

# CITY AND COUNTY OF SWANSEA

## NOTICE OF MEETING

You are invited to attend a Meeting of the

## AUDIT COMMITTEE

**At:** Committee Room 3A, Guildhall, Swansea

**On:** Tuesday, 25 October 2016

**Time:** 2.00 pm

**Chair:** Mr Alan M Thomas

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### Membership:

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

## AGENDA

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|----------|---|----------------|
| <b>1</b> | <b>Apologies for Absence.</b>   |                |
| <b>2</b> | <b>Disclosures of Personal and Prejudicial Interests.</b><br><a href="http://www.swansea.gov.uk/disclosuresofinterests">www.swansea.gov.uk/disclosuresofinterests</a> |                |
| <b>3</b> | <b>Minutes.</b><br>To approve & sign the Minutes of the previous meeting(s) as a correct record.  | <b>1 - 9</b>   |
| <b>4</b> | <b>Annual Report of School Audits 2015/16.</b>  | <b>10 - 27</b> |
| <b>5</b> | <b>Bad Debt Write Offs - Update Report.</b>   | <b>28 - 32</b> |
| <b>6</b> | <b>Chair / Wales Audit Office Liaison Meeting.</b>  | <b>33 - 39</b> |
| <b>7</b> | <b>Audit Committee Action Tracker Report. (For Information)</b>   | <b>40 - 46</b> |
| <b>8</b> | <b>Audit Committee Work Plan. (For Information)</b>   | <b>47 - 48</b> |

**Next Meeting:** Tuesday, 13 December 2016 at 2.00 pm



**Huw Evans**  
**Head of Democratic Services**  
**Tuesday, 18 October 2016**

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**Contact: Democratic Services: - 636923**

## 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 53<sup>rd</sup> 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 2<sup>nd</sup> Quarter. It was added that the Internal Audit Section has continued to experience unusually high levels of sickness in the 1<sup>st</sup> 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**

# **CITY AND COUNTY OF SWANSEA**

## **MINUTES OF THE AUDIT COMMITTEE**

**HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON  
TUESDAY, 20 SEPTEMBER 2016 AT 2.00 PM**

**PRESENT:** Councillor L James (Vice Chair) presided

**Councillor(s)**

T J Hennegan  
J W Jones  
L V Walton

**Councillor(s)**

P R Hood-Williams  
P M Meara

**Councillor(s)**

L James  
D Phillips

**Officer(s):**

Mike Hawes	Director of Resources / Section 151 Officer
Paul Beynon	Chief Auditor
Sandie Richards	Principal Lawyer
Jeremy Parkhouse	Democratic Services Officer

**Also Present:**

Geraint Norman	Wales Audit Office
David Williams	Wales Audit Office

**Apologies for Absence**

Councillor(s): C Anderson, R A Clay, R V Smith, C Thomas and T M White  
Independent Member(s): Mr A M Thomas

31 **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.

32 **WALES AUDIT OFFICE ISA 260 REPORT 2015/16 - CITY & COUNTY OF SWANSEA.**

Geraint Norman, Wales Audit Office presented Wales Audit Office ISA 260 report 2015/16 – City and County of Swansea. The report set out for consideration, matters arising from the audit of the financial statements for the Council.

It was added that the auditors had received the draft financial statements for the year ended 31 March 2016 a week before the deadline of 30 June 2016 and had now substantially completed their audit work. The audit plan for the Council issued in March 2016 set out the audit risks which were considered to be significant. The auditors had undertaken audit work to assess these risks and also considered any new risks which had arisen.

A summary of the audit risks, the audit work undertaken and the conclusions were shown in Exhibit 1 of the report. Exhibit 2 contained the uncorrected misstatements in the 2015/16 financial statements. The final letter of representation was contained



at Appendix 1, the proposed audit report was provided Appendix 2, the corrected mis-statements were provided at Appendix 3 and the key recommendations arising from the financial audit work was set out in Appendix 4.

It was reported that it was the Auditor General's intention to issue an unqualified audit report on the financial statements.

The Committee asked questions in relation to the following which were responded to by the Wales Audit Office Representative / Director of Resources: –

- Bad debt provision;
- Journal approval;
- Oracle authorisation;
- Accounting for capital, particularly building and land valuations.

**RESOLVED** that the contents of the report be noted.

33 **WALES AUDIT OFFICE ISA 260 REPORT 2015/16 - PENSION FUND.**

David Williams, Wales Audit Office presented a report that set out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2015/16 which required reporting under ISA 260.

The Audit Plan for the Pension Fund issued in March 2016 sets out the financial audit risks which were considered to be significant. The auditors had undertaken the audit to assess these risks and also considered any new risks which might have arisen. A summary of the financial audit risks, the audit work undertaken and the conclusion was shown in Exhibit 1.

It was the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority had provided a Letter of Representation based on that set out in Appendix 1.

The proposed audit report was set out in Appendix 2. The Pension Fund was included within the Council's main financial statements and therefore the opinion shown was that proposed for the Council's main financial statements incorporating the Pension Fund.

It was outlined that there were no misstatements identified in the financial statements which remained uncorrected. There were a number of misstatements which had been corrected by management but which the auditors felt should be highlighted due to their relevance to the responsibilities of the Authority over the financial reporting process. These were set out with explanations in Appendix 3. These amendments had no impact on the Fund Account but the value of investments in the Net Assets Statement was increased by £1,513,000. There were also a number of other presentational amendments made to the draft financial statements arising from the audit. Other significant issues arising from the audit were also reported.

The key recommendations arising from the financial audit work were set out in Appendix 4. Management had responded to them and progress would be checked

during next year's audit. Where any actions were outstanding, the auditors would continue to monitor progress and include it in the report next year.

The Committee asked questions relating to the following, which were responded to by the Wales Audit Office Representative / Director of Resources: -

- Membership numbers;
- Reconciliation of the ALTAIR data base;
- Investment strategy of fund managers;
- Fees payable to fund managers.

**RESOLVED** that the contents of the report be noted.

34 **WALES AUDIT OFFICE FINANCIAL RESILIENCE ASSESSMENT REPORT.  
(FOR INFORMATION)**

The Director of Resources presented a 'for information' report which provided the findings of the Wales Audit Office on the financial resilience assessment of the City and County of Swansea. The Wales Audit Office had considered whether the Authority had appropriate arrangements to plan to secure and maintain its financial resilience in the medium term.

