

DINAS A SIR ABERTAWE

HYSBYSIAD O GYFARFOD

Fe'ch gwahoddir i gyfarfod

PWYLLGOR ARCHWILIO

Lleoliad: Ystafell Bwyllgor 5, Neuadd y Ddinas, Abertawe

Dyddiad: Dydd Mawrth, 28 Mehefin 2016

Amser: 2.00 pm

Cadeirydd: Cyngorydd Alan M Thomas

Aelodaeth:

Cynghorwyr: 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, C Thomas, L V Walton a/ac T M White

Mae croeso i chi ddefnyddio'r Gymraeg. Os dymunwch ddefnyddio'r Gymraeg, rhowch wybod i ni erbyn canol dydd ar y diwrnod gwaith cyn y cyfarfod.

AGENDA

Rhif y Dudalen.

- 1 Ymddiheuriadau am absenoldeb.**
- 2 Datgeliadau o fuddiannau personol a rhagfarnol.**
www.abertawe.gov.uk/DatgeliadauBuddiannau
- 3 Cofnodion.** **1 - 3**
Cymeradwyo a llofnodi cofnodion y cyfarfod(ydd) blaenorol fel cofnod cywir.
- 4 Adroddiad Adolygiad Llywodraethu Corfforaethol.** **4 - 28**
- 5 Ardystio Grantiau a Ffurflenni 2013/14 a 2014/15.** **29 - 60**
- 6 Swyddfa Archwilio Cymru - Yr adroddiad diweddaraf.** **61 - 65**
- 7 Ymateb Drafft YGG Lôn-Las i'r Cabinet.** **66 - 73**
- 8 Adroddiad Blynyddol Terfynol y Pwyllgor Archwilio 2015/16.** **74 - 81**
- 9 Cynllun Gwaith y Pwyllgor Archwilio. (Er Gwybodaeth)** **82 - 83**

Cyfarfod Nesaf: Dydd Iau, 21 Gorffennaf 2016 ar 2.00 pm

Huw Evans

Huw Evans
Pennaeth Gwasanaethau Democrataidd
Dydd Mawrth, 21 Mehefin 2016

Cyswllt: Gwasanaethau Democrataidd

Agenda Item 3

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
TUESDAY, 14 JUNE 2016 AT 2.00 PM

PRESENT:

Councillor(s)

C Anderson
L James
D Phillips
T M White

Councillor(s)

T J Hennegan
J W Jones
R V Smith

Councillor(s)

P R Hood-Williams
P M Meara
L V Walton

Independent Member: - Mr A M Thomas

Officer(s)

Paul Beynon
Tracey Meredith
Ben Smith
Richard Rowlands
Jeremy Parkhouse

Chief Auditor
Deputy Head of Legal / Deputy Monitoring Officer
Chief Finance and Deputy 151 Officer
Business Performance Manager
Democratic Services Officer

Also Present: -

Geraint Norman
David Williams

Wales Audit Office
Wales Audit Office

Apologies for Absence

Councillor(s): R A Clay and C Thomas

1 ELECTION OF CHAIR FOR THE 2016-2017 MUNICIPAL YEAR.

RESOLVED that Mr A M Thomas be elected Chair for the 2016-2017 Municipal Year.

(Mr A M Thomas presided)

2 ELECTION OF VICE-CHAIR FOR THE 2016-2017 MUNICIPAL YEAR.

RESOLVED that Councillor L James be elected Vice-Chair for the 2016-2017 Municipal Year.

3 DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.

In accordance with the Code of Conduct adopted by the City and County of Swansea, no interests were declared.

4 **MINUTES.**

RESOLVED that the Minutes of the Audit Committee held on 19 April 2016 be approved as a correct record, subject to the following amendment: -

Minute No.77 – Wales Audit Office – City and County of Swansea Pension Fund 2016 Audit Plan – Paragraph 2, sentence 2 – replace 'my' with 'his'.

The Chief Auditor reported that details regarding DWP crime detections were available on the GOV.UK website. He stated that during 2015/16 there had been a decrease in Housing Benefit overpayments from 5.3% to 5.2%, but fraud had risen from 2.4% to 3%. He added that there were no details regarding prosecutions.

5 **AUDIT COMMITTEE TRAINING.**

The Chief Auditor circulated the Knowledge and Skills Framework for Audit Committee Councillors published by CIPFA. He outlined that the Democratic Services Committee had resolved that training for Councillors sitting on the Audit Committee was mandatory and highlighted the core areas of knowledge as follows: -

- Organisational Knowledge;
- Audit Committee Role and Functions;
- Internal Audit;
- Governance;
- Financial Management and Accounting;
- External Audit;
- Risk Management;
- Counter Fraud;
- Values of Good Governance.

In addition, he outlined the core skills required by Councillors as follows: -

- Strategic Thinking and Understanding of Materiality;
- Questioning and Constructive Challenge;
- Focus on Improvement;
- Able to Balance Practicality against Theory;
- Clear Communication Skills and Focus on the Needs of User;
- Objectivity;
- Meeting Management Skills.

The Committee received the following presentations: -

- Internal Audit and Governance – P Beynon, Chief Auditor;
- Standards in Public Life – T Meredith, Deputy Monitoring Officer;
- Role of the Wales Audit Office and the Audit Committee – G Norman and D Williams, Wales Audit Office;
- Financial Management and Accounting – B Smith, Chief Finance / Deputy Section 151 Officer.

Minutes of the Audit Committee (14.06.2016)
Cont'd

The training presentations regarding risk management and counter fraud were deferred to a future Audit Committee meeting.

The meeting ended at 4.17 pm

CHAIR

Agenda Item 4

Report of the Deputy Head of Legal and Democratic Services / Deputy Monitoring Officer

Audit Committee – 28 June 2016

GOVERNANCE REVIEW

Purpose:	To update the Audit Committee on the Swansea Governance Review Report
Policy Framework:	The Constitution
Reason for Decision:	To allow the Audit Committee to consider and discuss the Swansea Governance Review Report
Consultation:	Legal, Finance and Access to Services.
Recommendation:	To note the contents of the report
Report Author:	Tracey Meredith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Sherill Hopkins

1. INTRODUCTION

- 1.1 In December 2014 The Welsh Local Government Association (WLGA) Peer Review report was published. In May 2015 the Wales Audit Office Corporate Assessment report was published. Both reports looked at Governance issues within the council.
- 1.2 As part of its response to the findings of both the Peer Review and Corporate Assessment the Head of Legal and Democratic Services undertook an overall governance review and Rod Alcott of the WLGA was engaged to act as an external critical friend.
- 1.3 The report prepared by Rod Alcott has been seen by both Executive Board and the Leader and their comments are inserted into the report. A copy of the Report is attached at Annex A.

2. FINANCIAL IMPLICATIONS

There are no direct financial implications flowing from the associated report beyond the fees payable to Welsh Local Government Association for undertaking the report.

3. LEGAL IMPLICATIONS

There are no legal implications associated with this report.

4. EQUALITIES AND ENGAGEMENT IMPLICATIONS

There are no equality implications associated with this report.

Appendix A – City and County of Swansea Governance Review

Background Papers:

Peer Review Report December 2014
WAO Corporate Assessment May 2015

City and County of Swansea Governance Review: Draft Report

Background

The City and County of Swansea (the Council) invited the Welsh Local Government Association (WLGA) to undertake a Peer Review of the Council in the autumn of 2014 in advance of the Wales Audit Office (WAO) Corporate Assessment undertaken in November 2014. The peer Review report was published in December 2014 and the Corporate Assessment report was published in May 2015.

Both reports made reference to the governance arrangements of the Council including recommendations (Peer Review) and proposals for improvement (WAO). While both reports pointed to areas where the Council should look to improve its governance arrangements the overall conclusion in both was largely positive with no major concerns identified and those findings are echoed in this report. The Peer review stated that:

'The Review team observed a healthy relationship between members and officers; there was relatively good communication and a shared understanding of how they could collectively contribute to achieving the Council's goals. The member/officer dynamic was well-balanced, with an overall perception that the Council is member-led.'

While the WAO report stated that:

'The Council has generally robust governance arrangements and is improving access to information about its scrutiny activity.'

Current Overview

While the Peer Review refers to 'an overall perception that the Council is member-led' the Council is currently in a state of transition towards achieving this, with progress being affected by a lack of consistent understanding among senior politicians and senior officers of what this means in terms of practice and behaviours..

Essentially the Council has sound governance arrangements in place but needs to ensure that appropriate behaviours, based upon mutual trust and understanding, ensure the effective implementation of these arrangements.

Scope of the Review

As part of its response to the findings of the Peer Review and WAO the Council has engaged a WLGA Associate (Rod Alcott) to act as an external critical friend.

From the outset it was agreed that the focus would be on assessing progress in implementing recommendations and proposals for improvement emanating from the two reports. While the specific recommendations and proposals for improvement have provided the focus for the review it was also recognised that other observations within the body of both reports raised issues that the Council needed to address and as such came within the scope of this review. It was further recognised that there are aspects of the governance arrangements that did not figure in either

report that would fall within the scope of this review for example consideration of the form and status of the Annual Governance Statement (AGS), the role of the Audit Committee and proposed Democratic Services and Scrutiny options.

This brief report summarises the findings from that external review carried out between July and November 2015.

Approach

The Review comprised a limited number of interviews with members and officers, a meeting with the WAO, review of the two reports referred to in this report, review of documentation supplied by the Council and a wider document review.

The intended scope set against the constrained nature of the review means that opportunities to triangulate evidence have been limited and consequently some of the findings are based on the observations and perceptions of a limited number of interviewees.

Overall Conclusions

- The review did not uncover any significant flaws in the Council's governance arrangements
- The main issues to address going forward are around leadership behaviours and understanding of respective roles and responsibilities in a 'member-led' authority, rather than arrangements. If not addressed, these could further affect working relationships between officer and members which could undermine the effective implementation of the governance framework
- The Council has made significant progress in addressing the issues raised by the Peer Review and WAO
- The major issues that were raised have been largely addressed
- There are still some actions that are needed to ensure that issues, both from the reports and wider Council concerns, are fully addressed
- The form and status of the AGS mirrors that of many other councils in Wales in being a retrospective assurance of compliance; but is not currently the interactive document that the Council is seeking to develop.

Progress against Peer Review Recommendations

The Peer Review report of December 2014 made four recommendations regarding the Council's governance arrangements and this section of the report describes and evaluates the Council's progress in addressing them.

Recommendation 1: Develop more formalised briefing Cabinet members, which would include regular meetings with senior managers who have responsibility within their portfolio, with notes of the meeting and action points to ensure members' priorities and decisions are followed through. The emphasis should be on proactively engaging members in decisions rather than briefing them too late into the process.

While this recommendation reflected the extent to which the Cabinet was new and inexperienced at the time of the Peer Review it remains an area of concern for the Council.

In considering progress against this recommendation it is probably best to consider its two constituent, but interrelated, parts i.e. formalised briefing based around regular meetings and the proactive engagement of members in decision making.

Convening regular formalised meetings with agendas, minutes and action points that clearly relate to Council priorities appears to have become standard practice. However, while their widespread adoption represents progress, more needs to be done in these meetings to agree forward work plans and agendas to facilitate effective implementation of the Council's priorities. Crucially these meetings are an obvious opportunity to develop good working relationships based upon a shared understanding of respective roles and responsibilities.

The second, but interrelated, part of the recommendation relates to early engagement of Cabinet Members in decision making. This is an area where cabinet members recognise that progress has been made but are equally clear that there is still some way to go before early engagement becomes the accepted norm. The apparent paradox between the establishment of the above regular meetings and a perception of early engagement not being the norm can only be explained by questioning both the content and spirit of those meetings. The content needs to be amended to ensure the issues referred to above are included and a spirit of openness and mutual trust must be maintained.

One source of member frustration centres round the current practice of reports typically going through the Executive Board process before they are formally engaged. From a governance perspective taking reports through the Executive Board is positive practice, because it ensures that officers develop and test member advice with colleagues to ensure a rounded, broader corporate perspective rather than a narrower silo perspective. Members are obliged to receive advice from officers but the speed of this process *may* affect the timeliness of seeking members' views or decisions (highlighted to some extent by the peer review) which may further add to the perception of late engagement; this however would be an issue of pace rather than a problem of the process itself. This issue is further exacerbated when the Executive Board decides it needs more time to consider an issue, leading to further delay in engaging with members and creating a situation on occasions where members feel they have very limited time to consider an issue and provide sufficient political input to the ensuing decision.

However, members have to recognise the difference between early engagement and micro-management if they are to gain the trust of senior officers. Essentially Cabinet Members have to recognise that their role relates to the formulation of policy and not the management of that policy. Similarly, officers have to ensure that their regular meetings with members are a vehicle for providing members with advance notice of issues that are going to Executive Board before developing more detailed advice based on Executive Board deliberations.

Although feedback suggests senior member-officer relations are generally constructive, individual and collective member-officer relations are still developing, as is the joint understanding around respective roles and responsibilities. The WLGA facilitated a 'top-team' development session between the cabinet and management team during the Summer 2015 to explore respective expectations, principles and working relationships and a draft 'Member-led: Key Principles' paper

was produced (Appendix 1). This 'Key Principles' paper provides some clarity and expectations for both members and officers, however, it appears (at the time of this review) that it remains a draft discussion document and has not been finalised or formally adopted.

The underlying factors affecting member-officer working relationships are both historical and cultural. There is a range of local government experience on the cabinet and some officers and members are viewed as being un-used to operating in a member-led environment and are perceived to be slow or unwilling to change historical ways of working. Without clear underpinning principles, roles and responsibilities, this perception can affect working relationships and trust which in turn would inhibit the effectiveness of decision making.

Given that the spirit of the recommendation in terms of Member engagement is the more important component of this recommendation then, overall, it must be considered to be **partly met**.

