Date	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Poverty & Prevention	Young Peoples Service	09/10/15	High	12	12	0
Finance & Delivery	Taxation - VAT	13/10/15	High	4	4	0
Economic Regeneration & Planning	Rural Development Plan	26/10/15	High	1	1	0
Finance & Delivery	Bank Reconciliation	02/11/15	High	0	0	0
Human Resources & Organisational Development	Teachers Pensions	02/11/15	High	1	1	0
Communications & Customer Engagement	Executive Board Support	02/10/15	Substantial	7	7	0
Housing & Public Protection	West Cross District Housing Office	06/10/15	Substantial	16	16	0
Cultural Services	Bishopston Sports Centre	13/10/15	Substantial	9	9	0
Housing & Public Protection	Eastside District Housing Office	02/11/15	Substantial	12	12	0
Education Planning & Resources	Cleaning Facilities	04/11/15	Substantial	10	10	0
Education Planning & Resources	Civic Centre Catering	05/11/15	Substantial	15	15	0
Housing & Public Protection	Sheltered Housing Service	09/11/15	Substantial	7	7	0
Child & Family Services	Adoption Allowances	25/11/15	Substantial	3	3	0
Education Planning & Resources	Townhill Community Primary School	03/12/15	Substantial	4	4	0
Education Planning & Resources	Hendrefoilan Primary School	08/12/15	Substantial	7	7	0
Education Planning & Resources	Bishop Gore Comprehensive School	10/12/15	Substantial	19	19	0
Commercial Services	Contracts Register	24/12/15	Substantial	2	2	0
Housing & Public Protection	Trading Standards	05/10/15	Moderate	17	17	0
Poverty & Prevention	Swansea Children's Centre & Mayhill Family Centre	13/10/15	Moderate	27	27	0
Cultural Services	Outdoor Leisure Spot Checks	27/10/15	Moderate	7	7	0
Cultural Services	Pentrehafod Pool and Sports Hall	28/10/15	Moderate	7	7	0
Highways & Transportation	Car Parks	10/12/15	Moderate	30	28	2
Total				217	215	2

INTERNAL AUDIT PLAN 2015/16 - PROGRESS TO 31/12/15

Head of Service	Risk Rating	Progress
Head of Education Planning & Resources		
Bishopston Primary School	Medium	Planned
Cila Primary School	Medium	Final Issued
Clydach Primary School	Medium	Planned
Crwys Primary School	Medium	Draft Issued
Cwmglas Primary School	Medium	Draft Issued
Gors Community Primary School	Medium	Draft Issued
Gorseinon Primary School	Medium	Planned
Gwrosydd Primary School	Medium	In Progress
Grange Primary School	Medium	In Progress
Hendrefoilan Primary School	Medium	Final Issued
Knelston Primary School	Medium	Draft Issued
Newton Primary School	Medium	Draft Issued
Pen-y-Fro Primary School	Medium	Planned
Penyrheol Primary School	Medium	In Progress
Pennard Primary School	Medium	Draft Issued
Pontarddulais Primary School	Medium	In Progress
Portmead Primary School	Medium	Draft Issued
St Helens Primary School	Medium	Planned
St Josephs Catholic Primary School	Medium	Planned
Townhill Community Primary School	Medium	Final Issued
Trallwn Primary School	Medium	Draft Issued
Waun Wen Primary School	Medium	In Progress
YGG Y Login Fach	Medium	In Progress
Primary School Self Assessment	Medium	In Progress
Birchgrove Comprehensive School	Medium	Final Issued
Bishop Gore Comprehensive School	Medium	Final Issued
Bishop Vaughan Catholic Comprehensive School	Medium	In Progress
Dylan Thomas Community School	Medium	Final Issued
Ysgol Penybryn	Medium	Planned
School Funding & Information	Medium/High	Planned
School Kitchens	Medium	Planned
Civic Centre Catering	Medium	Final Issued
Head of Education Improvement		
Support for the Arts	Medium	Final Issued
Head of Education Inclusion		
Access to Learning - Management & Admin	Medium	Planned
Psychology Service	Medium	Planned
Recoupment	Medium	Planned
SEN Statementing & Support	Medium	Planned
Behaviour and Learning Support	Medium/Low	Final Issued
Education Welfare Service	Medium	Final Issued