Members highlighted the following: -

- The savings being made by the Authority but added that these were not in the areas previously outlined by the Leader;
- Council policies regarding poverty;
- Monitoring of the Medium Term Financial Plan;
- The financial resilience of the Authority;
- Persistent overspending by departments;
- Combining services with other local authorities to save costs.

The Director of Resources responded to Members' questions and highlighted the difficulty in making year on year savings; how the Authority was working differently due to the reductions in the workforce; the pressures of budget monitoring and the implications of over-spending; and reduction in spending as a result of working in partnership with other local authorities.

35 **AUDIT COMMITTEE ACTION TRACKER REPORT. (FOR INFORMATION)**

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

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

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

The meeting ended at 3.05 pm

**CHAIR**

# Agenda Item 4

## Report of the Chief Auditor

Audit Committee – 25 October 2016

### ANNUAL REPORT OF SCHOOL AUDITS 2015/16

<b>Purpose:</b>	This report provides a summary of the school audits undertaken by the Internal Audit Section during 2015/16 and identifies some common issues found during the audits
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss and review the school audits undertaken during 2015/16 and any common themes identified.
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee review and discuss the school audits undertaken during 2015/16
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Introduction

- 1.1 An audit of each primary, secondary and special school in Swansea is undertaken every 3 years. A standard audit programme exists for each school sector.
- 1.2 For a number of years, a report summarising the school audits undertaken each year has been prepared for the Chief Education Officer. The report also identifies the common themes which have been found during the audits.

#### 2. School Audits Annual Report 2015/16

- 2.1 The School Audits Annual Report 2015/16 is attached in Appendix 1.

**3. Equality and Engagement Implications**

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

**4. Financial Implications**

4.1 There are no financial implications associated with this report.

**5. Legal Implications**

5.1 There are no legal implications associated with this report.

**Background Papers:** Internal Audit Plan 2015/16

**Appendices:** Appendix 1 Annual Report of Schools Audits 2015/16

**CITY & COUNTY OF SWANSEA  
INTERNAL AUDIT REPORT  
EDUCATION: ANNUAL REPORT OF SCHOOL AUDITS  
2015/16**

**1. INTRODUCTION**

- 1.1 Each year a significant amount of audit resource is spent on school audits. The Internal Audit Section reviews all Primary, Special and Secondary Schools within the City and County of Swansea.
- 1.2 For routine audits, a risk assessment is carried out at individual school level, based on this, a rolling programme of school audits is undertaken. Primary Schools and Secondary Schools are currently audited every 3 years.
- 1.3 The scope for school audits during the 2015/16 financial year included the following areas:
- Governance
  - Health and Safety / Fire / Premises Security Assessments
  - Management of Delegated Resources
  - Collection of Income and Bankings (including dinner monies)
  - Authorisation of Free School Meals
  - Petty Cash
  - Budget Preparation and Monitoring
  - Purchasing of Goods and Services
  - Payment of Creditors
  - School Inventory
  - Verification of PLASC to Budget Share
  - Verification of Employees
  - School Fund (audit and presentation to Governing Body)
  - Computer Security and Data Protection
- 1.4 There are slight variations between the work undertaken at Primary cheque book, Primary non cheque book and Secondary Schools. However, the scope of the audit remains more or less the same for all three sectors.
- 1.5 In addition to the Internal Audit review, schools are also subject to audit by Estyn within a six year cycle. A revised inspection framework was introduced from September 2010.
- 1.6 At the routine audit, a formal level of assurance is provided for the overall financial management and other areas within the School as defined above. The assurance levels vary across four categories, namely High, Substantial, Moderate and Limited assurance.

- 1.7 Recommendations are contained within a Management Action Plan and are prioritised according to perceived risk. Therefore, the Headteacher has an indication of Internal Audit's view of the level of risk that the school could be exposed to if the recommendation is not implemented.
- 1.8 Once the Action Plan has been finalised with the Headteacher, a copy of the final Audit Report and Action Plan is forwarded to the Chair of the School's Governing Body and the Chief Education Officer for information. Agreed actions are followed up in accordance with the Management Action Plan implementation timetable to ensure that they have been satisfactorily implemented. On distribution of the report it is requested that the Chair of the Governing Body ensures that the final report is presented at the next full Governing Body meeting. We also ask that the Chair ensures that all actions have been implemented within the timescales stipulated in the Management Action Plan.
- 1.9 As part of their monitoring procedures, the School Support Unit request minutes of the Governing Body meetings in order to confirm that the audit report has been presented and discussed. Of the 16 Primary Schools and 3 Comprehensive Schools that were audited in 15/16, the School Support Unit had received minutes confirming that the audit report had been presented for 13 Primary Schools 2 Comprehensive Schools. The Unit has requested minutes from those schools that have not forwarded them to date and this continues to be followed up on an ongoing basis.
- 1.10 As the operation of local bank accounts remains a key area for examination during audits, Primary cheque book School audits last 4.5 days and non-cheque book Schools last 4 days. The budgeted time for Secondary School audits is 10 days.
- 1.11 The remainder of this Annual Report provides information on the various developments that have occurred during the year and also provides further details of the results of the school audits undertaken during 2015/16.

## **2. SUMMARY OF FINDINGS**

- 2.1 Of the 16 Primary Schools audited in year, 12 achieved a substantial level of assurance and 3 achieved a high level of assurance. This is comparable to the level of assurance awarded to those schools audited in 2014/15. However, it should be noted that one school was awarded a moderate level of assurance in 2015/16, whereas no moderate ratings were awarded in 2014/15.
- 2.2 Of the 3 Comprehensive Schools audited in year, 2 received a high level of assurance and 1 received a substantial level of assurance. Again, this is comparable to the level of assurance awarded in 2014/15.
- 2.3 No Special Schools were audited in 2015/16 as they were not due to be audited as per the three yearly programme of school audits.