To ensure this recommendation is fully met the Council needs to:

- Build a culture of mutual trust through clarifying and respecting roles and responsibilities, and creating opportunities for Members and officers to meet to discuss issues of concern and share good practice. In particular there is a need to revisit and agree the draft 'Member-Led' Key Principles' paper (included as Appendix 1)
- Ensure that roles and responsibilities of senior officers and Cabinet Members are fully understood and adhered to not just in the letter but also in the spirit
- Reconsider the content and purpose of the regular meetings between officers and members
- Ensure that the current practice of reports going to the Executive Board in advance of member engagement does not create issues of timeliness

Joint response of the Leader and Chief Executive:

- **The recognition that it has now become standard practice for there to be regular, formalised meetings with agendas, minutes and action points that clearly relate to Council priorities is welcome.**
- **Officers and Cabinet Members recognise that developing this formalised process as a mechanism that develops policy and measures performance against agreed objectives is an ongoing process.**
- **It is everyone's interest that reports to members are produced on a timely basis but, equally, it is crucial that where such reports are presented they contain a rounded and corporate view of issues addressed rather than a silo view as highlighted in this draft report.**
- **The issue of the regular meetings highlighted in the report and the role of Executive Board are interlinked - any report submitted to Executive Board should have been subject to individual Cabinet member consultation as part of the drafting.**

Recommendation 2: If the Cabinet Advisory Committees are to be effective, their responsibilities and relationship to existing arrangements needs to be clarified and set out clearly in the Constitution so that all members and officers understand their respective roles.

The Joint Report of the Monitoring Officer and Head of Democratic Services that was taken to Council on 27 August 2015 set out the new arrangements for Cabinet Advisory Committees (CACs) and clarified their Terms

of Reference. The newly designated CACs are designed to be better aligned to the current Cabinet Portfolios with each of the five Committees aligned to two Portfolios.

Appendix 2 to this report defines the Terms of Reference for the Committees, which has now been included within the Constitution. The clarity of role has been complemented by the establishment of a Co-ordinating and Allocation Group comprising Scrutiny and Committee Chairs that is designed to ensure that there is no overlap or duplication of effort between the CACs and Scrutiny.

These arrangements ensure alignment between CACs and Cabinet Portfolios, clarify the role of CACs, and address the relationship between CACs and Scrutiny. Essentially there needs to be clarity that the role of CACs is forward looking policy development, the role of Scrutiny is to challenge emerging policies, and there needs to be better alignment between them in relation to Council priorities. The arrangements that are now in place provide evidence that this recommendation has been **largely met**. To be fully met, these new processes need to become embedded to ensure member and officer clarity and understanding of CACs' role within the council's governance arrangements and the issue of the effectiveness of CACs needs to be addressed.

This latter point is significant because conversation with the WAO revealed that, from their perspective, the role of CACs is a significant governance issue facing the Council. The WAO view is that when looking at CACs the issues that need to be considered are the degree of clarity around their role and relationship to existing governance arrangements, and their effectiveness. As noted above, arrangements have been put in place which will address the first issue provided there is widespread understanding of them among members and officers and the necessary amendments are made to the Constitution. The issue of effectiveness is one that the Council needs to consider if it is to satisfy itself and its external auditors that CACs are making a positive contribution to improving governance.

To ensure this recommendation is fully met the Council needs to:

- **Ensure that members and officers are clear about the roles and responsibilities of CACs and their relationship to existing governance arrangements through the Co-ordinating and Allocation Group.**
- **Establish criteria for determining the effectiveness of CACs that are shared and owned by stakeholders; and determine an appropriate timescale for applying them to an evaluation of their work. For example, the number of policies or policy changes considered or adopted by Cabinet on the advice of CACs.**

Joint response of the Leader and Chief Executive

- **The fact that acknowledgement that this recommendation has largely been met is welcome.**
- **It is acknowledged that the implementation of the CAC arrangements remains relatively new and that criteria as set out above in terms of would be welcome and will be developed.**

Recommendation 3: The Council should consider how scrutiny could be closely oriented towards the Council's top priorities by, for example, establishing inquiries shaped around them. This would help develop scrutiny's improvement role as well as ensuring activities and resources have maximum impact.

The need to address this recommendation has been recognised by the Council and is reflected in the Scrutiny Annual report for 2014/15 which concludes with the identification of six improvement outcomes for 2015-16 one of which is:

'We need to align the work of scrutiny more closely to the five corporate priorities so that we can focus and impact on the things that matter.'

This has subsequently been put into effect in the drawing up of the forward work programme for Scrutiny for 2015-16 which demonstrates a closer orientation to the Council's top priorities. The Council has got well established criteria for demonstrating impact, for example, the percentage of Scrutiny recommendations partly or fully accepted by Cabinet. Application of these criteria to a programme that is more closely aligned to the Council's top priorities should enable the Council to evaluate whether scrutiny's activities and resources are now being prioritised in such a way as to have maximum impact. The composition of the forward work programme provides evidence that in terms of planned activity this recommendation has been **largely met**.

To ensure this recommendation is fully met the Council needs to:

- **Conduct an end of year analysis of completion of activity and evaluation of impact to inform future improvement**

Joint response of the Leader and Chief Executive

- **Again it is pleasing to note the view that this recommendation has been largely met and consideration of alignment to Corporate priorities is being included in developing the 2016/17 programme.**

Recommendation 4: The Council could consider reducing the time that Cabinet has to respond to scrutiny recommendations (currently 3 months).

This recommendation arose from concern that the time given to Cabinet to respond was one of the barriers to speeding up decision making.

It was agreed at Council on 25 June that the response time would be reduced to two months. This reduction in response time has had an impact on the scrutiny forward look with responses now being programmed in for two cycles ahead to ensure compliance with the two months deadline.

The reduction in time allowed for a response means that the letter of this recommendation has been **fully met**. However, the clear intention is for the response time to no longer be a barrier to the speed of decision making. This will only happen if there is compliance with the requirement.

To ensure that the intention of this recommendation is fully met the Council needs to:

- **Monitor and report on compliance with the newly agreed timescales on a regular basis and take action to deal with non-compliance**

Joint response of the Leader and Chief Executive

- **This recommendation has been fully met and compliance with new timescales will be monitored**

Progress against WAO Proposal for Improvement

The WAO Annual Improvement Report: 2014 – 15 incorporating the Corporate Assessment Report 2014, published in May 2015 made one Proposal for Improvement regarding the Council's governance arrangements and this section of the report describes and evaluates the Council's progress in addressing that proposal.

Proposal for Improvement P2: Ensure records of delegated decisions by officers are accurately recorded.

This Proposal for Improvement stems from the following observation within the report:

'The Council does not have a corporate record or publish records of executive decisions delegated to officers. There is a section on the Council's website that indicates it includes a list of such decisions taken by officers, however this has not been published, a search of the 'decisions taken' shows no results, and could lead to a conclusion that no decisions have been taken. This arrangement thus lacks the intended transparency and should the Council decide to increase levels of delegation the recording and publication of decisions will have greater importance'

It is important to note that that the only reason this was raised was because it appeared on the Council website with nothing published against it.

The Scheme of Delegations are included in the council's Constitution (Appendix 3 to this report). Clarification was required from the WAO on which decisions should be recorded, as clearly not all decisions need to be a matter of public record. It was also important to establish agreement with the WAO on a mechanism for determining recording that would not do anything to slow down the pace of decision making.

The advice from the WAO was that the determination of which officer delegated decisions to record should be left to the Cabinet Member and relevant officer with agreement from the WAO that they are prepared to commit this advice to writing. This approach should be combined with the establishment of a financial threshold to provide consistency whilst still allowing Cabinet members the flexibility to ensure that a decision that may not be that significant in financial terms but is politically very sensitive is recorded. Arriving at this agreed mechanism for recording with the WAO means that this Proposal is **partly met**.

To ensure this Proposal is fully met the Council needs to:

- **Establish financial thresholds for recording of decisions**
- **Ensure that relevant officers and Cabinet members are aware of and understand the approach to be adopted**
- **Implement the approach through populating the appropriate section of the Council's website.**

An alternative approach for the Council to consider is to upload delegated Chief Officer decisions on to Modern.gov. These decision-reports should be uploaded within agreed timescales ie. within x days of the decision being made. A number of authorities for example, Cardiff and Torfaen report decisions in this way. To see Cardiff's approach follow this link:

<http://cardiff.moderngov.co.uk/mgListOfficerDecisions.aspx?bcr=1&BAM=1>

Joint response of the Leader and Chief Executive

- The requirement to record Officer delegated decisions is acknowledged and proposals as to how best to achieve this using either of the options set out above will be explored.

Progress against other Governance issues that have been raised:

In addition to the formal recommendations of the Peer review report and the WAO Corporate Assessment Proposal for Improvement, a number of other issues have been raised that the Council is keen to address.

Focus of Internal Audit

‘The Council should ensure its internal audit activity is focused on ‘higher risk’ policies and practices so that resources are being used to best effect. ‘ (WLGa Peer Review)

There is acceptance that there has been a historical over concentration on core systems audits at the expense of a more risk based approach. To some extent the evolution of this approach has been external regulator driven and is now being addressed by moving from an annual schedule of core audits to a bi-annual approach.

The Audit Plan is now partly risk based but there is an acknowledged need to progress this further and to both raise the profile of internal audit and to move the emphasis towards ‘added value’ audits that focus more on efficiency and outcomes and therefore enable internal audit to demonstrate how it makes a corporate contribution.

The progress to date suggests that some progress has been made in addressing this issue but there is still some way to go. Going forward there is a clear role for the Audit Committee in agreeing the workplan for Internal Audit, monitoring its implementation and evaluating its contribution based on the approach set out below.

To fully address this issue the Council needs to:

- **Develop criteria to measure the ‘added value’ being provided by Internal Audit as a means of demonstrating its corporate contribution**
- **Use the criteria to evaluate this contribution and inform future plans**

Joint response of the Leader and Chief Executive

- **This is task that the audit committee may wish to undertake with advice from the Chief Internal Auditor with facilitation from external auditors as required.**

Programme Management:

The Peer review raised concerns over what it considered to be an over-engineered approach to programme management that was illustrative of a perceived risk-averse culture and contributing to slow decision making.

The Council is aware of this issue and is taking steps to address it. One response is an attempt to limit an over reliance on templates – a process described as ‘death by template’. However, this is recognised as being part of a wider cultural issue that needs to be addressed. There is a tendency

for, and historical tradition of, staff retreating into the completion of templates rather than engaging with colleagues to try to arrive at a decision. This is symptomatic of the difficulty of encouraging speedy decision making through peer decision making in an entrenched risk-averse culture. Instead decisions are deferred and escalation becomes the default response, resulting in delayed decision making.

The Council is also responding to the Peer Review suggestion of establishing a 'Gateway Scheme' to assess the viability of major projects. Gateway reviews have been used in the past but they were not effectively implemented and this resulted in them getting a bad name. They are now being re-launched on a selective basis depending upon business assurance levels. This approach is being piloted for five to six months prior to an evaluative review to inform a wider launch in March 2016.

The above demonstrates that the Council is aware of this issue and is taking steps to address it while at the same time recognising that it is symptomatic of a wider cultural issue of risk aversion referred to later in this report.

Delegation arrangements:

To speed up decision making the Peer Review encouraged the Council to '*review its delegation arrangements to ensure that decision-making responsibility rests at the most appropriate level and ensure the powers are being used to the full.*'

This has been addressed and a revised scheme of delegation was approved by Council on 27 August 2015. The revised Scheme of Delegation is included as Appendix 3 to this report and the main changes can be summarised as:

- The delegation of authority to individual Cabinet members
- Formal delegation to the Deputy Leader
- Regularisation of the role of Cabinet Advisory Committees
- Establishment of the role and remit of Executive Support Members (Deputy Cabinet Members)
- More clarification around limits on delegation to both members and officers

Risk-averse culture:

The Peer Review identified an embedded risk-averse culture as a major factor in slowing down decision making.

This has been touched upon in the section on programme management with recognition that it is an organisation wide phenomenon that is the most intractable issue facing the Council when it comes to the speed of decision making. It is relatively straightforward to identify changes to procedural arrangements that will help to speed up decision making, and recognise that a blame free culture needs to be created to reduce risk-aversion. . The key building blocks to creating that culture would appear to be that there is individual and collective leadership by example, good professional working relationships between officers and members based on mutual trust and early engagement of members in decision making.

It is a statement of the obvious that the key to the creation of a less risk aware culture lies in the behaviours of managers in encouraging managed risk taking in a no blame environment. To some

extent an environment that supports quicker decision making through discouraging the tendency to push decisions 'up' to more senior colleagues will be created by default through a process of delayering that leads to greater empowerment at lower levels. However it must be recognised that empowerment at lower levels will only speed up decision making and reduce risk aversion if it is accompanied by a clear understanding and respect for respective roles and responsibilities. In the absence of this understanding and respect risk aversion could become further embedded.

Another avenue to promote managed risk taking is through the personal appraisal process both formal and informal where escalation can be challenged and decision making supported.

The Council's Innovation Programme can also help to create the conditions to encourage decision making and risk taking, by providing opportunities for people to try different approaches in an environment without fear of failure. The approach to innovation needs to address the challenge of how a Council that is perceived as risk-averse and compliance focused can better respond to a changing external environment and become more responsive to citizen needs.

It is essential that the approach to innovation is fully understood by all members and staff and is not allowed to be regarded as a 'trendy fad' or an easy option for those not fully committed to the concept. The external environment demands change based on a focus on improved outcomes for local citizens and a willingness to learn from elsewhere.

Audit Committee:

This is an issue that has been raised in the course of this review

The work of the Committee is currently narrowly financially focused and consequently imbalanced over the course of the year. The Committee currently operates on a fixed cycle of meetings throughout the year that results in the Committee being overstretched for the first six months of the financial year, with agendas that are too big to allow members to give individual items sufficient attention, and the second six months seeing the Committee with a much reduced workload reflected in sparse agendas. In addition to these concerns there is recognition that the Committee needs to be considering more 'meaty items' that contribute more to the corporate agenda rather than become bogged down in comparatively low level issues such as school audit recommendations.