INTERNAL AUDIT PLAN 2015/16 - PROGRESS TO 31/12/15

Head of Service	Risk Rating	Progress
Education - Other		
Community Focused Childcare Grant	N/A	Not Required
School Uniform Grant	N/A	Final Issued
Foundation Phase Grant	N/A	Not Required
Schools Annual Report	N/A	Final Issued
Head of Child and Family Services		
Youth Offending Service	Medium/High	Planned
Use of Taxis - Authorisation	Medium	Final Issued
Safeguarding	New	In Progress
Head of Adult Services		
Unified Assessment of Care	Medium	Draft Issued
Taxi Framework Contract	Medium/High	Final Issued
Supporting People Grant	N/A	Final Issued
Victoria Park Kiosk	Medium/Low	Final Issued
Adult Family Placements	New	Planned
Establishments - Self Assessment Checklist	Medium/High	Draft Issued
Directorate Services		
No audits planned		
Head of Poverty & Prevention		
Partnerships, Performance & Commissioning	New	In Progress
Young Peoples Service	Medium	Final Issued
Community Food Growing Team	Medium	Not Required
Info-Nation	New	Planned
Swansea Children's Centre/Mayhill Family Centre	Medium	Final Issued
Community Safety and CCTV	Medium	In Progress
Welsh Government Youth Strategy Grant	N/A	Not Required
Head of Corporate Building & Property Services		
Heol y Gors - Estimating	Medium	Deferred
Heol y Gors - Plant	Medium	Deferred
Day to Day Repairs - Maintenance Section	Medium/High	Deferred
Facilities Management	Medium/Low	Final Issued
Mail Room	New	Not Required
Head of Waste Management		
Domestic Refuse collection	Medium	Draft Issued
Waste Enforcement	New	Planned
Parks Central Operations	Low	Draft Issued

INTERNAL AUDIT PLAN 2015/16 - PROGRESS TO 31/12/15

Head of Service	Risk Rating	Progress
Head of Highways & Transportation		
Concessionary Bus Fares	N/A	In Progress
Car Parks	Medium/High	Final Issued
Taxi Framework Contract	Medium	Final Issued
Clydach Depot - Stores	Medium	Planned
Clydach Depot - Plant	Medium	Planned
Streetworks	Medium	Final Issued
Central Transport Unit - Fleet Maintenance	Medium/High	Planned
Central Transport Unit - Fleet/Spot Hire	Medium	Final Issued
Central Transport Unit - Fuel	Medium	Draft Issued
Highways Trading Account	New	In Progress
Head of Housing & Public Protection		
Eastside District Housing Office	Medium	Final Issued
Gorseinon District Housing Office	Medium	Final Issued
West Cross District Housing Office	Medium	Final Issued
Leasehold Properties	Medium	Final Issued
Asylum Seekers	Medium/High	Not Required
Housing Improvement Team	Medium	Final Issued
National Home Improvement Loan Scheme	New	Deferred
Sheltered Housing Service	New	Final Issued
Burials and Cremations	Medium	Final Issued
Trading Standards Division	Medium	Final Issued
Trading Standards NTSB Grant	N/A	Planned
Rechargeable Works	Medium	Draft Issued
Rent and Arrears Team	Medium	In Progress
Head of Cultural Services		
Bishopston Sports Centre	Medium/Low	Final Issued
Pentrehafod Sports Centre	Medium/Low	Final Issued
Spot Checks	N/A	Final Issued
Grand Theatre	Medium/High	Draft Issued
Branch Libraries	Medium/Low	In Progress
Swansea Museum	Medium	In Progress
Plantasia	Medium	Planned
Head of Economic Regeneration and Planning		
European Unit	Medium	Not Required
Rights of Way	New	In Progress
Rural Development Plan	High	Final Issued
Planning and Enforcement	New	Deferred
Planning - AONB	New	Deferred