- 2.4 It is pleasing to note that all but one of the schools audited in year achieved a substantial or high level of assurance. This illustrates the fact that the schools in question were being managed appropriately and were operating effectively. The Authority had been made aware of the issues surrounding the single school that received a moderate level of assurance prior to the audit being undertaken, and it should be noted that at the time of the review, action was already being taken by the School's Management team to address the majority of the issues at the School. A follow up visit is due to be completed at the school in question during Quarter 2 of 2016/17, the results of which will be reported separately.
- 2.5 As has historically been the case, procurement was the main source of the recommendations made across all schools in 2015/16. As seen in tables 3.6 and 4.2 later, 29% of all recommendations made for both primary schools and secondary schools were in relation to procurement. It may be noted that due to the delegated nature of school budgets, there will inevitably always be issues in this area. However, significant efforts have been made by the Authority in an attempt to improve awareness of school's responsibilities in this area.
- 2.6 Periodic financial training is provided to all Primary School Headteachers by the School Funding & Information Unit which clearly communicates the procedures that should be followed by schools in relation to ordering and procurement. However, it should be noted that attendance at such training is not compulsory.
- 2.7 It was noted in the previous Annual Report that the Authority's Contract Procedure Rules were amended from April 2014. The amendments resulted in changes to the required process for obtaining quotations and the retention of evidence, primarily for 'Band A' purchases (below £5k) and also for the 'Single Tender Application' process. It was envisaged that these amendments would simplify the procurement and record keeping process. Despite this, as reported in previous years Schools are still failing to seek the relevant number of quotations even though the threshold has been increased.
- 2.8 Since April 2015 there has been a considerable change in the Schools Procurement Service Level Agreement (SLA) at the request of the schools through the Joint Finance Group. Schools have opted for a basic SLA which no longer funds a dedicated Schools Procurement Officer. The areas covered by the new SLA are detailed in Appendix 5. At present, 17 Primary Schools have opted out of the Procurement SLA completely compared to 9 schools that had opted out in 2014/15. However, from April 2016, Procurement has introduced a new facility whereby those schools that have opted out of the SLA may take advantage of Procurement's services for an hourly rate.

- 2.9 It was noted in the previous report that Contract Procedure Rules (CPR's) were in the process of being reviewed and updated. Unfortunately, this process is still ongoing and Procurement has indicated that the updated CPR's are due to be finalised shortly. Once this process has been completed, it is proposed that school specific CPR's and associated guidance notes will be produced detailing how the amended CPR's should be interpreted specifically for Schools.
- 2.10 The sections that follow provide more detailed information in relation to the findings of our audits across the schools in Swansea for 2015/16.

### 3 PRIMARY SCHOOLS

- 3.1 16 Primary School audits were finalised by Internal Audit during 2015/16, all of which operated their own bank account. The assurance rating that was awarded to each of the schools is shown in Appendix 1. Draft reports have been issued to a further 8 schools but at the time of writing this report a response has not been received from the schools.
- 3.2 The table below shows the total number of primary schools audited in year, together with the frequency each of the different assurance levels that have been awarded.

<b>Level of Assurance</b>	<b>Schools 2014/15</b>	<b>Schools 2015/16</b>
High	3	3
Substantial	11	12
Moderate	0	1
Limited	0	0
<b>Total</b>	<b>14</b>	<b>16</b>

- 3.3 The level of assurance awarded confirms the view that primary schools in Swansea are generally well run with sound internal controls and financial management in the majority of cases. It is pleasing to note that all but one of the primary schools audited in year were rated as providing either a High or Substantial level of assurance.
- 3.4 A total of 112 recommendations were made as a result of the audit process, representing an average of 7 recommendations per school. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all of the recommendations made.
- 3.5 It should be noted that a direct correlation between the number of recommendations identified at each school and the overall level of assurance cannot always be made. This is due to differences in the rating of the individual recommendations made i.e. High/Medium/Low Risk or Good Practice. Therefore, the number of recommendations made for each school has not been reported. Instead, the overall level of assurance awarded to each school has been reported.



3.6 An analysis of the areas where recommendations have been made is summarised in the table below. As can be seen, the main area where issues were identified was in relation to Procurement, as has been the case in previous years. Please also see Appendix 3 which details the main areas reported on within each category below.

<b>Primary Schools</b>				
<b>Audit Area</b>	<b>Total Recommendations 2014/15 based on 14 Schools</b>	<b>2014/15 %</b>	<b>Total Recommendations 2015/16 based on 16 Schools</b>	<b>2015/16 %</b>
Governance	4	5%	0	0%
Health and Safety / Fire / Premises Security assessments	5	6%	4	4%
Management of the School	0	0%	14	13%
Procurement	32	37%	32	29%
Bank	2	2%	5	4%
Income	5	6%	11	10%
School Meals inc banking	10	11%	3	3%
School Funds	7	8%	7	6%
Inventory	14	16%	14	12%
IT	2	2%	15	13%
Other	6	7%	7	6%
<b>TOTAL</b>	<b>87</b>	<b>100%</b>	<b>112</b>	<b>100%</b>

3.7 Procurement was again identified as the main issue in a number of schools. Headteachers are reminded of the requirement to comply with the Scheme for the Financing of Schools, Contract Procedure Rules (CPR's), Financial Regulations and Accounting Instructions. Also, the Procurement Section and their Procurement Guide are available to assist schools with any procurement issues. Headteachers and Admin Staff are also invited to attend regular financial training sessions arranged by the School Funding and Information Unit, but attendance is not compulsory.

3.8 The main areas where problems have arisen regarding procurement are highlighted below:-

- Not obtaining the relevant number of quotations where expected. This was mainly noted where services were procured or accumulated annual spend for a particular 'item' exceeded £5k per year.
- Not raising authorised purchase orders at the point of committal or at all. This is also important as it allows for effective budget monitoring and proper certification procedures. It is also a record of what has been ordered, helps to minimise disputes and to facilitate matching to the invoice both in terms of price and quantity.

- Not obtaining the relevant dispensation, waiver etc where CPR's were not followed. (For procurement of unique items available from single suppliers for example).
- The use of suppliers that do not have a corporate contract with the Authority without undertaking any form of tendering exercise. Note that due to delegation, the use of contracted suppliers by schools is not compulsory. However, should they opt to use such suppliers, schools must undertake their own tendering exercise to ensure best value is obtained.

3.9 The average number of recommendations made per school has increased in year from 6 to 7. Whilst generally, the percentage of recommendations made across the various areas has remained fairly static year on year, some additional detail in relation to some of the more notable changes may be seen below:

- Management of the School - primarily in relation to the lack of documentation detailing the delegated limits of the Headteacher and outdated authorised signatory lists.
- School Meals – for those schools reviewed, fewer issues were noted in relation to variances between catering (CS3) and dinner register (PM2) records. Fewer issues were also encountered in relation the frequency of banking meal income and the level of meal arrears.
- IT – failure change passwords periodically, deactivation of staff that no longer require access to the School's IT Systems, and lack of registration with the Information Commissioners Office.

3.10 Whilst we report on non-compliance in these areas, what the above summary figures do not reflect is the number of instances of non-compliance per school, i.e. we would include a recommendation regardless of the number of instances of non-compliance, with the extent and significance of the issue being highlighted in the body of the report.