The Audit Committee may wish to review its approach in light of proposals in the recently published Draft Local Government (Wales) Bill which, although unlikely to be legislated for some time, provides an indication of Welsh Government's expectations for the Committee's role in terms of broader governance in the future.

To address the issues of scope, balance and contribution the Council should consider:

- **Producing an annual forward work programme for the Audit Committee that incorporates a flexible approach to meeting cycles with more programmed in the first six months and fewer in the second six months**
- **Expanding the remit of the Committee to include, for example, oversight of the Council's response to external regulator/peer review recommendations as a significant agenda item for the second six months**

Joint response of the Leader and Chief Executive

- **Again this is largely a matter for the Audit Committee to consider with input from the Chief Internal Auditor.**

Annual Governance Statement:

This is another issue that has been raised in the course of this review

The Annual Governance Statement (AGS) is currently put together by one individual as an end of year one-off event. This approach leads to a repetitive format that is onerous for the individual concerned, does little to promote wider understanding and ownership of the document and ensures that it is retrospective rather than live.

To address these concerns the Council needs to consider:

- **Broadening contribution to the AGS by convening a representative group from across the organisation to meet quarterly to keep the AGS under review**
- **Producing a more succinct document that contains hyperlinks to the relevant evidential documents.**

Joint response of the Leader and Chief Executive

- **The Council's Chief Internal Auditor will be asked to co-ordinate action as outlined above in order to make the document more inclusive and to ensure it reflects the most up-to-date position across the Council.**

Scrutiny/Democratic Services Review:

At the same time as this review was being undertaken the Head of Democratic Services and the Scrutiny Manager were compiling an options report for future delivery of the Democratic Services and Scrutiny functions. This report was taken to Executive Board seeking views on 9 September 2015.

The rationale for the exercise was to identify possible ways to meet savings targets and address a perceived imbalance in workloads, while maintaining effective and efficient Democratic Services and Scrutiny functions. The report outlines four options ranging from status quo to full merger of the functions, although both of these are effectively discounted as a way forward. The preferred option covers both the short term and the long term (although no timespan is attached to these descriptors). The favoured approach for the short term would go some way towards addressing the issue of imbalance and as such would potentially offer greater efficiency in terms of delivering a better overall level of support from existing resources, but it is unclear how it would deliver savings per se.

The current arrangements, while not unique in Wales, are only found in two other councils and it is questionable whether they reflect the spirit of the Local Government (Wales) Measure 2011 (the Measure). That said, the Draft Local Government (Wales) Bill proposes amending the statutory responsibilities for Heads of Democratic Services which would be in keeping with the Council's current approach. The Options Paper of 15 September produced for Executive Board intimates that whether or not there is a wholesale restructuring, further communication and joint working between the Democratic Services and Scrutiny Teams is necessary to support increasing committee workload and to support members' needs.

Depending on the Executive Board's determinations, the options paper should be considered by the Democratic Services Committee to ensure member views are taken on board and (if necessary) for any decision (as per the statutory duties and functions of the Committee and its relationship with the Head of Democratic Services, as per the Measure) on the preferred way forward with this decision then being taken to full Council for any budget approval if appropriate.

Rod Alcott

14th December 2015

Appendix 1:

CITY AND COUNTY OF SWANSEA

MEMBER LED – KEY PRINCIPLES

The City and County of Swansea is committed to improving outcomes for residents, providing leadership for the City and supporting employees to achieve this

Being a Member Led Council is central to this aim

Member Led in Swansea means:

1. Being the voice of the community in the Council and the voice of the Council in the community
2. Setting the overall Strategy and Policies for the Council
3. Ensuring clarity of roles and accountability of Cabinet and Cabinet Members, but taking collective responsibility for our decisions
4. Providing a full and valuable role for all Members of the Council in policy development and decision making
5. Working in partnership with Officers, so we are clear about expectations and can provide support to achieve our shared aims
6. Setting a clear policy and performance framework within which Officers are empowered to deliver
7. Having the right advice from the right Officers before we make decisions
8. Ensuring we have a culture of openness, trust and understanding
9. Promoting and exhibiting the highest standards of probity and good governance

To do this Members and Officers will work together to ensure that:

- There is clarity about political aspirations and outcomes
- There is Political input at the earliest opportunity
- There is good two way communication and “no surprises”
- Policies are updated to reflect the current political & financial position
- Respective roles and responsibilities for decisions are clear
- Officer advice is complete, clear, timely – and heard
- Officers are politically aware and work innovatively to achieve outcomes
- We are able to respond to residents’ issues in a timely way
- We have regular, structured dialogue about policy, performance and key issues
- We understand and respect each other’s roles, duties and pressures
- We adopt an inclusive approach, consulting and involving the right people at an early stage

Appendix 2: Cabinet Advisory Committee - Terms of Reference

1. To advise the relevant Cabinet Member as appropriate on matters relating to the Policy Commitments adopted by Council within any portfolio.
2. To advise and support the work of the Cabinet and the Council as a whole advising the relevant Cabinet Member on potential changes to Policy and the delivery of major service change and alignment with the direction in Sustainable Swansea - Fit for the Future.

Notes:

- i) Cabinet Advisory Committees are NOT decision making bodies.
- ii) Cabinet Advisory Committees shall NOT be chaired by a Cabinet Member.
- iii) Cabinet Advisory Committees may co-opt others on to the Committee either for a topic or for a term if the Committee consider that will assist their advisory role.
- iv) Cabinet Advisory Committees may convene joint meetings between them as is, in the view of each Committee, necessary so as to best coordinate their work and inform their deliberations.
- v) Cabinet Advisory Committees shall adopt methods of working which, in the discretion of the Chair, will best inform their advisory role. Those methods of working shall include, but are not limited to, holding enquiries, going on site visits, conducting public surveys, holding public meetings, commissioning research, hearing from witnesses and appointing advisors and assessors.
- vi) Cabinet Advisory Committees will be attended by relevant Officers in their role of supporting the Cabinet Member in their presentation of papers to Committee in order to emphasise the Cabinet Member's lead role.

Appendix 3: Scheme of Delegation

INTRODUCTION – SCHEME OF DELEGATION

Form and Composition of the Executive Arrangements

- 1.1.1 The Council operates a Leader and Cabinet Executive Model. In this Council the Executive is referred to as the Cabinet. The following is a summary of the Executive arrangements. The proceedings for Cabinet which include appointment of the Leader and Cabinet are set out Article 7 and the Cabinet Procedure Rules.
- 1.1.2 The Cabinet consists of the Leader of the Council (the “Leader”) and nine other Councillors appointed to the Cabinet by the Leader.
- 1.1.3 The Leader will appoint a Deputy Leader who will act as Leader in the Leader’s absence and may also if s/he thinks fit remove the Deputy Leader from office at any time. In these circumstances the Leader shall inform the Monitoring Officer immediately. The Deputy Leader may exercise all of the functions of the Leader where the position is vacant or where the Leader is absent or otherwise unable to act.

1.2 Executive Support Members

- 1.2.1 As Executive Support Members these members will also be Chair of the relevant Cabinet Advisory Committee (CAC) (subject to the CAC itself electing them as Chair). Subject to the limitations set out below, these members may also be referred to as Deputy Cabinet Members.
- 1.2.2 Executive Support Members will not be a member of the Cabinet and will not participate in Executive Decision making, but may work closely with a Cabinet Member and to a portfolio set for them by the Leader or Cabinet Member.
- 1.2.3 S/he will not take part in any Scrutiny activity in relation to the specific responsibilities of the Cabinet Member s/he is assisting or any other areas to which they are assigned.
- 1.2.4 An Executive Support Member may support the Cabinet Member through the delegation of tasks as agreed for his/her area of responsibility, including:
- i) attending/chairing meetings
 - ii) speaking/opening events
 - iii) reading and commenting on papers
 - iv) meeting Officers
 - v) agreeing press releases./comments and carrying out interviews
 - vi) representing the Council on appropriate groups
 - vii) Introducing reports as subject matter experts in Cabinet meetings
 - viii) Attendance at Scrutiny meetings to provide subject matter expertise relating to their area of responsibility
- 1.2.5 An Executive Support Member will not have delegated powers and ultimate responsibility will remain with the Cabinet Member.

1.2.6 Executive Support Members will not be entitled to speak to a report or take part in a debate at Cabinet meetings but may be invited by the Leader to provide subject matter expertise in relation to a policy or the specific responsibilities of the Cabinet Member s/he is assisting or any other areas to which they are assigned.

1.2.7 Executive Support Members will not be entitled to vote at Cabinet meetings or Cabinet Committee meetings nor deputise for the Cabinet Member when the Cabinet Member is called to appear at Scrutiny Committee though there is nothing preventing the Executive Support Member attending Scrutiny in their own right to provide evidence relating to the work they are undertaking subject to the principle that the Cabinet Member will always retain ultimate responsibility.

1.3 Exercise of Council Functions

1.3.1 The Cabinet is appointed to carry out all of the Council's functions which are not the responsibility of any other part of the Council, whether by Law or under this Constitution.

1.3.2 The exercise of all Executive functions shall be and shall be deemed to be exercised on behalf of and in the name of the Council of the City and County of Swansea.

1.3.3 There are certain functions which may only be carried out by Council and which are stipulated in the Local Authorities Executive Arrangements (Functions and Responsibilities) (Wales) Regulations 2007 (as amended). These, together with a record of who has delegated authority to deal with them are set out in the tables below.

1.3.4 There are also functions informally called Local Choice Functions which Cabinet may opt to discharge itself or may ask another part of the Council to carry out. The Local Choice Functions and any associated delegations are set out below.

1.3.5 There are also certain plans and strategies which are not to be the sole responsibility of Cabinet and these are contained in Article 4 of this Constitution.

1.4 Responsibility for and Delegation of Cabinet Functions

1.4.1 The Leader may exercise Executive Functions himself/herself or may otherwise make arrangements to delegate responsibility for their discharge. The Leader may delegate Executive Functions to:

- i) The Cabinet as a whole;
- ii) A Committee of the Cabinet (comprising executive Members only);
- iii) An individual Cabinet Member;
- iv) A joint committee;
- v) Another local authority or the executive of another local authority;
- vi) Delegated Officers identified in Article 12 and Part 7 of this Constitution

1.4.2 The exercise of all delegated authority for functions shall include doing anything which is necessarily incidental to the exercise of that function unless they are expressly limited.

- 1.4.3 The Leader will determine the portfolios of individual Members of the Cabinet. Individual Cabinet Members are authorised to exercise functions in relation to their portfolio subject to limitations. The current portfolios are set out in the Terms of Reference below.
- 1.4.4 The Leader has powers under s.15(4) of the Local Government Act 2000 to discharge personally or to arrange for discharge under others' delegated powers any Executive functions not covered by the Scheme of Delegations for the time being.
- 1.4.5 The Leader has authority to appoint representatives of the Council onto outside bodies where those outside bodies relate to Executive Functions of the Council. This is subject to the provisions of the Local Government and Housing Act 1989 (Duty to allocate seats to political groups).
- 1.4.6 The right to revoke the delegation of Executive functions in whole, in part or on terms is reserved to the Leader.

1.5. Sub-Delegation of Executive Functions

- 1.5.1 Where the Cabinet, a Committee of the Cabinet or an individual Member of the Cabinet is responsible for an Executive Function, they may delegate further to joint arrangements or an Officer.
- 1.5.2 Unless the Leader directs otherwise, a Committee of the Cabinet to whom functions have been delegated by the Leader or Cabinet may delegate further to an Officer.
- 1.5.3 Where Executive Functions have been delegated, that fact does not prevent the discharge of delegated functions by the person or body who delegated.

1.6. Limit on Exercise of Executive Functions

1.6.1 Individual Cabinet Members

Where any delegated power is allocated to an individual Cabinet Member and that Member is absent or otherwise unable to act the power is allocated to the Leader and in the Leader's absence to the Deputy Leader.

- 1.6.1.1 Any delegated power includes the authority to undertake any action incidental to the application of the delegated power.
- 1.6.1.2 Subject to the following prescriptive provisions, individual Cabinet Member may exercise their delegated powers to make decisions on any matters falling within the Cabinet Member's portfolio (other than decisions which are contrary to the Policy Framework or contrary to or not wholly in accordance with the approved Budget) which, if delayed, would seriously prejudice the Council's or the public's interests.

- 1.6.1.3 In respect of any contract having an estimated value exceeding £1,000,000 but not exceeding £5,000,000:
- a) To authorise the invitation of tenders; and
 - b) To accept a tender other than the lowest tender received where payment is to be made by the Council, or other than the highest tender received where payment is to be received by the Council where there are special reasons approved by the Section 151 Officer for not accepting the lowest tender or the highest tender as the case may be.
 - c) To authorise invitation of tenders, to accept a tender or enter into a contract in accordance with any exemption under the Council's Contract Procedure Rules.
- 1.6.1.4 In connection with services falling within the Cabinet Member's portfolio to authorise the submission of tenders for the supply of goods, works or services to another local authority or a public body in accordance with the powers conferred upon the Council by the Local Authorities (Goods and Services) Act 1970 where the estimated value of the proposed tender exceeds £1,000,000 but does not exceed £5,000,000.
- 1.6.1.5 To authorise the disposal of surplus goods acquired in connection with services falling within the Cabinet Member's portfolio having an estimated total value exceeding £100,000 but not exceeding £200,000.
- 1.6.1.6 To declare land or buildings utilised in connection with services falling within the Cabinet Member's portfolio surplus to requirements.
- 1.6.1.7 To approve, subject to the budget process:
- i) Fees and charges for new services in accordance with any relevant charging policy approved by the Cabinet; and
 - ii) Increases in existing fees and charges which are in accordance with any relevant charging policy approved by the Cabinet and which are necessary to reflect either inflation or other increases in costs.
- 1.6.1.8 To authorise the appointment of consultants providing a professional service whose fees are estimated to exceed £100,000.