INTERNAL AUDIT PLAN 2015/16 - PROGRESS TO 31/12/15

Head of Service	Risk Rating	Progress
Head of Communications & Consultation		
Executive Board Support	Medium	Final Issued
Web Development	New	Deferred
DesignPrint	Medium	Planned
Head of Legal, Democratic Services & Procurement		
Coroners Service	Medium/High	In Progress
P Cards	Medium	In Progress
Election Expenses	N/A	Final Issued
Electoral Services	Medium	In Progress
Head of Human Resources		
Flexicard Machines & Security	Medium/High	Draft Issued
HR Policies	New	In Progress
Employment of Agency Staff	New	In Progress
Head of Information & Business Change		
Project Management Methodology	New	Deferred
Information Management	New	In Progress
ICT Contract Transfer	New	In Progress
Head of Finance & Delivery		
Cashiers Office	Medium/High	Final Issued
Write-off Requests by Departments	N/A	In Progress
Cashiers Write Offs	N/A	Planned
Bank Reconciliation	High	Final Issued
Petty Cash Accounts	Medium	Final Issued
Insurance	Medium	In Progress
Grants Receivable	Medium/High	In Progress
Leasing	Medium	Final Issued
Taxation - VAT	Medium	Final Issued
Income Tax - Self Employed	Medium	Draft Issued
Pension Fund Other	New	Planned
Trusts and Charities	New	In Progress
Budget Strategy & Setting Process	New	Planned
NPT DEAR Grant	N/A	Final Issued
Private Residential Care Charges	Medium/High	Deferred
Social Services Debt Recovery	High	Deferred
Short Term Care	Medium	Deferred
School Bank Reconciliation	Medium	Planned

INTERNAL AUDIT PLAN 2015/16 - PROGRESS TO 31/12/15

Head of Service	Risk Rating	Progress
Fundamental Systems		
Payroll	High	In Progress
Pensions Administration	High	In Progress
Teachers Pensions	Medium	Final Issued
Accounts Receivable	High	In Progress
Business Rates	Medium	Planned
Pension Fund Investments	High	In Progress
Housing Rents	Medium	In Progress
Accounts Payable	Medium	Planned
Housing and Council Tax Benefit	Medium	Planned
Capital Accounting	Medium	Draft Issued
Main Accounting	Medium	Planned
Contract Audits - Systems		
Legal		
Acceptance of Tenders	Medium	In Progress
Liquidations	Medium/High	Planned
Procurement		
Contract Register	Medium	Final Issued
Highways & Transportation		
Business Case, Tendering & Evaluation	Medium	Planned
Control of Contracts	Medium	Planned
Corporate Building Services		
Tendering	Medium	Planned
Finance/Legal		
Insurance Cover & Performance Bonds	New	Planned
Computer Audits		
ICT Data Storage	Medium	Deferred
ICT Assets	Medium	Deferred
Firewall Controls - Corporate	Medium	Deferred
Firewall Controls - Education	Medium	Deferred
Virtual Server Environment	New	Deferred
Payment Card Industry - Data Security Standard	Medium	Deferred
Disaster Recovery & Business Continuity	Medium/High	Planned
GCSX and Encryption	New	Deferred
Change Control ISiS	High	Deferred
Projects and Special Investigations		
P Card Review of Purchases	N/A	In Progress
Departmental Gifts & Hospitality Registers	New	Draft Issued
Review of Corporate Risks	New	In Progress
Added Value Work	New	Planned

Appendix 3

Moderate Level of Assurance - Significant Issues

Audit	Rating	Reasons
Trading Standards	Moderate	<ul style="list-style-type: none"> • Incomplete checks undertaken prior to issue of Street Trading licences • Cash seizure forms not pre-numbered • No evidence of cash seized being counted by 2 officers • Goods seizure forms not pre-numbered • No evidence of the disposal of seized goods being authorised by 2 officers • Potential overpayments of travelling expenses • Issues regarding the control and review of Proceeds of Crime Act investigations
Swansea Children's Centre and Mayhill Family Centre	Moderate	<ul style="list-style-type: none"> • ISiS Purchase to Pay system not used • Overpayment identified due to delay in processing invoices for payment • Corporate contracts not always used • P Card used to pay utility bills and for multiple purchasers from same supplier • P Card used to purchase from corporate contract rather than ISiS order • Inventories not up to date • Disposal or transfer of inventory items not documented • Annual inventory certificate not completed
Outdoor Leisure Spot Checks	Moderate	<ul style="list-style-type: none"> • Traffic Regulation Order not in place at 2 car parks meant enforcement action could not take place • Vehicle details not recorded on car parking permits • Staff car parking permits had not been approved by Head of Service • Approval of terms and conditions for parking permits could not be found
Pentrehafod Pool and Sports Hall	Moderate	<ul style="list-style-type: none"> • Not possible to confirm that all staff had valid Disclosure and Barring Service checks • Copy of fire evacuation procedure not held at site • Club booking forms not completed and no evidence of club's insurance details retained • Significant income deficit had not been investigated