#### 4. SECONDARY SCHOOLS

4.1 3 Secondary Schools were visited by Internal Audit during 2015/16. The level of assurance at each of the schools can be seen in Appendix 2.

4.2 The table that follows shows the total number of secondary schools audited in year, together with the frequency each of the different assurance levels that have been awarded.

<i>Level of Assurance</i>	<i>Schools 2014/15</i>	<i>Schools 2015/16</i>
High	2	2

Substantial	3	1
Moderate	0	0
Limited	0	0
<b>Total</b>	<b>5</b>	<b>3</b>

- 4.3 A total of 27 recommendations were made, which represents an average of 9 recommendations per school. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all of the recommendations made.
- 4.4 An analysis of findings to identify areas for improvement is shown on the following page and has again highlighted Procurement as the main issue.

<b>Secondary Schools</b>				
<b>Audit Area</b>	<b>Total Recommendations 2014/15 (based on 5 Schools)</b>	<b>2014/15 %</b>	<b>Total Recommendations 2015/16 (based on 3 Schools)</b>	<b>2015/16 %</b>
Governance	3	6%	1	4%
Health and Safety / Fire / Premises Security assessments	3	6%	2	7%
Management of the School	0	0%	4	15%
Procurement	18	35%	8	29%
Bank	4	8%	1	4%
Income	8	16%	1	4%
School Meals inc banking	0	0%	1	4%
School Funds	3	6%	1	4%
Inventory	9	17%	3	11%
IT	1	2%	3	11%
Other	2	4%	2	7%
<b>TOTAL</b>	<b>51</b>	<b>100%</b>	<b>27</b>	<b>100%</b>

- 4.5 The figures show that the number of recommendations made per School remained broadly the same since the previous year.
- 4.6 As with primary schools, procurement has been identified as the main area for concern. The same comments as noted in 3.7 to 3.8 apply here.
- 4.7 It is also noted that the average number of recommendations made per school has remain consistent with the 2014/15 figures. However, as may be seen in the table above, the number of recommendations made in some areas has increased. Please see below for further details:

- Management of the School - primarily in relation to the lack of documentation detailing the delegated limits of the Headteacher, inadequate review of bank reconciliations and approval of letting applications.
- Income – for those schools reviewed, fewer issues were noted in relation to the collection of income and the completion of collection and deposit information.
- IT - failure change passwords periodically, deactivation of staff that no longer require access to the School's IT Systems, and lack of registration with the Information Commissioners Office.

## **5. SPECIAL SCHOOLS**

5.1 No Special Schools were due to be audited in 2015/16.

## **6 DEVELOPMENTS / OTHER WORK UNDERTAKEN DURING THE YEAR**

6.1 During the year, in addition to the school audits covered as part of our cyclical review, other work was also undertaken as noted below

6.2 Ad-hoc work covering a range of areas as and when they arise, at the request of schools or the Education Department.

6.3 In addition, audit follow up procedures require a follow up visit for any audits where the overall level of assurance is less than 'Substantial'.

6.4 No follow up visits were undertaken in year. The one primary school noted as receiving a moderate assurance rating in 2015/16 was revisited in quarter two 2016/17 in order to determine whether appropriate action has been taken to implement the recommendations that were made as part of the review. It was noted that significant progress had been made, but some recommendations had not been addressed. The school is due to be revisited again in quarter three.

6.5 With regards to other ad-hoc work, we have again been working with the Procurement Section in an attempt to address areas of non-compliance within schools in relation to procurement.

6.6 We have also been involved in discussions with the School Funding & Information Unit and Education Finance in relation to the proposal to roll out charge cards to schools. This is currently a work in progress, and guidance notes are being prepared to ensure the cards are used appropriately when they are issued.

## **7.0 SCHOOL SELF-ASSESSMENT QUESTIONNAIRES**

- 7.1 One of the key targets in year has been to develop and introduce a self-assessment questionnaire for schools. As reported previously, following the successful roll out of self-assessment questionnaires in Social Services Establishment audits, it was decided that a similar approach should be adopted for primary and special schools in an attempt to more effectively utilise reduced resources and to balance the annual audit plan. The questionnaire has now been finalised and the new audit approach has been rolled out to schools from quarter two 2016/17.
- 7.2 As a result of the decision to introduce a self-assessment questionnaire, it was also felt that this would be an opportune time to review the scope of the school audit programme to ensure resources were being focused on key areas that are relevant in the modern school environment.
- 7.3 At the time of writing this report, a number of completed questionnaires have been returned by the schools. Overall reaction to the questionnaire has been very good, with positive feedback being received from all those schools that have contacted the Audit Team to discuss the questionnaire. Discussions with the Primary Support Officers have also indicated that the schools have reacted positively to the new audit approach.
- 7.4 It is hoped that there will be a number of benefits from the new approach, for both the Audit Team and the schools. The responses and additional documents returned by the schools will mean that we are able to identify key issues and risks early on in the audit process. One of the key benefits to the schools is the reduction in the amount of disruption caused by the audit visit, as we envisage we would only be on site for a maximum of one day per school.

## **8. QUALITY MEASURES**

- 8.1 At the end of each audit, Headteachers are provided with a Quality Control Questionnaire (QCQ) which allows them to comment on the quality of the audit service provided. A copy of the Questionnaire is attached at Appendix 4.
- 8.2 Each completed questionnaire is reviewed and comments are taken into account in planning future audits, where appropriate.
- 8.3 QCQ results are fed into a Performance Indicator which shows the percentage of clients expressing 'at least satisfaction' with the conduct of audit assignments undertaken by Internal Audit. For this exercise, this relates to the QCQ's issued for audits finalised in 2015/16 as at the time of writing this report.
- 8.4 The Performance Target for schools at least satisfied with the quality of audit service for 2015/16 was 98%.
- 8.5 The response rate to our QCQ survey was as follows:

	<b>QCQ's issued</b>	<b>No. of Responses</b>	<b>Response %</b>
Primary Schools	16	6	38%
Secondary Schools	3	1	33%
<b>Overall</b>	<b>19</b>	<b>7</b>	<b>37%</b>

8.6 It should be noted that for those QCQ's received, for both Primary and Secondary Schools, 100% were at least satisfied with the overall usefulness of the audit compared to our internal performance target of 98%.

## **9. CONCLUSIONS**

9.1 This annual report provides information on school audits undertaken during 2015/16, and identifies the main areas for improvement in relation to the financial management and other areas for schools.