Officer Delegation

- 1.6.2 Responsible Officers can only to exercise delegated authority for functions for which they have budgetary and management or operational or statutory responsibility. Decisions taken under delegated authority will be recorded in the register maintained by the Head of Democratic Services.
- 1.6.2.1 The exercise of functions by Responsible Officers in relation to the acquisition or disposal of property shall be limited as follows:

- a) Acquisition of freehold or leasehold property (where a premium only is payable) up to £250,000;
- b) Acquisition of freehold or leasehold property where a rent is payable – up to £50,000 per annum;
- c) Disposal of freehold property or leasehold property (where a premium only is payable) up to £500,000 or for anything other than best consideration;
- d) Disposal of leasehold property where a rent is payable – up to £50,000 per annum.

1.6.2.2 In cases where the consideration is not straightforward such as involving varying rents or a combination of rental and premium the Chief Operations Officer shall assess the total capital value of the transaction to establish if such value exceeds the limits of this delegation.

1.6.3.3 Subject to any limitations imposed by the Leader, all Responsible Officers may authorise another Officer to exercise their delegated functions provided that the Responsible Officer has line management responsibility for that Officer. In those circumstances it is expected that a written “chain of authority” will be maintained.

1.6.3 General

The exercise of Executive functions by the Leader, Cabinet, individual Cabinet Members or responsible Officers and anyone authorised under this Scheme of Delegation shall be subject to any budgetary or policy framework which has been approved by Council.

1.6.3.1 If a policy or budgetary framework has been approved by Council then it will be the responsibility of the Leader, the Cabinet, individual Cabinet Members and Responsible Officers to implement that policy or budgetary framework and not to do anything in exercising Executive functions which contravenes that policy or budgetary framework.

1.6.3.2 If no policy framework has been approved by Council in circumstances where the Council has a legal duty to have in place a policy framework then those functions cannot be exercised until the Council approves the policy framework.

1.6.3.3 The exercise of all Executive functions are to be exercised in accordance with any Procedure Rules within this Constitution.

1.6.4 Amendments to the Scheme of Delegation

The Leader may amend the scheme of delegation relating to Executive Functions at any time. In doing so the Leader will give written notice to the Monitoring Officer and to the person, body or committee concerned. The notice must set out the extent of the amendment to the scheme of delegation, and whether it entails the withdrawal of delegation from any person, body or committee.

1.6.4.1 The Monitoring Officer will present a report to the next ordinary meeting of the Council setting out the changes made by the Leader.

1.6.4.2 Where the Leader seeks to withdraw delegation from a committee of the Cabinet notice will be deemed to be served on that committee when s/he has served it on its chair.

TERMS OF REFERENCE

Cabinet Portfolios

Adults & Vulnerable People

- 1) Elderly Care;
- 2) Activities to Promote Independence & Health;
- 3) Mental Health;
- 4) Supporting People;
- 5) Learning Disability;
- 6) Joint Equipment;
- 7) Assessment / Care Management;
- 8) Domestic Abuse;
- 9) Integration of Health & Social Care;
- 10) Western Bay;
- 11) Older People's Champion;
- 12) Transforming Adult Social Services (TASS) Programme;
- 13) Drugs / Alcohol;
- 14) Sheltered Housing (Link with Next Generation Services)
- 15) Lead elements of Sustainable Swansea.

Anti-Poverty

- 1) Poverty Strategy;
- 2) Communities First;
- 3) Welfare Rights;
- 4) 3rd Sector;
- 5) Social Inclusion;
- 6) Localised Services;
- 7) Welfare Reform;
- 8) Financial Information;
- 9) Digital Inclusion;
- 10) Food Access/Growing;
- 11) Community Cohesion;
- 12) Community Development;
- 13) Homelessness;
- 14) Neighbourhood Working;
- 15) Lead elements of Sustainable Swansea.

Education

- 1) Inclusion & Learner Support;
- 2) School Improvement;
- 3) Planning & Resources;
- 4) Schools;

- 5) City of Learning;
- 6) Not in Education, Employment or Training (NEETS);
- 7) Education Regional Working (ERW);
- 8) Schools' Organisation & Performance;
- 9) Quality in Education (QEd) Programme;
- 10) Education Charter;
- 11) Lead elements of Sustainable Swansea.

Enterprise, Development & Regeneration

- 1) City Region;
- 2) Economic Development & Investment;
- 3) Tourism & Destination Marketing;
- 4) Planning Policy / Local Development Plan (LDP);
- 5) Adult Learning / Workways;
- 6) City Centre;
- 7) City of Culture;
- 8) Heritage;
- 9) Science City;
- 10) Universities;
- 11) Creative City;
- 12) Suburban Centres;
- 13) Licensing;
- 14) City Deal (Link with Next Generation Services)
- 15) Lead elements in Sustainable Swansea.

Environment & Transport

- 1) Transport Policy;
- 2) Highways & Engineering;
- 3) Waste Management;
- 4) Marina;
- 5) Streetscene;
- 6) Repairs and Capital;
- 7) Sustainable Transport;
- 8) Lead elements of Sustainable Swansea.

Finance & Strategy (Leader)

- 1) Finance Strategy;
- 2) Delivery & Performance;
- 3) Information & Business Change (inc. ICT);
- 4) Strategic Estates & Property;
- 5) Poverty;
- 6) Local Service Board (LSB) / Community Leadership;
- 7) Regional Working / Collaboration;
- 8) Lead elements of Sustainable Swansea.

Next Generation Services

- 1) Council House Management;
- 2) Council House Repairs;
- 3) Housing Policy, Affordable Housing & Housing Options;
- 4) Housing Renewal Schemes;
- 5) Housing Renewals and Adaptations;
- 6) Welsh Housing Quality Standard (WHQS);
- 7) Community Building & Asset Transfer;
- 8) Identify & implement new Commercial Models;
- 9) Deliver income from new Commercial Models;
- 10) Councillors Delegated Budget Schemes;
- 11) Improve Procurement Frameworks;
- 12) Energy Schemes;
- 13) City Deal (Link with Enterprise, Development & Regeneration);
- 14) District Heating Schemes;
- 15) Sheltered Housing (Link with Adults & Vulnerable People)
- 16) School Building Programme - Quality in Education (QEd) 2020;
- 17) Lead elements of Sustainable Swansea.

Services for Children & Young People (Deputy Leader)

- 1) Child & Family Services;
- 2) Play;
- 3) Youth Services & Promoting Youth Inclusion;
- 4) Early Intervention/Prevention;
- 5) Youth Offending Service (Y.O.S.);
- 6) Youth Citizenship;
- 7) Opportunities for Young People;
- 8) United Nations Convention on the Rights of the Child (UNCRC) Champion;
- 9) Not in Education, Employment or Training (NEETS) (Link with Education);
- 10) Regional Adoption Service;
- 11) Children & Young People (CYP) Board;
- 12) Continuum of Care;
- 13) Safe Looking After Children (LAC) Reduction Strategy;
- 14) Flying Start;
- 15) Lead Elements of Sustainable Swansea.

Transformation & Performance

- 1) Communications & Engagement;
- 2) Legal & Democratic;
- 3) Commercial Services;
- 4) Financial Services;
- 5) Human Resources / Organisational Development (HR/OD);
- 6) Customer Contact;
- 7) Scrutiny;
- 8) Risk & Resilience;
- 9) Member Development;
- 10) Sustainable Swansea – Fit for the Future;
- 11) Future Generations;
- 12) Sustainable Development;
- 13) Health & Safety Policy;

- 14) Commissioning Organisation;
- 15) Demand Management Strategy;
- 16) Finance Performance and Budget Cycle.
- 17) Lead elements of Sustainable Swansea.

Wellbeing & Healthy City

- 1) Early Intervention & Prevention;
- 2) Equalities (Access to Services);
- 3) Diversity;
- 4) Public Protection;
- 5) Culture: Sports & Arts;
- 6) Parks;
- 7) Healthy Cities / Greener Cities;
- 8) Community Safety/Safer Swansea Partnership;
- 9) Anti Social Behaviour (ASB);
- 10) Wellbeing;
- 11) Healthy Night Life / Purple Flag
- 12) Healthy City Partnership;
- 13) Houses in Multiple Occupation (HMO);
- 14) Lead elements of Sustainable Swansea.

Certification of Grants and Returns 2013/14 and 2014/15

City & County of Swansea

Audit year: 2013/14 and 2014/15

Issued: May 2016

Document reference: C16118

Status of report

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This document was produced by PricewaterhouseCoopers LLP ('PwC') on behalf of the Appointed Auditor

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Summary

1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work in both 2013/14 and 2014/15 with the aim of certifying individual claims and to answer the question: 'Does the City & County of Swansea (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of both its 2013/14 and 2014/15 grant claims, there is scope for improvement. Our conclusion is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of grants was in place for both financial years; and
 - there is scope to further improve the Authority's arrangements for production of its grant claims.
4. The Authority submitted 80 per cent of its claims to us on time in 2013/14. One claim did not have a specified deadline date. The Authority submitted 82 per cent of its claims to us on time in 2014/15. We confirm that we have certified all of the claims, at a total audit cost of £106,615 (2013/14) and £87,411 (2014/15). Overall, the audits resulted in reduction in the grants and returns claimed of £535,221 by the Authority in respect of 2013/14 and a reduction of £468,642 in respect of 2014/15.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2013/14 and 2014/15 grant claims and returns

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.
- For 2013-14, we certified 30 grants and returns with a total value of £257,227,719.
- For 2014-15, we certified 22 grants and returns with a total value of £352,447,239.
- The Authority has assigned the responsibility for grants to a key officer within the Finance department (Kathryn Boyle) who has continued to work closely with us to ensure that an accurate and up to date schedule of grants and returns was in place.
- We have produced this report so that we can provide feedback to those officers having responsibility for grant management to facilitate the identification of further improvements to the processes in place at the Authority.

Pages 7 - 12

Timely receipt of claims

- For 2013-14, our analysis shows that 80 per cent of grants received during the year were received by the Authority's deadline. One claim did not have a specified deadline per the certification instructions. The remaining 4 claims submitted late for audit had minimal delays (up to one week) in submission.
- For 2014-15, our analysis shows that 82 per cent of grants received during the year were received by the Authority's deadline. The remaining 18 per cent (4 claims) submitted late for audit had minimal delays (up to one week) in submission. The grant co-ordinator should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than two working days. We acknowledge that audit queries that relate to third parties' expenditure are likely to take longer to address. But it is imperative that queries are answered in a timely manner in order for the auditor certification deadline to be met.

Pages 7 - 12

Certification results	<ul style="list-style-type: none"> For 2013-14, we issued unqualified certificates for eight grants and returns and a further ten were amended with no qualification. Qualification, with amendment, was necessary in five cases and a further seven qualifications without amendments. For 2014-15, we issued unqualified certificates for 13 grants and returns and a further three were amended with no qualification. Qualification, with amendment, was necessary in three cases and a further three qualifications without amendments. 	Pages 8 - 12
Audit adjustments	<ul style="list-style-type: none"> For 2013-14, adjustments were necessary to 15 of the Authority's grants and returns as a result of our audit certification work. There was one significant adjustment (i.e. over £10,000) required in relation to NNDR for £527,234. The net adjustment (below 10,000) for the other 14 grants is a reduction of £7,987 in funds payable to the Authority. For five of the grants amended, the amendment required had no impact on the funds payable to the Authority. For 2014-15, adjustments were necessary to six of the Authority's grants and returns as a result of our auditor certification work. There were three grants with significant adjustments (i.e. over £10,000) required in relation to Swansea Joint Venture (Felindre), Housing Benefit Subsidy and Communities First (North West Swansea cluster). The net adjustment for the three grants is a reduction of £458,993 in funds payable to the Authority. The net adjustment (below £10,000) for two grants is a decrease of £9,649 in funds payable to the Authority. For the remaining grant amended, the amendment required had no impact on the funds payable to the Authority. 	Pages 13 - 23
The Authority's arrangements	<ul style="list-style-type: none"> The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas. Extra procedures should be put in place to ensure that individual grant scheme rules, completion requirements and submission deadlines are always adhered to throughout the Authority. 	Pages 24 - 26
Fees	<ul style="list-style-type: none"> Our overall fee for certification of grants and returns for 2013-14 is £106,615. Our overall fee has decreased for 2014-15 with a total fee of £87,411 charged for our auditor certification work. This reflects the reduction in the number of grants audited. 	Pages 27 - 30

Summary of certification work outcomes

5. Detailed on the following pages is a summary of the key outcomes from our certification work on the Authority's 2013/14 and 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
6. A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

Key information for 2013-14

Overall, we certified 30 grants and returns:

- 8 were unqualified with no amendment
- 11 were unqualified but required some amendment to the final figures
- 4 were qualified and required some amendment to the final figures
- 7 were qualified with no amendments.