Car Parks	Moderate	<ul style="list-style-type: none">• Not always evident that 2 officers involved in counting cash• Explanations not always provided for under and over bankings• No warning message when trigger point for car park machine collection reached• Emergency barrier exit tickets issued by Deputy Manager not recorded• Some insurance issues identified• Some errors in monthly VAT calculation• No records kept of requests for replacement season tickets• Season tickets are pre-numbered but no stock record maintained
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Agenda Item 8

Report of the Chief Auditor

Audit Committee – 16 February 2016

INTERNAL AUDIT ANNUAL PLAN - METHODOLOGY

Purpose:	This report provides a briefing to the Audit 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.
Policy Framework:	None
Reason for Decision:	To brief the Audit Committee of the process of preparing the Internal Audit Annual Plan
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	It is recommended that: the Committee note the methodology for preparing the Internal Audit Annual Plan 2015/16
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 A risk based Internal Audit Plan is produced each year which is used to guide the work of the Internal Audit Section over the course of the year.
- 1.2 The Internal Audit Annual Plan is reported to and approved by the Audit Committee in April each year.
- 1.3 The aim of the Internal Audit Annual Plan is to provide sufficient coverage of the Council's risks and services to allow the Chief Auditor to deliver the annual opinion on internal control which in turn informs the Annual Governance Statement.

1.4 This report provides a briefing to the Committee on the methodology used to prepare the Annual Plan in advance of the Plan for 2016/17 being reported to the Committee for approval in April 2016.

2. Internal Audit Plan Methodology

2.1 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.

2.2 An extract of the PSIAS requirements regarding internal audit planning is attached in Appendix 1

2.3 An Audit Needs Assessment is completed on an annual basis utilising the risk assessment undertaken for each audit. The risk assessment takes into account a wide range of factors which are grouped into the following categories

- Materiality e.g. income, expenditure
- Control Environment/Vulnerability e.g. previous frauds, staff turnover
- Management Concerns e.g. direct request for help, potential for embarrassment
- Sensitivity e.g. impact on service, effect on Council's welfare

2.4 A copy of the Risk Assessment form used is attached in Appendix 2

2.5 The outcome of the risk assessment is a risk index which is then used to determine the frequency of audit visits as shown in the following table. The frequency of audit visit for medium/low and low risk audits was increased in 2015/16 as one of the changes reported to the Audit Committee last year which were designed to free up audit resources which could then be used on higher risk audits and added value work.

Risk Index	Risk Factor	Frequency of Visit
0 – 19	Low	5 years
20 – 25	Medium/Low	4/5 years
26 – 40	Medium	3 years
41 – 49	Medium/High	2/3 years
50 +	High	1/2 years

2.6 In addition to the risk assessment process, a number of systems have traditionally been identified, in consultation with our external auditors as fundamental e.g. Payroll, Accounts Receivable, Main Accounting, Council Tax. Until 01/04/14, all fundamental systems were audited annually which accounted for over 350 audit days over the course of the year.

