

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

**HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
TUESDAY, 30 AUGUST 2016 AT 2.00 PM**

PRESENT: Mr A M Thomas (Independent Chair) presided

Councillor(s)

C Anderson
P R Hood-Williams
P M Meara
T M White

Councillor(s)

R A Clay
L James
R V Smith

Councillor(s)

T J Hennegan
J W Jones
C Thomas

Officer(s)

Mike Hawes	Director of Resources / Section 151 Officer
Paul Beynon	Chief Auditor
Talfryn Davies	Corporate Fraud Team Manager
Sandie Richards	Principal Lawyer
Jeremy Parkhouse	Democratic Services Officer

Also Present: -

Geraint Norman	Wales Audit Office
Steve Barry	Wales Audit Office

Apologies for Absence

Councillor(s): D Phillips and L V Walton

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

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

Councillor C Anderson – Minute No.25 – Internal Audit Monitoring Report Q1 2016/17 – School Governor at Seaview Primary School – personal.

Councillor R A Clay - Minute No.25 – Internal Audit Monitoring Report Q1 2016/17 – School Governor at Birchgrove Primary School – personal.

Councillor T J Hennegan - Minute No.25 – Internal Audit Monitoring Report Q1 2016/17 – School Governor and Housing Revenue Account – I am a Council tenant with the Authority – personal.

Councillor P R Hood-Williams – Minute No.23 – Internal Audit Annual Report 2015/16 and Minute No.25 – Internal Audit Monitoring Report Q1 2016/17 – School Governor at Cila and Crwys Primary Schools – personal.

Councillor L James - Minute No.25 – Internal Audit Monitoring Report Q1 2016/17 – School Governor at Pennard Primary School and Bishopston Comprehensive School – personal.

Councillor R V Smith – Minute No.23 – Internal Audit Annual Report 2015/16 and Minute No.25 – Internal Audit Monitoring Report Q1 2016/17 – School Governor at YGG Pontybrenin and YG Gwyr – personal.

Councillor C Thomas - Minute No.25 – Internal Audit Monitoring Report Q1 2016/17 – School Governor at Gwrysydd Primary School, daughter in law receives a pension and grandson works for the Council – Minute No.26 – Corporate Fraud Team Annual Report 2015/16 – I receive Council Tax reduction because of my husband's serious illness – personal.

Councillor T M White - Minute No.23 – Internal Audit Annual Report 2015/16 – Governor at Pentrehafod School and in receipt of Pension Fund – personal.

22 **MINUTES.**

RESOLVED that the Minutes of the previous meetings of the Audit Committee held on 28 June and 21 July 2016 were approved as a correct record.

23 **INTERNAL AUDIT ANNUAL REPORT 2015/16.**

The Chief Auditor presented a report which reviewed the work of the Internal Audit Section during 2015/16 and included the Chief Auditor's required opinion on the internal control environment for 2015/16 based on the audit testing completed in the year.

A summary of time spent in 2015/16 on the different categories of Internal Audit work was provided in Appendix 1. Overall there was an increase in total days available of 53 days. This was due to a 53rd week being recorded in 2015/16 on the Galileo Audit Management System, although the original Audit Plan was based on 52 weeks.

The total number of days had increased but there had been a minor reduction of 24 days (1.9%) in the actual productive audit days achieved against the planned number of productive days. The loss of productive days was mainly due to the increased level of sickness (+177 days) and a vacant post which was held vacant for longer than originally planned (+46 days). The overall loss in productive days had been reduced by the use of the contingency (115 days) and reduced staff training (52 days). Appendix 1 also showed the impact of the loss of productive days across directorates and other types of audit work such as systems and computer audits.

The original Internal Audit Annual Plan 2015/16 contained 155 audit jobs, of which 78 (50%) were completed to at least draft report stage during the year while a further 26 audits were in progress as at 31/03/16. A number of audits planned 2015/16 could not be started due to operational issues in the service area therefore 9 audits due in 2016/17 were brought forward and added to the 2015/16 Audit Plan.

A complete list of each audit finalised during 2015/16 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 2. The amount of time spent on special investigations reduced from 110 days in 2014/15 to 40 days in 2015/16 as the responsibility for investigating any fraud allegations transferred to the Corporate Fraud Team on 01/06/15. A summary of the main investigations undertaken was provided, along with the additional work undertaken by the Audit Section.

Details of follow ups, performance indicators and the internal control opinion were also provided. This included the opinion of the Chief Auditor who stated: -

'Overall, based on the audit testing completed in 2015/16, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2015/16 which would have a material impact on the Council's financial affairs or the achievement of its objectives.'