Key information for 2014-15

Overall, we certified 22 grants and returns:

- 13 were unqualified with no amendment
- 3 were unqualified but required some amendment to the final figures
- 3 were qualified and required some amendment to the final figures
- 3 were qualified with no amendments

Grants and returns: 2013/14

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Pooled Budget – Community Equipment	09/05/2014	09/05/2014	No				
2	Housing Benefit Subsidy	30/04/2014	28/04/2014	No			£3,791	
3	NNDR	30/05/2014	10/06/2014	Yes		(£527,234)		
4	Teachers' Pension Return	30/06/2014	18/07/2014	Yes				
5	HRA Subsidy	30/09/2014	30/09/2014	No			£1	
6	Communities First - North West Swansea	30/07/2014	29/07/2014	No				
7	Communities First - West Swansea	30/07/2014	29/07/2014	No			£619	
8	Communities First - South Swansea	30/07/2014	29/07/2014	No				
9	Communities First - East Swansea	30/07/2014	29/07/2014	No			(£1)	
10	Communities First - North East Swansea	30/07/2014	29/07/2014	No				
11	School Effectiveness & Pupil Deprivation Grant	30/09/2014	30/09/2014	No				
12	Transitional SBIG	30/09/2014	01/09/2014	No			£0	
13	Welsh in Education	30/09/2014	29/09/2014	No			£0	

14	Flying Start - Revenue	30/09/2014	18/09/2014	No			(£8,419)	
15	Flying Start - Capital	30/09/2014	23/09/2014	No				
16	Families First	30/09/2014	18/09/2014	No				
17	Sustainable Waste Management	30/09/2014	25/07/2014	No				
18	Regional Transport Consortia Grant	30/09/2014	23/09/2014	No			£0	
19	Swansea Land Development Joint Venture	30/09/2014	30/09/2014	No				
20	Learning Pathways 14-19	30/09/2014	30/09/2014	No				
21	Social Care Workforce Development Programme	26/09/2014	18/08/2014	No				
22	SRA: Waterfront Centre of Excellence	30/09/2014	30/09/2014	No			£0	
23	Structural Funds: Felindre	21/08/2014	20/08/2014	No				
24	Structural Funds: Quadrant - Final	12/05/2014	22/05/2014	Yes				
25	Structural Funds: Coastal - Final	21/01/2015	02/03/2015	Yes			(£648)	
26	Structural Funds: Waterfront City	21/11/2014	21/11/2014	No			(£3,318)	
27	Structural Funds: Regional Essential Skills - Final	26/09/2014	26/09/2014	No			(£3)	

28	Communities 2.0	No deadline stated on CI	03/03/2015	n/a			(£9)	
29	Free Concessionary Travel	30/09/2014	28/10/2014	Yes				
30	21st Century Schools	30/09/2014	01/09/2014	No			£0	
Total							(£527,234)	(£7,987)

Grants and returns: 2014/15

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
31	Pooled Budget – Community Equipment	01/05/2015	27/05/2015	Yes				
32	Housing Benefit Subsidy	30/04/2015	29/04/2015	No		(£11,409)		
33	Teachers' Pension Return	29/05/2015	02/06/2015	Yes				
34	Communities First – North West Swansea	31/07/2015	29/07/2015	No		(10,584)		
35	Communities First – West Swansea	31/07/2015	29/07/2015	No				
36	Communities First – South Swansea	31/07/2015	29/07/2015	No				
37	Communities First – East Swansea	31/07/2015	29/07/2015	No				
38	Communities First – North East Swansea	31/07/2015	29/07/2015	No				
39	HRA Subsidy	30/09/2015	29/05/2015	No			(£6,450)	
40	21 st Century Schools	30/09/2015	25/09/2015	No				
41	Flying Start Revenue	30/09/2015	29/09/2015	No				
42	Flying Start Capital	30/09/2015	29/09/2015	No				
43	Families First	30/09/2015	09/09/2015	No				

44	Sustainable Waste Management	30/09/2015	29/09/2015	No				
45	Local Transport Grant	30/09/2015	23/09/2015	No			£0	
46	Free Concessionary Travel	30/09/2015	09/10/2015	Yes				
47	Swansea Joint Venture – Land Development	30/09/2015	25/09/2015	No				
48	Swansea Joint Venture – Felindre	30/09/2015	25/09/2015	No		(£437,000)		
49	Social Care Workforce Development Programme	25/09/2015	25/09/2015	No				
50	Structural Funds: Waterfront City (Final)	21/07/2015	23/07/2015	Yes			(£3,199)	
51	Structural Funds: Felindre (Final)	21/08/2015	18/08/2015	No				
52	NNDR	29/05/2015	01/05/2015	No				
	Total					(£458,993)	(£9,649)	

7. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 8 to 11.

Ref	Summary observations	Amendment
2	<p>Housing Benefit Subsidy</p> <p>A number of amendments were identified during the course of our certification of this claim. We have identified these in detail in the letter accompanying the certified claim.</p>	£3,791
3	<p>NNDR</p> <p>Three amendments were required to the claim form (1) deferred payments had been deducted from line 2 rather than line 1, (2) amendment to line 2 to reflect deferred payments error hence showing the payment rather than the movement in deferred payments and (3) not all losses in collection had been included on line 25. The impact of these amendments was a reduction in the contribution to the pool. (Recommendation 1)</p>	(£527,234)
5	<p>HRA Subsidy</p> <p>Two amendments were required to the claim form (1) decrease of £12 to cell 0320 as the incorrect amount of capital receipts had been included in the calculation and (2) an increase of £262,516 to cell 0445 as the calculation used did not comply with the notes for completion. Due to the calculations required in the return, the impact of these amendments was an increase in subsidy of £1. (Recommendation 1)</p>	£1
6	<p>Communities First - North West Swansea</p> <p>A qualification point was raised regarding the award for Community Involvement Budget for the Cluster. A virement into the budget line has increased the award above the permitted maximum (£25,000). No confirmation had been received from the Welsh Government that this change to the budget line is acceptable. (Recommendation 3)</p>	-

Ref	Summary observations	Amendment
7	<p>Communities First - West Swansea</p> <p>An amendment of £2,314 was required to salaries due to incorrect calculations for maternity pay. The impact of this amendment was an increase in the amount payable by the Authority to WG of £618.85. (Recommendation 1)</p>	£619
8	<p>Communities First - South Swansea</p> <p>A qualification point was raised regarding the award for Community Involvement Budget for the Cluster. A virement into the budget line has increased the award above the permitted maximum (£25,000). No confirmation had been received from the Welsh Government that this change to the budget line is acceptable. (Recommendation 3)</p>	-
9	<p>Communities First - East Swansea</p> <ul style="list-style-type: none"> Amendments were required to four of the category lines as the entries included by the Authority did not reconcile to the tracker documents as issued by the WG. The lines impacted were Bonymaen Family Centre Posts, Premises costs, Community Involvement Plan and Cluster Delivery Plan Activities. (Recommendation 1) A qualification point was raised regarding the award for Community Involvement Budget for the Cluster. A virement into the budget line has increased the award above the permitted maximum (£25,000). No confirmation had been received from the Welsh Government that this change to the budget line is acceptable. (Recommendation 3) 	(£1)
10	<p>Communities First - North East Swansea</p> <p>A qualification point was raised regarding the award for Community Involvement Budget for the Cluster. A virement into the budget line has increased the award above the permitted maximum (£25,000). No confirmation had been received from the Welsh Government that this change to the budget line is acceptable. (Recommendation 3)</p>	-

Ref	Summary observations	Amendment
11	<p>School Effectiveness (SEG) and Pupil Deprivation Grant (PDG)</p> <ul style="list-style-type: none"> A qualification point was raised regarding the reconciliation of the ledger codes and the claim form. The Authority was unable to reconcile the codes to the supporting working papers used to populate the claim form. (Recommendation 1) A qualification point was raised regarding the delegation of SEG expenditure to schools. Supporting documentation was available for £2,025,999 of the total delegated. The Authority did not provide any information for the remaining £302,151 of this delegated expenditure therefore we were unable to confirm, for these transactions, that the grant has been used for the purposes for which it was awarded. (Recommendation 2). A qualification point was raised regarding the submission of expenditure plans, by schools, for the Pupil Deprivation Grant. The spend plans are reviewed by the School Improvement Officer to ensure that planned expenditure is in line with the terms and conditions of the grant. There is no requirement imposed by the Authority for schools to provide certified returns detailing what the grant has been spent on and, therefore, no confirmation that the grant has been used for the purposes for which it was awarded. (Recommendation 2) Testing of prime documents included a sample of 10 transactions relating to SEG and 10 to PDG. The Authority was unable to provide supporting documentation for six of the transactions within the SEG sample and for any of the transactions within the PDG sample. (Recommendation 2) 	-
12	<p>Transitional SBIG</p> <p>An amendment was required to show the actual expenditure incurred for Morriston Comprehensive School. The amendment had no impact on entitlement. (Recommendation 1)</p>	-

Ref	Summary observations	Amendment
13	<p>Welsh in Education</p> <ul style="list-style-type: none"> An amendment was required to the administration costs disclosed as they did not equate to 4% of the approved allocation as per the completion guidelines for the claim form. The amendment had no impact on the grant entitlement. (Recommendation 1) Two qualification points were raised regarding (1) the availability of further supporting documentation for the school claim forms to confirm eligibility of costs; and (2) the inclusion of eligible expenditure costs which relate to waste disposal recharges (£394). (Recommendation 2) 	-
14	<p>Flying Start – Revenue</p> <ul style="list-style-type: none"> An amendment was required to remove ineligible contract costs (child care) relating to Clase Primary School. (Recommendation 2) Two qualification points were raised regarding (1) supporting documentation for the apportionment of time based on hours charged to confirm whether the staff costs were charged on a fair basis and (2) confirmation of approval for any significant changes to budget or virements. Two changes were noted relating to staff costs (Early Language Development) and running costs (overheads and support services). The Authority confirmed that verbal approval received from the WG regarding a total £191k underspend. However, no written confirmation of this change was provided. (Recommendation 1 & 3) 	(£8,419)
18	<p>Regional Transport Consortia Grant</p> <p>An amendment was required to column B to cap eligible expenditure to the grant received and an amendment was required to column C as the total included for grant received did not reconcile to the total of the remittance. The amendment had no impact on the funding received. (Recommendation 1)</p>	-

Ref	Summary observations	Amendment
19	<p>Swansea Land Development Joint Venture</p> <ul style="list-style-type: none"> A qualification point was raised regarding the inclusion of an audit fee (£2,358.50) as eligible expenditure. Whilst correctly claimed, the cost has been incorrectly classified as capital expenditure rather than revenue expenditure (Recommendation 1) A qualification point was raised regarding the payroll costs for two members of staff from the Estates department (£41,353) included as eligible expenditure. We have been able to confirm the calculation of the hourly rate applied to payroll records for the two individuals. However, the Authority was unable to provide timesheets to support the hours charged to the Joint Venture scheme (Recommendation 2) A qualification point was raised regarding payroll costs for staff from the Legal department (£1,392) included as eligible expenditure. The Authority was unable to provide supporting documentation for the calculation of the hourly rate applied nor authorised timesheets for the hours that had been allocated to the Joint Venture scheme (Recommendation 2) A qualification point was raised regarding maintenance costs (£33,390.08) incurred by the Culture and Tourism Parks Service included as eligible expenditure. The Authority was unable to provide appropriate evidence to support the calculation of the maintenance costs that have been applied to the scheme; however, the Authority could provide signed confirmation that the eligible works had been completed. (Recommendation 2) 	-

Ref	Summary observations	Amendment
20	<p>Learning Pathways 14-19</p> <ul style="list-style-type: none"> A qualification point was raised regarding an award to Ysgol Gyfun Gwyr of £26,000 included as eligible expenditure. This amount was awarded to the school in two tranches, with the second tranche to be subject to the receipt of a quality monitoring report. The Authority was unable to provide evidence that this report had been received. (Recommendation 2). Further, an award to Ysgol Gyfun Gwyr of £8,500 has been included as eligible expenditure and relates to the staff costs associated with the provision of Applied Health & Social Care A-level. The staff costs relate to one individual. However, the calculation for two of the months related to payroll costs from 2012 rather from the 2013/14 financial year. The Authority was unable to provide evidence to confirm that the individual was assigned to teach the subject for which the grant had been awarded. (Recommendation 1 & 2) A qualification point was raised regarding two items of expenditure relating to Gowerton Comprehensive School. The expenditure relates to the payment of salary costs for 'Post 16 Personal Guidance and Support' (£4,093.93) and an award of £15,000 in relation to Public Services KS4. At the date of the certification of this grant claim form, the Authority had been unable to obtain appropriate supporting documentation from the school for the amounts claimed. (Recommendation 2) A qualification point was raised regarding apportionments. Salary costs of (£33,961) relating to the responsible accountant at the Authority have been included as eligible expenditure. This amount represents 20% of the salary costs as the Authority has assessed that one day per week is spent the grant claim. The Authority was unable to provide evidence to support this basis of apportionment (Recommendation 1) 	-
21	<p>Social Care Workforce Development Programme</p> <ul style="list-style-type: none"> A qualification point was raised regarding one item of expenditure (£150) where supporting documentation was a credit card payment and not an invoice. (Recommendation 1) A qualification point was raised regarding hotel costs of £6,158 which were claimed for attendance at a course, which took place in April 2014, which is outside of the claim period. (Recommendation 1) 	-

Ref	Summary observations	Amendment
22	SRA: Waterfront Centre of Excellence An amendment to claim form to reflect the correct grant that has been awarded for this scheme. (Recommendation 1)	-
25	Structural Funds: Coastal – Final <ul style="list-style-type: none"> An amendment was required relating to a duplicate payment within the sub category of administration in the claim. (Recommendation 2) A qualification point was raised regarding staff costs incurred on the project by members of Authority staff (£23,157.42). We were able to confirm the amounts claimed to the Authority's payroll system without exception. However, we were unable to confirm the amounts to further source documentation as required by the certification instruction EUR01. The Authority did not provide the summary BACS reports, for the month reviewed, and the supporting bank statements by the certification deadline. (Recommendation 2) 	(£648)
26	Structural Funds: Waterfront City An amendment was required relating to one transaction. The amount included in the transaction listing was £5k compared with the value of the invoice of £1,748. The Authority has over-claimed by £3,252. Given this over-claim, there is an impact on the indirect costs included in the claim reducing the amount of overheads claimed by £66. (Recommendation 2)	(£3,318)
27	Structural Funds: Regional Essential Skills – Final The water rates apportionment had been calculated using an approved methodology but an error in the April 2013 calculation was made. (Recommendation 1)	(£3)
28	Communities 2.0 Testing of staff travel and expense claims which supported the amounts included in the grant claim identified three transactions where the VAT had been incorrectly included in the claim (Recommendation 2)	(£9)