- 2.7 However following discussions with the external auditors at the time, the frequency of audit for fundamental systems was changed to also take account of risk. As a result, 8 of the 14 fundamental audits which had received the highest level of assurance for at least 3 years were moved to a 2 year audit cycle which will save around 120 audit days each year.
- 2.8 In addition to the audits where their frequency of visit is determined by risk, a number of other audits are undertaken on an annual basis e.g. grant audits where the work is required under the terms and conditions of the grant, the review of debts written off prior to authorisation, services where significant amounts of cash are handled, etc.
- 2.9 The use of the risk assessment process provides every audit in the Council's audit universe with a year when the next audit visit is due which is the starting point for the Internal Audit Annual Plan
- 2.10 Each year, a consultation exercise is held with all Heads of Service giving them the opportunity to comment on the audit coverage in their area and to ensure that all risks within their services have been identified. Heads of Service may also request specific reviews or pieces of work by the Internal Audit Section which will add value to their service. All requests are considered in light of the total Internal Audit resources available.
- 2.11 The Consultation Exercise for the 2016/17 Audit Plan commenced on 1 February 2016.
- 2.12 A review of the Corporate Risk Register also takes place to ensure that where necessary, Internal Audit resources are targeted at the areas considered to be the highest risk.
- 2.13 The ongoing review of the current year's Annual Plan also informs the planning process e.g. by identifying any emerging risks, new systems, developments or special investigations which may have a wider impact.
- 2.14 The Audit Needs Assessment i.e. the risk assessment process, consultation exercise and review of the Corporate Risk Register will provide the total number of audit days required in the Audit Plan for 2016/17 which then has to be matched against the audit resources available.
- 2.15 The audit resources available in 2016/17 is 10.5 full time equivalents excluding the Chief Auditor.
- 2.16 The audit resources available have to allow for things such as annual leave, public holidays, training, administration, planning, sickness and a contingency to allow for unplanned work. This

provides the productive audit days available to deliver the required audit coverage obtained from the Audit Needs Assessment

- 2.17 Inevitably, the required audit coverage will exceed the available audit resources leading to a further review of the required audit coverage. This review will again be risk based to ensure that the areas of greatest risk are prioritised
- 2.18 The Internal Audit Annual Plan is reported to the Audit Committee at the start of each year for approval. However, the Annual Plan must remain a flexible document that reacts to changing risks and priorities over the course of the year.

3. Equality and Engagement Implications

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

4. Financial Implications

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

5. Legal Implications

- 5.1 There are no legal implications associated with this report

Background Papers: None

Appendices: Appendix 1 – Extract from Public Sector Internal Audit Standards
Appendix 2 – Risk Assessment Sheet

Extract from Public Sector Internal Audit Standards

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

Public sector requirement

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

City and County of Swansea - Risk Assessment Sheet - Internal Audit Section

Establishment/Site/System: _____

File Ref: _____

Completed By: _____ Date: _____ Approved (and copied to PFile/RAFile.) By: _____ Date: _____

Tick each factor that applies and score 1 point (except A) - maximum 5 points per category

A. Materiality	B. Control Environment / Vulnerability	C. Management Concerns	D Sensitivity														
Value of funds that pass through the system and/or direct expenditure <u>plus</u> income = £ _____ <div style="display: flex; justify-content: space-between;"> Page 3 of 3 <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%; text-align: left;"><u>Annual Value (£)</u></th> <th style="width: 30%; text-align: center;"><u>Score</u></th> </tr> </thead> <tbody> <tr><td>• < 1,000</td><td style="text-align: center;">0</td></tr> <tr><td>• 1,000 - 10,000</td><td style="text-align: center;">1</td></tr> <tr><td>• 10,001 - 100,000</td><td style="text-align: center;">2</td></tr> <tr><td>• 100,001 - 1m</td><td style="text-align: center;">3</td></tr> <tr><td>• 1m - 5m</td><td style="text-align: center;">4</td></tr> <tr><td>• > 5m</td><td style="text-align: center;">5</td></tr> </tbody> </table> </div>	<u>Annual Value (£)</u>	<u>Score</u>	• < 1,000	0	• 1,000 - 10,000	1	• 10,001 - 100,000	2	• 100,001 - 1m	3	• 1m - 5m	4	• > 5m	5	<ul style="list-style-type: none"> Previous frauds if < 5 years Opinion rating less than 'satisfactory' Last audit review > 3 years ago (date _____) High staff turnover New system(s) operating High degree of devolution Complex system(s) operating Critical reports from outside bodies etc. 	<ul style="list-style-type: none"> Direct requests for help Potential for embarrassment Specific problem areas Control weaknesses Assets at risk Significant cash income (e.g.: > £10K p.a.) 	<ul style="list-style-type: none"> Political sensitivity of activity Large no. of sub-systems, interlinked or dependent systems Effect on Authority's welfare Unwelcome disclosure Impact on service Impact on other depts.
<u>Annual Value (£)</u>	<u>Score</u>																
• < 1,000	0																
• 1,000 - 10,000	1																
• 10,001 - 100,000	2																
• 100,001 - 1m	3																
• 1m - 5m	4																
• > 5m	5																
Total Score (max 5)																	
Weighting	5	8	4														
Weighted Scores																	
Total WS =risk index	Low 0 to 19, Medium/Low 20 to 25, Medium 26 to 40, Medium/High 41 to 49, High 50 and above																