The Committee asked a number of questions of the Chief Auditor, who responded accordingly. Discussions centred around the following: -

- Departments not agreeing to recommendations and the procedures undertaken by Internal Audit;
- Internal Audit Performance Indicators;
- The number of audits completed compared to the number in the plan, deferring audits to the following year and the element of risk associated with the delay;
- Impact of long term sickness upon the Internal Audit Section;
- Procedure undertaken to deal with moderate audits;
- Accountability of school governing bodies and the need to challenge schools.

RESOLVED that the contents of the report be noted

24 **WALES AUDIT OFFICE UPDATE REPORT.**

Geraint Norman and Steve Barry, Wales Audit Office presented an update report on the Audit work undertaken by the Wales Audit Office.

The report detailed the Financial Audit Work 2015-16 – City and County of Swansea Pension Fund and the Financial Audit Work 2015-16 – City and County of Swansea.

The report also updated the Committee regarding the Performance Audit Work – City and County of Swansea. This included work on the following areas: -

- 2015-16 Improvement Assessment;
- 2015-16 Local Government Studies;
- 2016-17 Improvement Assessment;
- 2016-17 Local Government Studies.

The Committee asked questions of the Wales Audit office representatives, who responded accordingly. Members highlighted benchmarking compared to previous years, set up of overall audit arrangements of the auditors and best practice guide produced by Wales Audit Office.

RESOLVED that the contents of the report be noted.

25 **INTERNAL AUDIT MONITORING REPORT Q1 2016/17.**

The Chief Auditor presented the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2016 to 30 June 2016.

It was outlined that the only vacant post currently within the Internal Audit Section was 0.5 of an Auditor post. This post had been advertised and it was expected that the post would be filled in the 2nd Quarter. It was added that the Internal Audit Section has continued to experience unusually high levels of sickness in the 1st Quarter of 2016/17 with a total of 68 days sick leave being recorded against an annual budget of 80 days.

A total of 19 audits were finalised during Quarter 1. The audits finalised were listed in 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 196 audit recommendations were made and management agreed to implement 191 recommendations i.e. 97.4% 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 and identified the position of each audit as at 30 June 2016.

Significant issues which led to Seaview Primary School receiving a moderate level of assurance were reported, along with the Management Action Plan to address the issues outlined.

Details of additional work undertaken by the Internal Audit Section, self-assessment questionnaire sent to schools and follow ups completed between 1 April and 30 June 2016 were outlined.

The Committee highlighted a number of issues and the following was discussed: -

- Sickness issues within Internal Audit and options available to assist staff, e.g. home working;
- Issues relating to the audit of Seaview Primary School and progress made;
- Audit Plan and how deferred audits had progressed;
- The importance of the self-assessment questionnaires being completed in good time by schools and the introduction of head teachers and chair of governors having to sign the completed questionnaires;
- Determining which audits to defer and associated risks with deferring audits.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) Self-assessment forms for schools be added to school governing body meeting agendas.

26 **CORPORATE FRAUD TEAM ANNUAL REPORT 2015/16.**

The Corporate Fraud Manager presented the Corporate Fraud Team Annual Report 2015/16 which provided the activities and achievements of the Corporate Fraud Team during 2015/16.

The background to the creation and strategic and operational framework of the Corporate Fraud Team was provided. The Committee were updated in respect of corporate policies; fraud awareness; data matching – national fraud initiative; data matching – interactive data extraction and analysis; Council housing tenancy fraud; and caseload and savings 1 June 2015-31 March 2016.

Discussions took place regarding the following: -

- Council housing tenancy fraud and the tenancy amnesty procedures introduced by the Authority;
- Investigative procedures undertaken by the Corporate Fraud Team;
- Future of the Corporate Fraud Team and how work was prioritised;
- Potential savings that could be made by the Authority via the Corporate Fraud Team;
- Pilot Scheme introduced by Torfaen Council regarding the bedroom tax;
- Training available to Councillors and Officers;
- Work programme of the Corporate Fraud Team;
- The importance of deterring and preventing fraud;
- Legal support provided to the Team.

RESOLVED that the contents of the report be noted.

27 **CORPORATE FRAUD TEAM PLAN 2016/17.**

RESOLVED that the report be noted and an update be provided to the Committee in 6 months.

28 **AUDIT COMMITTEE ACTION TRACKER REPORT.**

The Audit Committee Tracker Report was provided 'for information'.

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

The Chair's letters were reported 'for information'.

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

The Audit Committee Work Plan was reported 'for information'.

The meeting ended at 3.45 pm

CHAIR