9.2 A good working relationship exists between schools and the Internal Audit Section, with Headteachers generally responding positively to audit recommendations. However, the raising of orders and compliance with Contract Procedure Rules does remain a concern. In many instances these have been repeatedly (re)reported over the years.

9.3 As noted in previous reports, procurement is still the biggest issue arising from school audits. It is concerning that despite having raised issues in relation to procurement at schools repeatedly for a number of years, with schools accepting audit recommendations in relation to these issues, the primary area of concern continues to be in relation to procurement. However, these issues should also be considered in the context of the overall school budget. The significant majority of any school's delegated budget is spent on staff salaries which, given the ever increasing budgetary pressures being felt by schools, leaves a relatively small pot of money for the school's other procurement activities.

9.4 It is again the opinion of the Internal Audit Section that financial management systems established in Schools continue to provide a generally high level of assurance, subject to the procurement compliance issues as noted above.

## APPENDIX 1

### PRIMARY SCHOOLS AUDITED 2015/16

School	CB/NCB	Level of Assurance
St Helens Primary School	CB	High
Talycopa Primary School	CB	High
Trallwn Primary School	CB	High
Cila Primary School	CB	Substantial
Gors Primary School	CB	Substantial
Gowerton Primary School	CB	Substantial
Hendrefoilan Primary School	CB	Substantial
Knelston Primary School	CB	Substantial
Newton Primary School	CB	Substantial
Pennard Primary School	CB	Substantial
Sketty Primary School	CB	Substantial
Townhill Community School	CB	Substantial
Waun Wen Primary School	CB	Substantial
YGG Bryniago	CB	Substantial
YGG Login Fach	CB	Substantial
Portmead Primary School	CB	Moderate

**CB = Cheque Book ; NCB = Non Cheque Book.**

Note that in addition to the audits finalised above, the following audits had been completed and we were awaiting responses to draft reports that had been issued for the following schools at the end of the financial year:

Cadle Primary School  
Crwys Primary School  
Cwmglas Primary School  
Grange Primary School  
Gwyrosydd Primary School  
Pen-y-Fro Primary School  
Pontarddulais Primary School  
Seaview Primary School

**APPENDIX 2****SECONDARY SCHOOLS AUDITED 2015/16**

<b>School</b>	<b>Level of Assurance</b>
Birchgrove Comprehensive School	High
Dylan Thomas Community School	High
Bishop Gore Comprehensive School	Substantial



## APPENDIX 3

### AREAS REVIEWED AT PRIMARY / SECONDARY SCHOOLS DURING 2015/16

AUDIT AREA	MAIN CATEGORIES REVIEWED IN EACH AUDIT AREA
<b>Governance</b>	Role and responsibilities of Governors, Committees and staff Policies and Committees Governors involvement in setting the School Development Plan Finance, Administration and CRB
<b>Health &amp; Safety/ Fire/ Premises</b>	Health and safety inspections Fire Risk assessments and Portable Appliance Testing Self review of security issues
<b>Procurement</b>	Ordering procedures (Non orders) Payment procedures Authorisation of orders / invoices Governing Body approval of payments more than £5k Compliance with Contract Procedure Rules Insurance arrangements for non Authority 'approved' suppliers. Cheque stock records
<b>School Funds</b>	School fund signatories Audit and presentation of the School fund Distribution of School savings Other
<b>Management of the School</b>	Budget setting, approval and monitoring Authorised signatories Register of Business Interests Delegated powers
<b>Inventory</b>	Format and security of the School inventory Keeping the inventory up-to-date inc disposal procedures Physical checks Other
<b>School Meals</b>	Dinner money arrears Certification of CS3's by Headteacher CS3 meals served to PM2 meals reconciliations Weekly banking of Dinner monies (PM2 reconciliations) Entitlement to Free School Meals
<b>Bank</b>	Cheque signatories

	Bank reconciliations
<b>Income</b>	Banking and security of income held on site.
	C&D Senior Management review
	Letting applications
	Other income
	Raising and monitoring of invoices
<b>IT</b>	Computer-based records to be password-protected/ backed up/passwords to be changed regularly
	Users no longer employed to be deleted by the system manager
	Data Protection
<b>Other</b>	Self employment status
	Verification of employees and payment of travel expenses
	Leases
<b>PLASC</b>	Verification PLASC return to Budget share

**CITY AND COUNTY OF SWANSEA  
DINAS A SIR ABERTAWE**

**QUALITY CONTROL QUESTIONNAIRE**

**INTERNAL AUDIT SECTION**

We are keen to monitor and, where possible, improve the quality of our work. We have adopted a number of performance indicators that we report on monthly, quarterly or annually. One of these is your view of the overall quality etc. of our work.

For this reason please complete the questions below indicating your level of satisfaction with various aspects of our audit. Any additional comments you may have should also be included, particularly if you are less than satisfied\* with any aspect of the audit.

AUDIT: \_\_\_\_\_ DATE OF ISSUE: \_\_\_\_\_

AUDIT FILE REF. NO: \_\_\_\_\_ AUDITOR(S): \_\_\_\_\_

ASPECT OF AUDIT	VERY SATISFIED	SATISFIED	DIS-SATISFIED	VERY DIS SATISFIED
<b>AUDIT PLANNING</b>				
Appropriateness of scope and objectives of audit				
Usefulness of initial discussions with auditor(s)				
Timing of audit				
<b>CONDUCT OF AUDIT</b>				
Duration of audit				
General helpfulness of auditors				
Consultation on findings				
<b>AUDIT REPORT</b>				
Fair presentation of findings				
Importance of findings				
Usefulness of recommendations				
Consultation on findings and recommendations				
<b>OVERALL</b>				
How would you rate the overall usefulness of the audit?				

**OTHER COMMENTS:**

SIGNED: \_\_\_\_\_ DATE: \_\_\_\_\_

DESIGNATION/POST TITLE: \_\_\_\_\_

***Please return to the Chief Internal Auditor, Room 3.3.13, Civic Centre or by email.***

**Basic Procurement SLA from April 2015**

The SLA no longer funds a specific Schools Procurement Officer, but covers the following:-

- Access to the Council's corporate, regional and national contracts and framework agreements held for an extensive range of goods and services that can be fully utilised by Schools throughout the City and County of Swansea. Contracts including but not limited to:-
  - (i) Electricity, Gas and Oil.
  - (ii) Window cleaning
  - (iii) Stationery
  - (iv) Washroom equipment & sanitary disposal
  - (v) MFDs
  - (vi) Catering and Cleaning materials
  
- Monitor corporate contracted suppliers with regard to adherence to contract specifications and prices.
  