Report of the Chief Auditor

Audit Committee – 16 February 2016

AUDIT COMMITTEE – SELF ASSESSMENT OF GOOD PRACTICE QUESTIONNAIRE

Purpose:	This report provides a draft Self Assessment Questionnaire as a basis for a review of the Committee's performance in 2015/16 which will be used to inform the Committee's Annual Report
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to review its performance during 2015/16 and contribute to the Committee's Annual Report
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	It is recommended that: 1) Committee discuss and comment upon the draft Self Assessment Questionnaire 2) The completed Questionnaire is used as the basis for the Audit Committee Annual Report 2015/16
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 In 2013, CIPFA published *Audit Committees – Practical Guidance for Local Authorities and Police Bodies* which provided the latest guidance on the function and operation of Audit Committees
- 1.2 One of the conclusions of the publication was that a regular self assessment by an Audit Committee can be used to support the planning of the work programme and training plans and to inform the Committee's Annual Report

- 1.3 A fairly brief Self Assessment Questionnaire is provided in the publication which covers the issues put forward in the guidance and the questionnaire is to be used as the basis of the review of the Committee's performance in 2015/16.

2. Self Assessment Questionnaire

- 2.1 The Chair and Chief Auditor have met to discuss the Questionnaire and a draft version of the completed Questionnaire is attached in Appendix 1
- 2.2 A discussion of the draft Questionnaire is required to ensure that the final version represents the views of all members of the Committee
- 2.3 The intention is that the final version of the Questionnaire will be used as the basis of the Committee's Annual Report 2015/16 which will be presented to Council later in the year. Any issues arising from the self-assessment that need to be addressed being included in an Action Plan which will be implemented during 2016/17.

3. Equality and Engagement Implications

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

4. Financial Implications

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

5. Legal Implications

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

Background Papers: None

Appendices:

Appendix 1 – Audit Committee – Self Assessment of Good Practice Questionnaire

Audit Committee

Self-Assessment of Good Practice

This resource provides a high-level review that incorporates the key principles set out in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities and Police Bodies*. Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

	Good Practice Question	Yes	Partly	No
Audit Committee Purpose and Governance				
1	Does the authority have a dedicated audit committee?	✓		
2	Does the audit committee report directly to full council? (Applicable to local government only)	✓		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA guidance? ¹ . <i>CIPFA terms of reference adopted by Council June 2014</i>	✓		
4	Is the role and purpose of the committee understood and accepted across the authority? <i>Annual Report presented to Council by Chair, Liaison with Scrutiny established, Chair meets with Leader.</i>	✓		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily? <i>Annual Report to Council</i>	✓		

Functions of the Committee				
7	Do the committee's terms of reference explicitly address all the core areas identified by CIPFA? ² .			
	• Good governance	✓		
	• Assurance framework	✓		
	• Internal Audit	✓		
	• External Audit	✓		
	• Financial reporting	✓		
	• Risk management	✓		
	• Value for money or Best Value	✓		
	• Counter fraud and corruption	✓		
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and adequate consideration has been given to all core areas? <i>Committee undertakes self assessment each year</i>	✓		
9	Has the audit committee considered the wider areas identified by CIPFA and whether it would be appropriate for the committee to undertake them? ³ . <i>Not all wider areas have been considered. Issue to be discussed including quarterly review of Council's approach to good corporate governance</i>		✓	
10	Where coverage of core areas has been found to be limited, are plans in place to address this? <i>Not applicable</i>			
Membership and Support				
11	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills amongst the membership • A size of committee that is not unwieldy • Where independent members are used, they have been appointed using an appropriate process 	✓		