Ref	Summary observations	Amendment
30	<p>21st Century Schools</p> <ul style="list-style-type: none"> An amendment was required to the claim form to reflect actual expenditure incurred on Newton & Glyncollen Primary School. The amendment had no impact on entitlement. (Recommendation 1) A qualification point was raised due to lack of supporting documentation available when completing testing of prime documents relating to DLO charges, expenditure on planning application fee and timesheets to support caretaker costs incurred. (Recommendation 2) 	-
32	<p>Housing Benefit Subsidy</p> <p>A number of amendments were identified during the course of our certification of this claim. We have identified these in detail in the letter accompanying the certified claim.</p>	(£11,409)
34	<p>Communities First - North West Swansea</p> <ul style="list-style-type: none"> Amendments were required to reconcile entries to working papers (1) Decrease of £12,899 to salaries; and (2) increase of £14.12 to Spark Posts so reconcile to working papers. (Recommendation 1) An amendment was required to correct the calculation in balance owed/due column for TWH projects (Recommendation 1) 	(£10,584)
35	<p>Communities First – West Swansea</p> <p>A qualification point was raised regarding the tracker document received from Welsh Government which stated that the virements included on the claim form were not correct. Our audit work on these amounts has confirmed the amounts and sub categories to the approval forms sent to by the Authority to the WG and the subsequent confirmation received. (Recommendation 1)</p>	-

Ref	Summary observations	Amendment
36	<p>Communities First - South Swansea</p> <p>A qualification point was raised regarding the tracker document received from Welsh Government which stated that the virements included on the claim form were not correct. Our audit work on these amounts has confirmed the amounts and sub categories to the approval forms sent to by the Authority to the WG and the subsequent confirmation received. (Recommendation 1)</p>	-
39	<p>HRA Subsidy</p> <p>Two amendments were required to the claim form. (1) decrease of £12 in cell 0240 due to a difference noted in cell 0320 on HRAS 13/14 from the prior period; and (2) decrease of £1,305,878 in cell 0445 as the calculation of the capital financing requirements was not in line with issued guidance. The overall impact on the subsidy of these amendments was a decrease in entitlement of £6,450 (Recommendation 1)</p>	(£6,450)
45	<p>Local Transport Grant</p> <ul style="list-style-type: none"> A qualification point was raised regarding the expenditure on the claim form relating to the Morfa Distributor Road. The amount does not relate to 2014/15. A balance of £1,203.93 relates to 2013/14 and a balance of £57,287.47 relates to 2015/16. The authority has not amended the grant claim form for these amounts. The latter amount has been recognised as payment in advance met by unused allocation from 2014/15. If this cost is not included within the 2014/15 claim it will be included within the 2015/16 claim. (Recommendation 1) A qualification point was raised regarding the expenditure on the claim form relating to the Urban Cycle Network. The amount does not relate to 2014/15. A balance of £4,925.47 relates to 2013/14. The authority has not amended the grant claim form for this amount. (Recommendation 1) A qualification point was raised regarding agreement to authority working papers / records. The claim includes expenditure of £10,135.35 less than that recorded on the ledger This amount relates to internal salary charges for work undertaken on the Morfa Distributor Road (£1,579.80) and the Urban Cycle Network (£8,555.55). (Recommendation 2) 	-

Ref	Summary observations	Amendment
47	<p>Swansea Joint Venture - Land Development</p> <ul style="list-style-type: none"> A qualification point was raised regarding expenditure of £21,458.95 relating to the payroll costs for three members of staff from the Estates department. We have been able to confirm the calculation of the hourly rate applied to payroll records for these individuals. However, the Authority was unable to provide timesheets to support the hours charged to the Joint Venture scheme. (Recommendation 2) A qualification point was raised regarding expenditure of £413 relating to payroll costs for staff from the Legal department. The Authority was unable to provide supporting documentation for the calculation of the hourly rate applied nor authorised timesheets to evidence the hours that had been allocated to the Joint Venture scheme (Recommendation 2) A qualification point was raised regarding expenditure of £28,810.36 relating to maintenance costs incurred by the Culture and Tourism Parks Service. The Authority provided an internal record to support the costs charged including signed confirmation that the works had been completed. However, the record did not provide appropriate evidence to support the calculation of the maintenance costs that have been applied to the Joint Venture scheme. (Recommendation 2) 	-

Ref	Summary observations	Amendment
48	<p>Swansea Joint Venture – Felindre</p> <ul style="list-style-type: none"> Two amendments were made to the claim form which did not have an impact on the balance carried forward. Both related to the balances held on trust and the incorrect calculation of percentage rates applied by the Authority. One was a decrease of £1k on 13/14 revenue and the other a decrease of £58k on 14/15 revenue. One further amendment did impact the balance carried forward was the incorrect inclusion of £437k of notional interest relating to ERDF / TMF. (Recommendation 1) A qualification point was raised regarding the 2008/09 claim and the inclusion of rental income of £25,000. This relates to the DVLA 'Park & Ride' scheme from Felindre and the rental paid for use of the land. The Estates system at the Authority which records the income was implemented during the latter stages of the 2008/09 financial year; only £5,200 of the 2008/09 rental income balance could be reconciled to supporting evidence (Recommendation 2) A qualification point was raised regarding the 2008/09 claim and the inclusion of revenue expenditure for maintenance costs of £4,000. Due to the time that has elapsed between incurring the expenditure and presenting the statement for audit, Authority staff were unable to provide supporting documentation to substantiate this transaction (Recommendation 2) A qualification point was raised regarding the 2013/14 and 2014/15 claims and the inclusion of revenue expenditure for legal / consultancy costs of £16,000. Of this balance, £15,000 relates to work undertaken by the in house legal team on the Felindre scheme. However, we have been unable to confirm that the rates applied have been charged on a basis that is consistent with those applicable to non-grant earning activities (Recommendation 2) 	(£437,000)
50	<p>Structural Funds: Waterfront City (Final)</p> <p>An amendment was required as the Authority had included eligible expenditure in the claim report inclusive of VAT. The adjustment is to remove the VAT element from the claim within the sub category (site works) where the error was identified. (Recommendation 2)</p>	(£3,199)
	Total effect of amendments to the Authority 2013/14	(£535,221)
	Total effect of amendments to the Authority 2014/15	(£468,642)

Recommendations

8. We have given each recommendation a risk rating and agreed what action management will need to take.

Priority 1	Priority 2	Priority 3
<p>Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Claim not prepared correctly</p> <p>Eg:</p> <ul style="list-style-type: none"> Compliance with notes for completion Apportionment rates used 	<ul style="list-style-type: none"> Claims may be qualified Grant may be reclaimed by the Welsh Government If qualified any over claim will need to be recovered by the Welsh Government The Authority may not have claimed its full entitlement The Authority has not complied with the terms and conditions of grant 	<p>R1 In order to confirm that claim forms are completed in full and in accordance with the guidance, all completed forms should be independently checked to supporting documentation to minimise the risk that an error will remain undetected.</p>	2	Agreed	<p>Nominated officers</p> <p>31 December 2016</p>
<p>Unapproved/ ineligible expenditure included</p> <p>Eg:</p> <ul style="list-style-type: none"> Activity outside the claim period 	<ul style="list-style-type: none"> Claims may be qualified Grant may be reclaimed by the Welsh Government The Authority has not complied with the terms and conditions of grant Suspended payment 	<p>R2 Only eligible expenditure, and that incurred within the claim period, should be included within the claim. Welsh Government advice should be sought prior to claim completion if there is any doubt about the eligibility of expenditure.</p>	2	Agreed	<p>Nominated officers</p> <p>31 December 2016</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Welsh Government approval not sought Eg: • Virement	<ul style="list-style-type: none"> The Authority has not complied with the terms and conditions of grant 	R3 Approval from the grant-paying body is sought prior to audit for all required changes to action plans/proposals.	2	Agreed	Nominated officers 31 December 2016
Overall grant claim good practice requirements not met E.g. • Delay in receipt of claims	<ul style="list-style-type: none"> The Authority has not complied with the submission deadlines specified in the terms and conditions of the grant. 	R4 Claim forms should be submitted on a timely basis to allow claims to be certified within the deadline set.	2	Agreed	Nominated officers 31 December 2016

Fees

9. Our overall fee for the certification of grants and returns is in line with the expectation as stated within the regulatory plans.

Breakdown of fee by grant/return	2014/15	2013-14	2012-13
Pooled Budget	£2,470	£2,048	£2,168
Housing Benefit Subsidy	£26,261	£30,583	£37,234
NNDR	£4,312	£4,620	£3,876
Teachers' Pension Return	£2,606	£2,237	£2,439
HRA Subsidy	£3,935	£2,859	£2,764
Communities First - North West Swansea	£2,178	£2,403	-
Communities First - West Swansea	£2,366	£2,797	-
Communities First - South Swansea	£2,366	£3,059	-
Communities First - East Swansea	£2,084	£1,767	-
Communities First - North East Swansea	£2,178	£1,841	-
School Effectiveness & Pupil Deprivation Grant	-	£3,870	£4,656
Transitional SBIG	-	£2,591	£2,466
Welsh in Education	-	£3,266	£3,283

Flying Start - Revenue	£2,189	£2,235	£3,047
Flying Start - Capital	£3,032	£1,888	-
Families First	£3,595	£3,734	£2,230
Sustainable Waste Management	£3,632	£2,647	£3,090
Regional Transport Consortia Grant	£2,630	£2,282	£3,520
Swansea Land Development Joint Venture	£3,220	£2,207	£2,359
Learning Pathways 14-19	-	£3,182	£3,643
Social Care Workforce Development Programme	£2,442	£2,638	£3,176
SRA: Waterfront Centre of Excellence	-	£1,907	-
Structural Funds: Felindre	£2,830	£2,558	£2,911
Structural Funds: Quadrant	-	£2,256	£2,816
Structural Funds: Coastal	-	£2,408	£4,625
Structural Funds: Waterfront City	£2,428	£2,689	£3,470
Structural Funds: Regional Essential Skills	-	£2,651	£3,814
Communities 2.0	-	£3,275	-

Free Concessionary Travel	£3,192	£1,784	£2,168
Swansea Joint Venture - Felindre	£4,377	-	-
21st Century Schools	£3,088	£2,338	-
Substance Misuse Action Fund			£5,369
Learning Disabilities: Resettlement			£2,918
SRA: Waterfront Public Realm			£1,953
SRA: River Tawe Bridges			£1,953
Derelict Land – Unifloc			£3,243
SRA: Regional Learning Partnership E-Portal Pilot			£2,445
SRA: Arbed Energy Efficiency Scheme			£1,695
SRA: Acquisition in Oldway House			£633
SRA: Hafod & Morfa Copperworks			£2,144
Communities First Programme: Core – BKPI			£1,456
Communities First Programme: Core – Castle Targeted Intervention			£1,456
Communities First Programme: Core – Clase / Caemawr			£1,093

Communities First Programme: Core – Penlan			£1,391
Communities First Programme: Core – Townhill TOPIC			£1,542
Communities First Programme: Core – Sketty			£1,305
Communities First Programme: Core – St Thomas			£1,115
Communities First Programme: Core – Swansea Central			£1,904
Communities First Programme: Core – Morriston			£1,241
Communities First Programme: Core – Bonymaen			£1,391
Communities First Programme: Core – Townhill			£1,284
Communities First Programme: Outcomes – Swansea Family Centres			£2,377
Communities First Programme: Outcomes – CVS Supporting Families			£1,370
Communities First Programme: Outcomes – Swansea Youth			£2,958
Total	£87,411	£106,615	£143,991

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City & County of Swansea Audit Committee Update – July 2016

Financial audit work 2015-16 – City & County of Swansea Pension Fund

Activity	Scope	Status
Audit Plan	Plan of financial audit work for 2015-16.	Audit Committee April 2016.
Financial Statements/Annual Audit Letter	Audit of the Pension Fund's 2015-16 financial statements and Annual Audit Letter.	Audit Committee September 2016.

Financial audit work 2015-16 – City & County of Swansea

Activity	Scope	Status
Audit Plan	Plan of financial audit work for 2015-16.	Audit Committee April 2016.
Financial Statements 2015-16	Audit of the Council's 2015-16 financial statements.	Audit Committee September 2016.
Certification of Grants and Returns 2015-16	Summary of grants and returns certification work 2015-16.	Audit Committee March 2017.
Annual Audit Letter	Report summarising our 2015-16 financial audit work.	Audit Committee December 2016.

Performance work 2015-2016 - City & County of Swansea

2015-16 Improvement Assessment	Scope	Status
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 complete.
'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives.	IAL2 letter of certification complete.
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'.	Outstanding.
Corporate Assessment Follow up	<p>Review of the Council's performance Management Arrangements. Key questions: Is the authority's approach to performance management enabling effective decision making and supporting service improvement?</p> <ul style="list-style-type: none"> • Do officers have robust and effective arrangements for developing corporate and service plans and priorities? • Do officers use performance information to drive improvement? • Are officers equipped with the skills and knowledge to analyse and use performance information to the full? 	Draft report being finalised.