- Provide a dedicated telephone helpline between 9am and 4.30pm, Monday to Friday, excluding Bank Holidays offering :-
  - (i) Procurement advice and guidance on all procurement matters, including product specifications, supplier sourcing and procedures.
  - (ii) Provide advice on the relevant documentation and for Schools to conduct background checks on potential suppliers when procuring individual School contracts (e.g. Health & Safety, Insurances, DBS)
  
- Updating and reviewing Contracting Procedure Rules for Schools when required by changes to Legislation, policy or procedures.

# Agenda Item 5

## Report of the Chief Auditor

Audit Committee – 25 October 2016

### DEBT WRITE OFFS - BRIEFING

<b>Purpose:</b>	This report provides details of the debts written off by the Council in the last 3 financial years and an outline of the robust debt recovery procedures that are followed by services before a debt is submitted for write off.
<b>Report Author:</b>	Paul Beynon
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Sherill Hopkins

#### FOR INFORMATION

#### 1. Introduction

- 1.1 The Audit Committee received a report in August 2015 on the level of debts written off between 2012/13 and 2014/15. The report included an outline of the debt recovery procedures followed by services before a debt is considered for write off.
- 1.2 This report provides an update on debt write offs showing the debts written off between 2013/14 and 2015/16.
- 1.3 An outline of the robust debt recovery procedures followed by services before a debt is submitted for write off is also included in this report.

#### 2. Financial Procedure Rules

- 2.1 The authority to write off debts is contained in Financial Procedure Rule 11.6 which states the following.

*'Debts which are not recoverable must be written off. The Chief Financial Officer must approve all write offs of debt up to £10,000. Debts above £10,000 may be written off with the approval of the Chief Financial Officer, the Cabinet Member with responsibility for Finance and the Cabinet Member responsible for the relevant service'.*

- 2.2 The Interim Head of Legal/Monitoring Officer is proposing to recommend to Council a change to Financial Procedure Rule 11.6 for

writing off debts in excess of £10k to remove reference to the Cabinet Member with responsibility for Finance and insert the Head of Legal and Democratic Services instead. This will add to the robustness of the debt recovery procedure by ensuring that all legal options have been considered. The Cabinet Member responsible for the relevant service will continue to approve write offs. If approved the amended rule will be

*'Debts which are not recoverable must be written off. The Chief Financial Officer must approve all write off of debts up to £10,000. Debts above £10,000 may be written off with the approval of the Chief Financial Officer, the Head of Legal and Democratic Services and the Cabinet Member responsible for the relevant service.'*

### 3. Debts Written Off 2013/14 – 2015/16

3.1 The following table shows the value of debts written off in the last 3 financial years broken down over the various types of income collected

Type of Income	2013/14 £	2014/15 £	2015/16 £
Council Tax	445,920.08	689,664.12	769,321.11
Business Rates	732,686.54	694,121.40	387,219.46
Business Improvement District	4,569.79	5,450.41	12,759.18
Housing Benefits Overpayments	142,229.71	117,434.49	115,797.49
Accounts Receivable	445,946.07	698,057.94	127,260.74
Housing Rent Former Tenant Arrears	295,899.03	376,395.83	396,673.70
Estate Rentals	16,224.43	97,837.50	2,293.48
Chief Cashiers Imprest	3,828.98	805.14	408.08
<b>Total</b>	<b>2,087,304.63</b>	<b>2,679,766.83</b>	<b>1,811,733.24</b>

3.2 The figures above relate to the year in which the debt was actually written off, not the year in which it was raised.

3.3 Debts may be deemed to be irrecoverable for many reasons e.g. debtor deceased, debtor bankrupt or in liquidation, debtor cannot be traced, value of debt too small to justify further recovery action, advice from Head of Legal and Democratic Services, insufficient evidence to enforce debt, genuine dispute over liability, all avenues of recovery exhausted.

3.4 Before a debt is considered to be irrecoverable and submitted for write off, every effort is made to collect the debt via the service's established debt recovery procedures. A brief description of the debt

recovery procedures for the most significant types of income is shown in section 4 below.

- 3.5 A review of service debt recovery procedures is made as part of each internal audit of the service to confirm that they are robust and effective.
- 3.6 Schedules of debts for write off are submitted to the Internal Audit Section and before being submitted to the Chief Finance and Deputy Section 151 Officer, the schedules have to be signed by the service manager, Head of Legal and Democratic Services and the Chief Auditor to confirm that all avenues of recovery have been exhausted.
- 3.7 Where a debt has been written off due to the debtor not being traced, should the whereabouts of the debtor subsequently become known then the debt will be re-instated.
- 3.8 The important point to make is that the write off of debt is always the **last resort** and all other available avenues of recovering the debt will have been fully exhausted before a debt is submitted for write off.
- 3.9 In reviewing the Council's annual debtor position as part of the annual Statement of Accounts audit process, our external auditors will wish to be satisfied that the figures stated are realistic in terms of collection. It is important, therefore, that regular reviews are undertaken of debt outstanding and appropriate write off action is taken where appropriate.
- 3.10 While the overall figures would appear to be substantial in value, they have to be read in the context of the value of overall debt raised – for example in excess of £100million annually for Council Tax. As an example during 2015/16 the Council collected 97.3% of all Council Tax due in year which in line with the all Wales average with the expectation that, over the following years, the overall collection rate will exceed 98%.
- 3.11 Appropriate provision has consistently been made in the closing of accounts process on an annual basis to account for debt write offs.

#### **4. Debt Recovery Procedures**

- 4.1 A brief outline of the debt recovery procedures for the most significant types of debt is shown below.

##### **Council Tax**

- 4.2 A demand notice is followed by a reminder notice and then a request to the Magistrates Court to issue a liability order. If the debtor does not pay or make an agreement to pay then the Council will seek an attachment of earnings or attachment of benefits order to collect the

debt. Further action will include referral to external enforcement agents (bailiffs) for collection and if that is not successful other options are considered in appropriate circumstances such as imprisonment via a committal order, bankruptcy or a charging order against the debtor's property.

### **Business Rates**

- 4.3 A demand notice is followed by a reminder notice and then a request to the Magistrates Court to issue a liability order. If the debtor does not pay or make an agreement to pay, the debt is sent to the Council's external enforcement agents. If recovery is still unsuccessful then applying for bankruptcy or winding up order is considered in appropriate cases.
- 4.4 There have been recent changes to bankruptcy thresholds which may make this option less effective in future for the recovery of Council Tax and Business Rates debt. With effect from October 2015 a creditor must be owed a minimum of £5,000 before bankruptcy proceedings can commence, the previous limit was £750. This is more likely to impact on Council Tax where the total debt owed is likely to be less than £5,000.