12	Does the chair of the committee have appropriate knowledge and skills? Committee members to answer			
13	Are arrangements in place to support the committee with briefings and training?	✓		
14	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory? 4. The Framework was sent to all members for completion in November 2015 and will be used as the basis for a training event to be held in March 2016.		✓	
15	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	✓		
16	Is adequate secretariat and administrative support to the committee provided?	✓		
Effectiveness of the Committee				
17	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work? Positive feedback received from Council when Annual Report 2014/15 presented. Chair has met with and obtained feedback from Leader.	✓		
18	Has the committee evaluated whether and how it is adding value to the organisation? No formal evaluation but added value demonstrated by no adverse issues being identified in areas which are included in Committee's terms of reference.		✓	
19	Does the committee have an action plan to improve any areas of weakness? Action plan included in Annual Report	✓		

References

1. See Appendix B of Audit Committees – Practical Guidance for Local Authorities and Police Bodies. Published by CIPFA December 2113
2. See Chapter 4 of Audit Committees – Practical Guidance for Local Authorities and Police Bodies published by CIPFA December 2013
3. See Chapter 5 of Audit Committees – Practical Guidance for Local Authorities and Police Bodies published by CIPFA December 2013
4. See Appendix C of Audit Committee – Practical Guidance for Local Authorities and Police Bodies published by CIPFA December 2013

Report of the Head of Finance & Delivery

Audit Committee – 16 February 2016

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
- 1.2 A draft Workplan for the following 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

Appendix 1 – Audit Committee Workplan 2015/16

Appendix 2 – Draft Audit Committee Workplan 2016/17

AUDIT COMMITTEE WORKPLAN 2015/16

Date of Meeting	Reports
16 February 2016	YGG Lon Las Lessons Learned – Referral from Cabinet Wales Audit Office Performance Audit Update Risk Management – Update Recommendations Tracker Report 2014/15 Internal Audit Monitoring Report Q3 2015/16 Internal Audit Plan 2016/17 – Methodology Audit Committee Review of Performance 2015/16
March 2016 (TBC)	Audit Committee - Training
19 April 2016	WLGA Peer Review – Progress Update Section 106 Planning Obligations – Update Wales Audit Office - Annual Plan 2016 Internal Audit Charter 2016/17 Internal Audit Annual Plan 2016/17 Draft Audit Committee Annual Report 2015/16

DRAFT AUDIT COMMITTEE WORKPLAN 2016/17

Date of Meeting	Reports
19 April 2016	WLGA Peer Review – Progress Update Section 106 Planning Obligations – Update Wales Audit Office - Annual Plan 2016 Internal Audit Charter 2016/17 Internal Audit Annual Plan 2016/17 Draft Audit Committee Annual Report 2015/16
June 2016	Corporate Governance Review Report Internal Audit Monitoring Report Q4 2015/16 Risk Management Annual Review 2015/16
July 2016 – Special Meeting	Draft Statement of Accounts 2015/16 Draft Annual Governance Statement 2015/16
August 2016	Internal Audit Annual Report 2015/16 Corporate Fraud Team Annual Report 2015/16 Annual Report of School Audits 2015/16 Internal Audit Monitoring Report Q1 2016/17
September 2016 – Special Meeting	Audited Statement of Accounts 2015/16 Wales Audit Office ISA 260 Report 2015/16
October 2016	Chair of Scrutiny Programme Committee Wales Audit Office Performance Audit – Mid Term Report Risk Management Half Yearly Review 2016/17
December 2016	Wales Audit Office Controls Report 2015/16 Wales Audit Office Annual Audit Letter 2015/16 Internal Audit Monitoring Report Q2 2016/17 Recommendations Tracker Report 2014/15
February 2017	Wales Audit Office Performance Audit Update Internal Audit Monitoring Report Q3 2016/17 Internal Audit Plan 2017/18 - Methodology Audit Committee Review of Performance 2016/17
April 2017	Wales Audit Office Annual Plan 2017 Internal Audit Charter 2017/18 Internal Audit Annual Plan 2017/18 Risk Management Annual Review 2016/17 Draft Audit Committee Annual Report 2016/17