2015-16 Local Government Studies	Scope	Status
<p>The strategic approach of councils to income generation and charging for services</p>	<p>This study is being delivered under our annual “delivering with less” programme and the study will involve an audit 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.</p>	<p>The report has been drafted and is going through internal clearance, for example we are attending the Society of Welsh Treasurers meeting in July 2016 to discuss the findings.</p>
<p>Council funding of third-sector services</p>	<p>Again, under the theme of delivering with less, this study will look at 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.</p>	<p>Drafting the report with a view to publish in late summer/early autumn.</p>
<p>The effectiveness of local community safety partnerships</p>	<p>This study will look at 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.</p>	<p>Publication in late June.</p>

2016-17 Local Government Studies	Scope	Status
<p>National Report recommendation follow up</p>	<p>Follow up and evaluate councils' progress on implementing recommendations contained in our national studies published in 2014-2015. The output will inform local work planning and also provide a national picture of how WAO recommendations are being implemented by councils. We will also examine councils' arrangements for monitoring recommendations. This includes dealing with both WAO national study recommendations and their mechanisms for considering recommendations more generally.</p>	<p>Follow up at agreed intervals at monthly meetings</p>
<p>Improving wellbeing through housing adaptations</p>	<p>We will review how adaptations prevent access to and speed up discharge from hospitals. The work will look at how health use adaptations to underpin their activity as well as how efficient and effective organisations are at procuring and delivering adaptations work.</p>	<p>A project brief is being drafted. We anticipate finalising and issuing by the end of July 2016.</p>

2016-17 Local Government Studies	Scope	Status
<p>Strategic commissioning of learning disability services by local authorities</p>	<p>The review will focus on learning disability schemes as a tracer in local authorities and will assess how effectively strategic commissioning is being delivered. Fieldwork will focus on both the corporate approach to strategic commissioning but also use findings from the tracer area to understand how effective operational arrangements are. We are working with CSSIW and SSIA and will be building on recent national inspection and support work on learning disabilities.</p>	<p>The project brief is being drafted and we have begun working on collating data from published sources. On-site fieldwork will be carried out between June 2016 and October 2016.</p>
<p>How local government manages dependency and demand - Homelessness services</p>	<p>The study will focus on a specific tracer area of homelessness in local authorities using the recent prevention duties placed on local authorities to judge how demand for services is managed.</p>	<p>The project brief is being drafted and the project being set up.</p>

Agenda Item 7

Draft Report of the Chair of Audit Committee and Chief Auditor

Audit Committee – 28 June 2016

YGG LON LAS NEW BUILD – REFERRAL FROM CABINET DRAFT AUDIT COMMITTEE RESPONSE TO CABINET

Purpose:	This report provides the draft response to Cabinet following the review of the YGG Lon Las New Build project following its referral by Cabinet so that lessons may be learned and adopted within future projects.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss, review and contribute to the Audit Committee response to Cabinet following the review of the YGG Lon Las New Build project.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that Committee review and discuss the draft Audit Committee response to Cabinet.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Debbie Smith
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The YGG Lon Las New Build scheme was reported to Cabinet on 17 September 2015 for approval. The scheme included the design and construction of a new school on the existing YGG Lon Las site and the creation of a temporary school at an alternative site for the duration of the new build.
- 1.2 Cabinet approved the project but due to the increased cost of the scheme and the length of time taken to develop the scheme, Cabinet referred *'the project and all relevant plans to the Audit Committee in order to enable lessons to be learned.'*

- 1.3 The Director of People presented a report to a special meeting of the Audit Committee on 22 March 2016. The report provided a detailed description of the Welsh Government's 21st Century Schools Programme and the steps required for each scheme including the Five Case Business Model and the Royal Institute of British Architects (RIBA) Plan of Work. The report also outlined the cost planning, procurement and governance aspects of the Programme.
- 1.4 A detailed outline and analysis of the YGG Lon Las scheme was also provided including a number of lessons learned which had been identified by the service.
- 1.5 This report provides a summary of the lessons learned identified in the report to the Audit Committee and other issues raised by the members of the Audit Committee during the discussion of the report.

2. Background

- 2.1 In December 2011, approval in principle was provided by the Welsh Government under the 21st Century Schools Programme for the Council to proceed with the Band A projects included in the Strategic Outline Programme (SOP).
- 2.2 A funding envelope of £51m was provided to Swansea subject to contract and the Council providing 50% match funding from its own resources. The priority capital investment schemes within Band A are by their very nature a long term programme running from 2011/12 to 2018/19. Therefore it was unrealistic to expect the value and detail of the overall programme would remain constant over this period.
- 2.3 YGG Lon Las was included in the Band A projects as the school was operating out of failing and expensive to maintain buildings which were not fit or purpose in terms of teaching and learning needs. The school site was fragmented and had buildings in various states of disrepair.
- 2.4 The development of the YGG Lon Las project has been a protracted process extending over 5 years with the scope of the project changing twice from complete new build to partial new build and back to complete new build in response to external factors. An effective review of the business case for the project was undertaken at each stage including economic appraisals of the new build and temporary arrangements which were approved by the Welsh Government.
- 2.5 In November 2014, Dawnus Construction was appointed to provide the pre-design service for the scheme and to submit a planning application. The agreed cost for this element of the project was £353k.

- 2.6 The planning application was submitted in May 2015 and approved in September 2015. The application included the new build on the existing YGG Lon Las site as well as temporary school facilities at YG Y Cwm and a temporary staff car park at Cefn Hengoed School.
- 2.7 The Cabinet report in September 2015 sought approval for the overall scheme and identified a risk in that work needed to start on the temporary school facilities in advance of the final scheme approval being received from the Welsh Government. To facilitate the development of the temporary facilities, the value of the pre-construction contract with Dawnus was increased to £1.1m.
- 2.8 The total capital cost of the YGG Lon Las scheme approved by Cabinet was £9.8m which included the new build and temporary school facilities. This was a significant increase on the original indicative cost of the scheme of £6.5m put forward in 2010 and the estimated costs at Outline Business Stage of £8.0m. The increased cost was due to a number of factors including the original estimate excluding internal fees, temporary accommodation costs, ICT set up and installation costs, transitional costs and optimism bias / contingency. The costs also increased as a result of unforeseen ground issues and inflationary rises of 5% over the period.
- 2.9 Following the receipt of tenders, the total cost of the scheme was £12.1m but a significant re-engineering exercise generated savings of £2.3m to bring the final approved cost of the scheme down to £9.8m

3. Lessons Learned

- 3.1 The review of the YGG Lon Las scheme by the Audit Committee has generated a number of issues which are considered to be lessons learned which can be applied to existing and future 21st Century Schools Programme schemes. The lessons learned and the background in each case are identified in the following paragraphs
- 3.2 ***A robust case for the preferred way forward for each scheme is established prior to the submission of the Strategic Outline Programme***
- 3.2.1 The YGG Lon Las scheme was subject to an extended development period which gave rise to a number of issues which impacted on the scheme as a whole. The issues included
- Whether the new build should take place on an alternative site. As part of the Strategic Outline Case stage in 2009 a number of alternative sites in Swansea Vale were considered but ruled out due to flood risk, drainage issues and development restrictions. The alternatives were again reviewed in 2015 to ensure that there was no change in position.

- Whether the existing site could be demolished which was subject to CADW approval as the school was in a conservation area
 - Whether the school had to be decanted to an alternative site during the construction period which was agreed as necessary on health and safety grounds following the appointment of Dawnus
 - Unforeseen ground issues which could only be identified through detailed ground investigations
- 3.2.2 The issues contributed to slippage in the development of the scheme which may have been mitigated by the establishment of a more robust case at the outset. This would involve increasing project intelligence by commissioning detailed site investigations to reduce the likelihood of unforeseen issues arising later in the project's development. This would require the provision of significant up front funding for such feasibility and detailed site investigation works, not available to the programme previously. It is not currently possible to charge such costs against future schemes, nor to access Welsh Government funding to support such works, essential though they are.
- 3.2.3 It is recognised that the processes established in the 21st Century Schools Programme are prescribed by the Welsh Government. Therefore any changes will require discussions with the appropriate Welsh Government officials.
- 3.3 ***The means of cost planning at SOP development stage is reviewed, to ensure that all foreseeable costs are accounted for and adequate contingency is allowed.***
- 3.3.1 The original indicative capital cost of the scheme at SOP stage was £6.5m, however this excluded significant costs which should have been foreseeable at the time e.g. a more realistic estimate could have been provided of the cost of establishing temporary school facilities. It is recognised that a site had not yet been identified so it would be difficult to rely on the estimate but an element could at least have been included in the overall scheme costs for temporary facilities.
- 3.3.2 A further significant cost excluded at the SOP stage was optimism bias or contingency. Optimism bias is based on HM Treasury guidance and uses data based on past projects to provide an adjustment to project costs. The optimism bias rate for a new build project at the initial stage is 24% which reduces over time to 1% at contract award stage. Optimism bias was not applied to the YGG Lon Las scheme until the Outline Business Case stage where a rate of 7.94% was applied to the scheme costs.
- 3.4 ***All school organisation proposals are completed where possible prior to SOP submission to ensure that proposals are deliverable and within the proposed timescales.***

3.4.1 Whilst there were no school organisation proposals i.e. closure or merger in the case of YGG Lon Las, the current approach of completing the school organisation proposals before the submission of the business case for capital development should continue to ensure that the new build/refurbishment proposals when brought forward are deliverable on budget and within timescale.

3.5 ***The basis of cost estimates in SOP submissions is reviewed with Welsh Government***

3.5.1 The Welsh Government's advice is that capital expenditure can include any architects and surveyors fees where they lead to the acquisition or construction of a building if the appropriate business case is approved and the asset is created or built. However where fees are incurred in the very early stages of a scheme's development they are considered to be revenue costs which would have to be funded by the Council.

3.5.2 Unless the Welsh Government is prepared to change its advice for the funding of the early stages of a scheme's development then the costs incurred to facilitate business case development in advance of capital funding being approved by the Welsh Government will fall on the Council. This may include costs which do not ultimately lead to a successful business case approved by the Welsh Government.

3.6. ***Provision of an adequate budget and appropriate resource to facilitate business case development prior to SOP submission is sought***

3.6.1 It is essential that a detailed feasibility study is completed for all proposed schemes in advance of the Strategic Outline Programme submission. A detailed feasibility study at the outset could avoid some of the issues which arose with YGG Lon Las e.g. the ground issues may have been identified sooner and could have been included in the business case submitted to the Welsh Government

3.6.2 However, additional budget and staffing resources would be required to ensure that detailed feasibility studies could be completed. A case should be made to the Welsh Government to provide adequate funding for feasibility studies. This is particularly important for the future development of business cases should funding be provided by the Welsh Government for Band B schemes

3.6.3 If the Welsh Government do not provide sufficient funding then the costs of detailed feasibility studies would have to be provided from the Council's own revenue budget as the work would be required in advance of any scheme approval by the Welsh Government so it could not be charged against a capital scheme.

3.7 ***A review should take place of existing schemes to see whether savings can be achieved which can be used to fund further schemes***

3.7.1 Savings of £2.3m were achieved in the YGG Lon Las project by significant re-engineering following the receipt of tenders, as is the case for any scheme. Savings were achieved in foundation costs, de-specification, highways works and reductions in optimism bias and decant costs. To undertake this work earlier would represent a duplication of effort because firm costings are required to undertake the task.

3.7.2 It is recognised that reductions in a proposed scheme may impact on the quality of the scheme delivered but the Audit Committee felt that there was merit in reviewing existing schemes to see whether savings could be achieved which could then be used to fund or accelerate schemes in other schools.

3.8 ***An overall Project Director/Co-ordinator should be appointed with responsibility and accountability for the delivery of all major capital projects***

3.8.1 The QEd 2020 Programme has been using the Council's defined and well established project management and governance methodology. The Programme was managed by the QEd Programme Board and individual Project Boards supported by the QEd Strategic Development Group and QEd Steering Group.

3.8.2 The project management and governance methodology includes a Programme Manager and Project Sponsor and exception reports are made to the Programme and Project Boards on a monthly basis by exception.

3.8.3 The governance of the QEd 2020 Programme was subject to an independent OGC Gateway review as required by the Welsh Government. The Gateway Review made 4 recommendations to make the governance structure more manageable and effective, the recommendations have been largely implemented.

3.8.4 The Audit Committee were concerned that there may not be sufficient clarity of accountability with regard to the oversight and delivery of major building projects. The Committee felt that accountability would be enhanced by appointing an overall Project Director/Co-ordinator with full responsibility for the delivery of all major capital projects within the Council.

3.9 ***The lessons learned identified in this report should be applied to all existing and future QEd 2020 projects***

- 3.9.1 This is to ensure that the remaining Band A projects benefit from the lessons learned as well as future Band B projects.

4 Conclusions

- 4.1 The Audit Committee recognise that a number of schemes have already been successfully delivered in Swansea with the 21st Century Schools Programme funding provided by the Welsh Government.
- 4.2 It is also recognised that the Band A projects included in the £51m funding envelope provided by the Welsh Government will be delivered within budget and timescale despite the time slippage and increased costs associated with the YGG Lon Las scheme.
- 4.3 The YGG Lon Las scheme has been significantly more complex than other schemes delivered as the new build was on the existing school site which in turn required the decanting to a temporary site while the new build took place.
- 4.4 A comparison of the total cost per pupil of the YGG Lon Las scheme shows that it compares favourably with other projects already delivered especially when the demolition and decanting costs which were not incurred in other schemes are excluded.
- 4.5 The review by the Audit Committee of the processes involved in getting the YGG Lon Las scheme to Cabinet approval stage has identified a number of lessons learned which are outlined in this report and it is the Committee's view that they should be applied to all existing and future schemes.
- 4.6 It is particularly important that discussions are held with the Welsh Government in an attempt to influence any future systems and procedures to be established for the delivery of Band B projects.

5. Equality and Engagement Implications

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

6. Financial Implications

- 6.1 There are potential financial implications relating to the funding of earlier feasibility studies and site investigations to be able to deliver a robust business case for each project at a much earlier stage. If the Welsh Government is unwilling to change its current policy of not funding the early stages of project development then the costs would have to be borne by the Council's revenue budget.
- 6.2 Sufficient budget and staffing will be required for detailed business case development with a potential risk that the budget is spent without any

commitment from the Welsh Government to subsequently fund the scheme.

7. Legal Implications

7.1 There are no legal implications associated with this report.

Background Papers: None

Appendices: None

Agenda Item 8

Report of the Chair of Audit Committee

Audit Committee – 28 June 2016

AUDIT COMMITTEE ANNUAL REPORT 2015/16

Purpose:	This report provides the Audit Committee Annual Report 2015/16
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to approve the Audit Committee Annual Report 2015/16 prior to the report being presented to Council.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that the Committee approve 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. Foreword by Mr. Alan Thomas, Chair of the Audit Committee

- 1.1 In order for the Audit Committee to function effectively, it must have the support and input of both Councillors and Council Officers when requested to attend specific Audit Committee meetings.
- 1.2 On behalf of the Committee, I can confirm that the necessary support has been achieved and sufficient assurance obtained so that there are no critical issues that need to be reported to the Council.
- 1.3 While the Committee planned to hold meetings every 2 months, it was necessary to arrange a number of special meetings to ensure sufficient quality time was made available to fully cover the essential workload.
- 1.4 The Committee continues to work closely with Internal Audit and the financial and performance audit staff at the Wales Audit Office who all regularly provide input to Audit Committee meetings.