### **Housing Benefits Overpayments**

- 4.5 Where a debtor is still in receipt of ongoing benefit then the overpayment is recovered from the ongoing benefit. Where there is no ongoing benefit, an invoice is sent followed by a reminder notice and if no payment is made the debt is referred to Legal for recovery action via the County Court.

### **Accounts Receivable**

- 4.6 Invoices are followed by reminder letters and a court warning notice if the invoice remains unpaid. Attempts are made to contact the debtor by telephone or e-mail and a further warning letter is sent prior to the debt being referred to Legal for court action. A full range of debt recovery methods are used including instalment plans, securing the debt using voluntary or forced charging orders, Third Party Debt Orders as well as obtaining County Court judgements and using the High Court Enforcement Office. All debts over 60 days old are referred to the relevant Head of Service on a quarterly basis. The Accounts Receivable Section uses a full range of management reports to monitor outstanding debt levels and to alert Heads of Service to any issues in their service area, and levels of outstanding debt are reported to monthly Directorate Performance and Financial Monitoring meetings.



## **Housing Rent – Former Tenant Arrears**

- 4.7 Former tenant recovery procedures are in place and all efforts to recover debts are taken. Many former tenants leave their properties without notifying the Authority. Where a forwarding address is available then recovery action is taken, this will include letters, home visits, texts and e-mails. Agreements are made to repay debts in instalments and various payment methods are offered, when appropriate this will include DWP direct payments. Both Experian and the Prisoner Location service are used to locate forwarding addresses, debts are written off only after the tracing process has been exhausted and the former tenant cannot be traced.

## **Estate Rentals**

- 4.8 Once an account is identified as in arrears, a reminder letter is sent to the tenant. If payment is not forthcoming a 'stronger' reminder is issued giving a payment deadline. If payment is still not received, instructions are passed to the Debt Recovery team within Legal. The instructions, depending on the level of debt may be to pursue payment, secure a charging order, forfeit the tenancy or instruct High Court enforcement agents. Debts are written off only after the legal process has been exhausted and either the tenant cannot be traced, has gone into liquidation/receivership or there is no realistic prospect of securing payment.

## **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 no financial implications associated with this report.

## **7. Legal Implications**

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

**Background Papers:** None.

**Appendices:** None.

## Report of the Chief Auditor

Audit Committee – 25 October 2016

### CHAIR / WALES AUDIT OFFICE LIAISON

<b>Purpose:</b>	This report provides details of a liaison meeting held on 3 October 2016 attended by the Chair, Chief Auditor and representatives of the Wales Audit Office
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss the issues raised in the meeting with the Wales Audit Office
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation:</b>	It is recommended that: the Committee discusses the issues raised and identify any actions to be taken forward.
<b>Report Author:</b>	Paul Beynon
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Introduction

- 1.1 Following the presentation made by the Wales Audit Office at the Audit Committee Training meeting in June 2016, the Chair thought that it would be useful to meet representatives of the Wales Audit Office to get their views on the Audit Committee and how its role should develop going forward.
- 1.2 The meeting would form part of the Committee's annual performance review and would be particularly useful as the Wales Audit Office have only recently taken over the external audit of the Council and are able to bring examples of good practice identified in other Audit Committees across Wales.

1.3 The report outlines the areas discussed at the meeting on 3 October 2016 to generate discussion amongst the Committee regarding the issues raised.

## **2. Chair/Wales Audit Office Liaison Meeting**

2.1 The meeting was held on 3 October 2016 and was attended by

- Alan Thomas, Audit Committee Chair
- Paul Beynon, Chief Auditor
- John Herniman, Engagement Director and Engagement Lead Financial Audit
- Geraint Norman – Financial Audit Manager

2.2 The Wales Audit Office representatives felt that based on the experience of meetings attended, the Audit Committee was largely operating well with positive contributions from members to the issues raised.

2.3 However, the following suggestions were made that the Committee may wish to consider

- Where an audit receives a moderate or limited level of assurance consider inviting the relevant Head of Service to the Audit Committee to provide an explanation.
- Any common issues identified in school audits should be brought to the attention of all schools eg by circulating an executive summary of the Annual Report of School Audits 2015/16.
- Consider how the Committee would obtain assurance regarding services provided on a regional or collaborative basis
- Consider whether the oversight of Treasury Management should be added to the Committee's terms of reference. This function is currently undertaken by Cabinet.
- What alternative sources of assurance can be obtained eg from outside bodies such as Estyn, CSSIW, Public Service Ombudsman for Wales
- The Audit Committee may wish to hold an independently facilitated exercise to review its terms of reference to identify the level of assurance it receives regarding each area within its responsibilities.
- Should members of the Audit Committee have access to the Council's risk register
- The Chair should consider making contact with other Audit Committees to identify areas of good practice which may be adopted in Swansea.

2.4 As part of its ongoing performance review, the Audit Committee may wish to consider the suggestions made above.

2.5 To assist in the discussion of the items mentioned above the Committee's terms of reference are attached in Appendix 1 and a summary of the core functions of an Audit Committee put forward by CIPFA are attached in Appendix 2 as well as a small number of non-core functions which may be undertaken by Audit Committees.

**3. Equality and Engagement Implications**

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

**4. Financial Implications**

4.1 There are no financial implications associated with this report.

**5. Legal Implications**

5.1 There are no legal implications associated with this report

**Background Papers:** None

**Appendices:** Appendix 1 Audit Committee Terms of Reference  
Appendix 2 CIPFA Position Statement on Audit Committees in  
Local Government and Police Bodies

## **AUDIT COMMITTEE – TERMS OF REFERENCE**

### **Audit Committee**

#### **Statement of Purpose**

1. Our audit committee is a key component of the City and County of Swansea's corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City and County of Swansea's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

#### **Governance, Risk and Control**

3. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk related issues reported to the committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

11. To monitor the counter fraud strategy, actions and resources.

### **Internal Audit and External Audit**

12. To approve the internal audit charter and resources.
13. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
14. To consider summaries of specific internal audit reports as requested.
15. To consider reports dealing with the management and performance of the providers of internal audit services.
16. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
17. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.
20. To commission work from internal and external audit.