Agenda Item 11

Report of the Head of Legal & Democratic Services

Audit Committee – 18 February 2016

EXCLUSION OF THE PUBLIC

Purpose:	To consider whether the Public should be excluded from the following items of business.	
Policy Framework:	None.	
Reason for Decision:	To comply with legislation.	
Consultation:	Legal.	
Recommendation(s):	It is recommended that:	
1)	The public be excluded from the meeting during consideration of the following item(s) of business on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs listed below of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 subject to the Public Interest Test (where appropriate) being applied.	
	Item No.	Relevant Paragraphs in Schedule 12A
	12	14
Report Author:	Democratic Services	
Finance Officer:	Not Applicable	
Legal Officer:	Patrick Arran – Head of Legal & Democratic Services (Monitoring Officer)	

1. Introduction

- 1.1 Section 100A (4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, allows a Principal Council to pass a resolution excluding the public from a meeting during an item of business.
- 1.2 Such a resolution is dependant on whether it is likely, in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public were present during that item there would be disclosure to them of exempt information, as defined in section 100I of the Local Government Act 1972.

2. Exclusion of the Public / Public Interest Test

- 2.1 In order to comply with the above mentioned legislation, Cabinet will be requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Exclusion Paragraphs of Schedule 12A of the Local Government

Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

- 2.2 Information which falls within paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended is exempt information if and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 2.3 The specific Exclusion Paragraphs and the Public Interest Tests to be applied are listed in **Appendix A**.
- 2.4 Where paragraph 16 of the Schedule 12A applies there is no public interest test. Councillors are able to consider whether they wish to waive their legal privilege in the information, however, given that this may place the Council in a position of risk, it is not something that should be done as a matter of routine.

3. Financial Implications

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

4. Legal Implications

- 4.1 The legislative provisions are set out in the report.
- 4.2 Councillors must consider with regard to each item of business set out in paragraph 2 of this report the following matters:
 - 4.2.1 Whether in relation to that item of business the information is capable of being exempt information, because it falls into one of the paragraphs set out in Schedule 12A of the Local Government Act 1972 as amended and reproduced in Appendix A to this report.
 - 4.2.2 If the information does fall within one or more of paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended, the public interest test as set out in paragraph 2.2 of this report.
 - 4.2.3 If the information falls within paragraph 16 of Schedule 12A of the Local Government Act 1972 in considering whether to exclude the public members are not required to apply the public interest test but must consider whether they wish to waive their privilege in relation to that item for any reason.

Background Papers: None.

Appendices: Appendix A – Public Interest Test.

Public Interest Test

No.	Relevant Paragraphs in Schedule 12A
12	Information relating to a particular individual.
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. His view on the public interest test was that to make this information public would disclose personal data relating to an individual in contravention of the principles of the Data Protection Act. Because of this and since there did not appear to be an overwhelming public interest in requiring the disclosure of personal data he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
13	Information which is likely to reveal the identity of an individual.
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. His view on the public interest test was that the individual involved was entitled to privacy and that there was no overriding public interest which required the disclosure of the individual's identity. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
14	Information relating to the financial or business affairs of any particular person (including the authority holding that information).
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. His view on the public interest test was that:</p> <p>a) Whilst he was mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, the right of a third party to the privacy of their financial / business affairs outweighed the need for that information to be made public; or</p> <p>b) Disclosure of the information would give an unfair advantage to tenderers for commercial contracts.</p> <p>This information is not affected by any other statutory provision which requires the information to be publicly registered.</p> <p>On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>

No.	Relevant Paragraphs in Schedule 12A
15	<p>Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. His view on the public interest test was that whilst he is mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them he was satisfied that in this case disclosure of the information would prejudice the discussion in relation to labour relations to the disadvantage of the authority and inhabitants of its area. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
16	<p>Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.</p>
	<p>No public interest test.</p>
17	<p>Information which reveals that the authority proposes: (a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) To make an order or direction under any enactment.</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. His view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by the public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
18	<p>Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. His view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>

Agenda Item 12

By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

Document is Restricted

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