- 1.5 We also continue to evolve links with Scrutiny and other Committees as necessary in order to minimise the risk of duplication.
- 1.6 Where a moderate or limited level of assurance has arisen from a specific Internal Audit report, I have written to the respective Head of Service raising the concerns of the Audit Committee. I also followed up the letter with a subsequent meeting with the Head of Service and Chief Auditor to review ongoing progress prior to follow up by Internal Audit.
- 1.7 Looking forward, there have been a number of personnel changes on the Committee over the last 12 months, so a follow up training programme will be undertaken in the coming months
- 1.8 We will also incorporate regular reviews of the corporate governance processes in action following the review of the processes over the last year.

2. Introduction

- 2.1 The Council is required, under the Local Government (Wales) Measure 2011 to have an Audit Committee which among other things must include at least 1 lay member.
- 2.2 The Measure requires the Audit Committee to review and scrutinise the Council's financial affairs, risk management, internal control and governance arrangements. It also requires the Committee to oversee the Council's internal and external audit arrangements and review its financial statements.
- 2.3 The work of the Audit Committee is structured so that the Committee can gain assurance over the areas identified above and to comply with its terms of reference.
- 2.4 The draft Audit Committee Annual Report 2015/16 was presented for discussion to the Audit Committee meeting held on 19 April 2016. No changes to the draft report were made at the April meeting although the Chair has added a foreword to the report since it was originally reported to Committee.
- 2.5 The Committee is now being asked to approve the Audit Committee Annual Report 2015/16 prior to the report being presented to Council.

3. Committee Membership

3.1 The membership of the Audit Committee during 2015/16 is shown in the following table

Mr AM Thomas – Lay Member and Chair	Cllr PM Meara
Cllr JC Bayliss replaced by Cllr C Anderson 25/06/15	Cllr G Owens replaced by Cllr TJ Hennegan 26/11/15
Cllr RA Clay	Cllr D Phillips
Cllr AM Cook replaced by Cllr TM White 25/06/15	Cllr RV Smith
Cllr PR Hood-Williams	Cllr DWW Thomas replaced by Cllr C Thomas 10/03/16
Cllr L James	Cllr LV Walton
Cllr JW Jones – Vice Chair	

3.2 The Committee moved to a schedule of 2 monthly meetings for 2015/16 however it was noted quite early in the year that the agenda for the bi-monthly meetings were becoming excessively long so a number of special meetings were arranged to help smooth out the Committee's work programme.

3.3 The Committee met on 9 occasions during 2015/16, 6 scheduled meetings and 3 special meetings. Over the course of the year, attendance at the meetings was 71%

4. Internal Audit Assurance

4.1 The Audit Committee approved the Internal Audit Charter 2015/16 as required by the Public Sector Internal Audit Standards

4.2 The Audit Committee also approved the Internal Audit Annual Plan 2015/16 and has received quarterly monitoring reports from the Chief Auditor showing progress against the Plan.

4.3 The quarterly monitoring reports identified any audits that received a moderate or limited level of assurance along with an outline of the issues which led to the audit receiving the negative assurance level.

4.4 The Chair has written to a number of Heads of Service where audits in their area of responsibility received a moderate or limited level of assurance to raise the concerns of the Committee and to highlight the need for improvement in controls.

4.5 The Chair has also met with the Head of Service where the audit received a moderate or limited level of assurance at the previous audit. The Committee's view is that this indicates that the service has failed to improve since the previous audit which therefore requires a firmer response from the Committee to support the findings of the

Internal Audit Section. Face to face meetings are more proactive and are likely to lead to a positive response from the service area.

- 4.6 The Internal Audit Annual Report 2014/15 was reported to the Audit Committee which included a review of actual work completed compared to the Annual Plan.
- 4.7 The Internal Audit Annual Report also included the Chief Auditor's opinion on the internal control environment for 2014/15 which stated that based on the audit testing carried out reasonable assurance can be given that the systems of internal control are operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.
- 4.8 The Internal Audit Annual Report of School Audits 2014/15 was presented to the Audit Committee. This report summarised the school audits undertaken during the year and identified some common themes identified across school audits.

5. Annual Governance Statement 2014/15

- 5.1 The draft Annual Governance Statement 2014/15 was presented to the Audit Committee prior to being reported to Cabinet for approval.
- 5.2 This gave the Committee the opportunity to review and comment upon the Statement and to ensure that it properly reflected the assurances provided to the Committee over the course of the year.

6. Annual Statement of Accounts 2014/15

- 6.1 The Head of Finance and Delivery presented the draft Statement of Accounts 2014/15 for the Council and the Pension Fund to the Committee and answered a number of questions raised by members of the Committee.
- 6.2 PwC, on behalf of the Wales Audit Office, presented a progress report to the Audit Committee outlining the progress made in completing the annual audit of the accounts.
- 6.3 Following the completion of the audit of the Statement of Accounts 2014/15, the Chair requested that a special meeting be arranged for PwC to present its Audit of Financial Statements reports to the Audit Committee prior to the reports going to Cabinet. The reports presented the detailed findings of the audit and stated that the intention was to issue an unqualified audit report on the financial statements

7. External Audit Assurance

7.1 As well as the Audit of Financial Statements reports mentioned above, the external auditors also provided assurance to the Audit Committee by presenting the following reports

- Wales Audit Office – 2015 Audit Plan including performance and financial audit work
- Internal Controls Report 2014/15
- Annual Audit Letter 2014/15

8. Implementation of Audit Recommendations

8.1 An important role undertaken by the Audit Committee is monitoring the implementation of agreed audit recommendations arising from both internal and external auditors.

8.2 The implementation of any Internal Audit recommendations arising from the fundamental audits is reported to the Audit Committee in the Recommendations Tracker report. For 2014/15, the results of the tracker exercise showed that 79% of agreed recommendations due for implementation by 31 December 2015 had been implemented. The implementation of the outstanding recommendations will be reviewed as part of the fundamental audits in 2015/16.

8.3 The implementation of any high or medium risk recommendations arising from non-fundamental audits is subject to follow up procedures by Internal Audit to confirm they have been implemented. The results of the follow ups are reported to the Audit Committee in the quarterly Internal Audit Monitoring Reports.

8.4 A number of follow up audits were reported to the Committee during 2015/16 and it was found that substantial progress had been made by management in implementing the agreed recommendations.

8.5 The Audit Committee also received a report from the Head of Economic Regeneration and Planning which included an action plan outlining the action being taken to implement the recommendations arising from the Section 106 Planning Agreements audit which had received a limited level of assurance

8.6 The Internal Controls Report presented to the Audit Committee by the external auditors includes any recommendations made as a result of their work and the action taken by management to implement the recommendations.

9. Risk Management

9.1 The Local Government (Wales) Measure 2011 makes the overview of risk management a function of the Audit Committee

9.2 The Head of Finance and Delivery provided 2 update reports on Risk Management to the Committee and an annual review of Risk Management for 2015/16 is to be provided to the June 2016 meeting of the Committee.

10. Performance Audit

10.1 The Audit Committee received regular briefings from the Wales Audit Office on the performance audit work being undertaken within the City and County of Swansea

10.2 The Wales Audit Office's Performance Audit Plan 2015 was reported to the Committee and regular updates on progress against the Plan were provided by the Wales Audit Office throughout the year.

10.3 The Annual Improvement Report incorporating the Corporate Assessment Report 2014 for the City and County of Swansea was reported to the Audit Committee.

11. Relationship with Scrutiny Function

11.1 The Audit Committee has continued to develop a relationship with the Scrutiny function. The relationship is intended to ensure the following

- Mutual awareness and understanding of the work of Scrutiny and the Audit Committee
- Respective workplans are coordinated to avoid duplication / gaps
- Clear mechanism for referral of issues if necessary

11.2 The Chair attended the Scrutiny Work Planning Conference to provide an Audit Committee input into the areas of proposed work for Scrutiny during 2015/16.

11.3 The Chair has attended the Scrutiny Programme Committee to provide an update on the work of the Audit Committee and also shared the Audit Committee Annual Report 2014/15 and Workplan 2015/16 with the Scrutiny Programme Committee.

11.4 The Chair of the Scrutiny Programme Committee has attended the Audit Committee to provide an update on the work of Scrutiny. The Scrutiny Annual Report 2014/15 and Scrutiny Work Programme 2015/16 were also presented to the Audit Committee.

12. Anti-Fraud

12.1 A Corporate Fraud Team was established during 2015/16 within the Internal Audit Section and a detailed presentation was made to the Audit Committee on the role of the new team.

- 12.2 A Corporate Fraud Annual Plan 2016/17 and Corporate Fraud Team Annual Report 2015/16 will be presented to the Audit Committee early in the new municipal year.
- 12.3 The new team has been involved in a number of investigations and the final report on one of the investigations was reported to the Committee. Further reports will be presented on the conclusion of live investigations.

13. Briefings

- 13.1 The Audit Committee received a number of briefings during 2015/16 as noted below
- Cabinet Advisory Committees
 - Corporate Governance Review
 - Housing Benefits Investigation Team - Annual Report 2014/15
 - Coastal Project
 - Debt Write Offs
 - ICT Contract Transfer
 - Internal Audit Plan Methodology
 - New Build for YGG Lon Las – referral from Cabinet
 - Peer Review Update
- 13.2 The Wales Audit Office provided a detailed briefing on the Key Issues for Audit Committees including
- The statutory role of the Audit Committee
 - The huge remit of the Committee
 - The need to seek assurance not undertake substantive work
 - Potential changes to the remit as a result of the Devolution, Democracy and Delivery White Paper

14. Audit Committee – Performance Review

- 14.1 The Audit Committee undertook a review of its performance during 2015/16 using a Self-Assessment of Good Practice Questionnaire published by CIPFA in its *Audit Committees – Practical Guidance for Local Authorities and Police Bodies* publication.
- 14.2 The outcome of the performance review was that the Committee felt that it was generally performing well measured against the Questionnaire although the following issues were identified which will be addressed during 2016/17.
- The need for the Committee to review its approach to gaining assurance over corporate governance. The review will follow the publication of the ongoing Corporate Governance Review by the Head of Legal and Democratic Service.

- The provision of training to Committee members based on the CIPFA Knowledge and Skills Framework. A training meeting will be held on 14 June 2016.

15. Future Audit Committee Meetings

15.1 The Council Diary for the new municipal year continues to include Audit Committee meetings on a 2 monthly basis. .

15.2 However, based on the experience during 2015/16, it is clear that special meetings will need to be held at certain times of the year to ensure the smooth delivery of the Committee's work programme. At this stage it is envisaged that special meetings will need to be arranged in July and September for the draft Annual Statement of Accounts and the Wales Audit Office audited Statement of Accounts report.

15.3 The Committee has the ability to call further additional meetings if necessary.

16. Equality and Engagement Implications

16.1 There are no equality and engagement implications associated with this report

17. Financial Implications

17.1 There are no financial implications associated with this report.

18. Legal Implications

18.1 There are no legal implications associated with this report.

Background Papers: None

Appendices: None

Agenda Item 9

Report of the Head of Finance & Delivery

Audit Committee – 28 June 2016

AUDIT COMMITTEE – WORKPLAN

Purpose:	This report details the Audit Committee Workplan to May 2017.
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 2017 is attached in Appendix 1 for information

2. Equality and Engagement Implications

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

3. Financial Implications

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

4. Legal Implications

- 4.1 There are no legal implications associated with this report

Background Papers: None

Appendix 1 – Audit Committee Workplan 2016/17

AUDIT COMMITTEE WORKPLAN 2016/17

Date of Meeting	Reports
14 June 2016	Audit Committee - Training
28 June 2016	Corporate Governance Review Report PwC Grants Report 2013/14 & 2014/15 Wales Audit Office – Update Report YGG Lon Las Draft Response to Cabinet Final Audit Committee Annual Report 2015/16
21 July 2016 – Special Meeting	Section 106 Planning Obligations – Update Internal Audit Monitoring Report Q4 2015/16 Wales Audit Office – Update Report Draft Statement of Accounts 2015/16 Draft Annual Governance Statement 2015/16
30 August 2016	Wales Audit Office Update Report Risk Management Annual Review 2015/16 Internal Audit Annual Report 2015/16 Corporate Fraud Team Annual Report 2015/16 Corporate Fraud Team Plan 2016/17 Annual Report of School Audits 2015/16 Internal Audit Monitoring Report Q1 2016/17
September 2016 – Special Meeting	Cabinet Advisory Committees – Update Report Audited Statement of Accounts 2015/16 WAO ISA 260 Report 2015/16 – City & County of Swansea WAO ISA 260 Report 2015/16 – Pension Fund
25 October 2016	Chair of Scrutiny Programme Committee Head of Commercial Services – Commercialism Strategy Wales Audit Office Update Report Risk Management Half Yearly Review 2016/17 Bad Debt Write Offs - Update
3 January 2017	Wales Audit Office Financial Statements Report 2015/16 Wales Audit Office Annual Audit Letter 2015/16 Wales Audit Office Update Report Internal Audit Monitoring Report Q2 2016/17 Recommendations Tracker Report 2014/15
14 March 2017	Wales Audit Office Grants Report 2015/16 Wales Audit Office Update Report Internal Audit Monitoring Report Q3 2016/17 Internal Audit Plan 2017/18 - Methodology Audit Committee Review of Performance 2016/17
April 2017 – Special Meeting	Wales Audit Office Annual Plan 2017 Wales Audit Office Update Report Internal Audit Charter 2017/18 Internal Audit Annual Plan 2017/18 Draft Audit Committee Annual Report 2016/17