

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

**HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
THURSDAY, 21 JULY 2016 AT 2.00 PM**

PRESENT: Mr A M Thomas (Independent Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
D Phillips

Councillor(s)

R A Clay
L James
R V Smith

Councillor(s)

T J Hennegan
P M Meara
L V Walton

Also Present

Councillor R C Stewart Leader / Cabinet Member for Finance & Delivery

Officer(s)

Mike Hawes	Director Resources / Section 151 Officer
Ryan Thomas	Planning Control Manager
Paul Beynon	Chief Auditor
Debbie Smith	Directorate Lawyer
Jeremy Parkhouse	Democratic Services Officer

Also Present

Geraint Norman Wales Audit Office

Apologies for Absence

Councillor(s): T M White

14 **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.

15 **SECTION 106 PLANNING OBLIGATIONS - UPDATE. (VERBAL)**

The Planning Control Manager provided an update report regarding Section 106 obligations and commented that there had been good progress made.

He stated that since the Internal Audit report in March 2016 gave a limited assurance, an Action Plan was developed to focus on the business process. This was being monitored and reviewed, but this process would be slow because of the relatively small number of agreements and contributions currently being received, particularly after the downturn in the market since 2007. The process of negotiating and monitoring Section 106 contributions had been mapped and there was a system in place that was available to Members. A training session had also been organised for Members and approximately 20 attended.

An Officer Group had also been set up to negotiate and manage Section 106 agreements and it was emphasised that regulations had been significantly tightened since the CIL Regulations were introduced in 2010, resulting in any requests for contributions having to meet clear tests to address the detrimental impacts of a specific development.

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

- Details included in the Section 106 Register;
- The number of planning approvals that specifically included affordable housing as a condition and the number of houses;
- The process of offsite contributions;
- Tracking Section 106 agreements and monitoring payments;
- Audit process undertaken by Planning Services;
- Number of Section 106 agreements since May 2008;
- Process developed to negotiate and monitor Section 106 agreements following discussions at the Development Cabinet Advisory Committee and the involvement of Members in the process;
- Annual checks undertaken on all sites involving Welsh Government and developers and the regular checking undertaken by Planning Services;
- As the issue had been discussed at Audit Committee and Development Cabinet Advisory Committee, the Committee questioned the need for Scrutiny to undertake an investigation.

The Chair noted the comments of the Committee regarding verbal reports being provided at Committee and that a further internal Audit was to be made of the Planning Service shortly.

RESOLVED that the contents of the report be noted.

16 **DRAFT STATEMENT OF ACCOUNTS 2015/16.**

The Section 151 Officer presented the Draft Statement of Accounts for 2015/16 to the Committee 'for information' and review.

It was outlined that legislation required the Council to produce an annual Statement of Accounts in respect of each Financial year as follows:-

- By 30 June following the year to which the Accounts relate – Accounts to be drafted and signed by the Section 151 Officer;
- By 30 September following the year to which the Accounts relate the Accounts are required to be audited and approved by Council.

The Draft Accounts for 2015/16 had been prepared and were signed by the Section 151 Officer on 24 June 2016. A copy was provided at Appendix A. The Accounts had been formally presented to the Council's auditors – Wales Audit Office – who had commenced the audit of the Accounts. As part of the audit process, the

Accounts would be made available for inspection by the public for a four week period during August / early September 2016.

The form and content of the report was largely set out in the CIPFA code of practice which formed the basis of best practice in accordance with legislation.

The Committee asked a number of questions of the Section 151 Officer who responded accordingly. The Committee discussed the following: -

- Local Authority Housing (HRA) gross expenditure / income;
- Unusable Reserves being purely an accounting measure;
- Use of earmarked / usable reserves;
- Funding to improve infrastructure to reduce claims against the Authority;
- Funding to cover the cost of pay and grading claims and the number of claims outstanding;
- Use of General Reserves;
- Potential effect of Brexit upon valuations;
- New class of assets being introduced.

The Wales Audit Office representative confirmed that the external auditors would be looking for anything that is materially incorrect. However, the Authority had not had a qualified opinion for quite some time.

RESOLVED that the contents of the report be noted.

17 **DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16.**

The Chief Auditor provided the draft Annual Governance Statement 2015/16. The Council was required by the Accounts and Audit (Wales) Regulations 2014 to undertake a review of its governance arrangements, at least annually. The review was intended to show how the Council had complied with its Code of Corporate Governance.

The 6 core principles of the Framework for Delivering Good Governance in Local Government established by CIPFA and SOLACE, were outlined.

The Corporate Governance Review Report produced by the WLGA which was reported to the last Committee meeting made the following recommendations regarding the Annual Governance Statement (AGS):

- a) Consider broadening the contribution to the AGS by convening a representative group from across the organisation to meet quarterly to keep the AGS under review;
- b) Produce a more succinct document that contained hyperlinks to relevant evidential documents.

Action would be taken during 2016/17 to implement the recommendations and it was also intended that the newly convened group would produce a quarterly report for the Committee in order to provide further assurance regarding corporate governance as required by the Local Government (Wales) Measure 2011.

The draft AGS 2015/16 was attached at Appendix 1 and had been subject to consultation with the Corporate Management Team prior to reporting to the Audit Committee. The final version of the AGS would be reported to Cabinet in September for approval prior to being signed by the Chief Executive and Leader and published with the audited Statement of Accounts 2015/16.

RESOLVED that the contents of the report be noted.

18 **INTERNAL AUDIT MONITORING REPORT QUARTER 4 2015/16.**

The Chief Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2016 to 31 March 2016.

A total of 25 audits were finalised during Quarter 4. The audits finalised were provided at Appendix 1, which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed.

A total of 212 audit recommendations were made and management agreed to implement 206 recommendations i.e. 97.2% against a target of 98%. The recommendations which were not agreed were either low risk or good practice and it was shown by management that compensating controls were in place.

Appendix 2 showed each audit included in the Plan approved by Committee in April 2015 and identifies the position as at 31 March 2016 for each audit. Appendix 3 showed brief details of the significant issues which led to the 4 audits finalised in Quarter 4 being considered to be moderate.

A Management Action Plan which included a series of recommendations to address the issues arising from each audit receiving a negative level of assurance had been agreed with management. Any audit which received a moderate or limited level of assurance was also reported to the relevant Directorate PFM meeting and actions were monitored by the relevant Director/Head of Service.

Details of the work of the Internal Audit Section during Quarter 4 and information regarding the high sickness levels in the section were provided. In addition, the follow ups completed between 1 January to 31 March 2016 were outlined.

The Committee discussed the information contained in the report.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) In future, any delays in receiving a response from a service to a draft Internal Audit report be reported to the Committee
- 3) The Chief Auditor contacts the Head of Human Resources and Organisational Development in order to discuss the procedure regarding de-activating flexi-cards when an employee ends employment with the Authority.
- 4) The Chair writes to the Head of Service where an audit has received a moderate level of assurance for a second audit to express the Committee's concern that there has been no improvement in the controls in operation.

19 **AUDIT COMMITTEE ACTION TRACKER.**

The Chief Auditor provided a 'for information' report which detailed the actions recorded by the Audit Committee and the responses to the actions.

20 **AUDIT COMMITTEE WORK PLAN. (FOR INFORMATION)**

The Audit Committee Work Plan was reported for information.

The meeting ended at 4.08 pm

CHAIR