### **Financial Reporting**

21. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
22. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability Arrangements**

23. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

## CIPFA Position Statement on Audit Committees in Local Government and Police Bodies 2013

### The core functions of an Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- In relation to the authority's internal audit function
  - oversee its independence, objectivity, performance and professionalism
  - support the effectiveness of the internal audit process
  - ensure the effective use of internal audit within the assurance framework
- Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- Ensure that there are effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit

### **Possible non-core functions of an Audit Committee**

- Considering governance, risk or control matters at the request of other committees or statutory officers
- Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice
- Providing oversight of other public reports, such as the annual report



# Agenda Item 7

## Report of the Chief Auditor

Audit Committee – 25 October 2016

### AUDIT COMMITTEE – ACTION TRACKER

<b>Purpose:</b>	This report details the actions recorded by the Audit Committee and response to the actions.
<b>Report Author:</b>	Paul Beynon
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Sherill Hopkins
<b>FOR INFORMATION</b>	

#### 1. Introduction

- 1.1 During the course of Audit Committee meetings various actions may be decided which are recorded on the minutes of the meetings.
- 1.2 Until now, the Committee has had no transparency over the outcomes of the actions minuted by the Committee.
- 1.3 Therefore, an Action Tracker has been created which records the decisions taken by the Audit Committee and provides an outcome for each action.
- 1.4 The Action Tracker for the 2015/16 and 2016/17 municipal years are attached in Appendix 1 and 2.
- 1.5 The Action Tracker will be regularly updated and any completed actions will be marked 'CLOSED' and coloured in grey.
- 1.6 The Action Tracker will be reported to each Audit Committee meeting 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** – Action Tracker 2016/17

**Appendix 2** – Action Tracker 2015/16

<b>AUDIT COMMITTEE ACTION TRACKER 2016/17</b>	
<b>Action</b>	<b>Outcome</b>
<b>30/08/16 Min 25 – Internal Audit Monitoring Report Quarter 1 2016/17</b>	
Self-assessment forms for schools be added to school governing body meeting agendas	
<b>30/08/16 Min 26 – Corporate Fraud Team Plan 2016/17</b>	
An update be provided to the Committee in 6 months	
<b>21/07/16 Min 18 – Internal Audit Monitoring Report Quarter 4 2015/16</b>	
In future, any delays in receiving a response from a service to a draft internal audit report be reported to the Committee.	Any delay in receiving a response to a draft internal audit report will be included in the quarterly Internal Audit Monitoring Report - CLOSED
<b>21/07/16 Min 18 – Internal Audit Monitoring Report Quarter 4 2015/16</b>	
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	When an employee leaves, the line manager is required to complete an exit interview checklist. One of the items on the checklist is to re-cover the employee's flexi card and return it to HR for cancellation - CLOSED
<b>21/07/16 Min 18 – Internal Audit Monitoring Report Quarter 4 2015/16</b>	
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.	Letters sent 05/08/16 and copies reported to Audit Committee on 30/08/16 for information - CLOSED
<b>28/06/16 Min 8 – Corporate Governance Review Report</b>	
The recommendations contained within the report be regularly monitored and where appropriate feedback be provided by the Deputy Head of Legal and Democratic Services	
<b>28/06/16 Min 9 - Certification of Grants and Returns 2013/14 and 2014/15</b>	
All Responsible Officers be advised and reminded of the external auditors findings and the obligation to maintain at all times adequate and complete records to support future grant certification claims	E-mail sent to all Heads of Service by Chief Finance and Deputy Section 151 Officer on 30/06/16. The e-mail; highlighted the relevant issues and the external auditor's grants report was attached - CLOSED

<b>Action</b>	<b>Outcome</b>
<b>28/06/16 Min 9 - Certification of Grants and Returns 2013/14 and 2014/15</b>	
A letter be circulated to schools highlighting the need to retain relevant paperwork in relation to grants claimed in order to prove if the funding was used appropriately.	The Chair wrote to Chief Education Officer on 05/08/16 asking for the issues to be brought to the attention of schools. Awaiting confirmation that letter has been sent to schools following the summer holidays.
<b>28/06/16 Min 11 – YGG Lon Las Draft Response to Cabinet</b>	
Additional comments be forwarded to the Chair/Chief Auditor	No further comments were received - CLOSED
<b>28/06/16 Min 11 – YGG Lon Las Draft Response to Cabinet</b>	
The updated report be forwarded to Cabinet	Report is on the agenda for the Cabinet meeting in December 2016
<b>28/06/16 Min 12 – Final Audit Committee Annual Report 2015/16</b>	
The Audit Committee Annual Report 2015/16 be approved and be presented to Council in July/August 2016	Report was presented to Council on 22/09/16 - CLOSED
<b>14/06/16 Min 5 – Audit Committee Training</b>	
The training presentations regarding risk management and counter fraud be deferred to a future Audit Committee meeting	On Workplan for special meeting to be held on 13 December 2016

<b>AUDIT COMMITTEE ACTION TRACKER 2015/16</b>	
<b>Action</b>	<b>Outcome</b>
<b>19/04/16 Min 79 – Internal Audit Charter 2016/17</b>	
The Chief Auditor investigates the success of Housing Benefit prosecutions since the service was transferred to the DWP	Response provided to Committee on 14/06/16 - CLOSED
<b>22/03/16 Min 72 – New Build for YGG Lon Las – Referral from Cabinet</b>	
The Chair/Chief Auditor draft a report summarising the key lessons to be learned for consideration by the Audit Committee prior to being submitted to Cabinet	Draft report presented to Committee on 28/06/16 - CLOSED
<b>16/02/16 Min 63 - Risk Management Update</b>	
The Chair and Head of Finance and Delivery draft a response to the Welsh Government regarding the late announcement of funding	Not pursued as the impact of the late announcement had been strongly made to the Welsh Government by the WLGA - CLOSED
<b>16/02/16 Min 63 - Risk Management Update</b>	
The Head of Legal and Democratic Services be requested to consider Councillor access to the risk register in the forthcoming Governance Review Report	Corporate Director (Resources) to prepare report on Councillor access to risk register for consideration by Corporate Management Team
<b>16/02/16 Min 64 – Recommendations Tracker Report 2014/15</b>	
An update report on the level of write offs be added to the Workplan	Included in Workplan for meeting on 25/10/16
<b>16/02/16 Min 65 – Internal Audit Monitoring Report Quarter 3 2015/16</b>	
The impact of high sickness levels for Internal Audit compared to previous years be provided to the Committee	Included in Quarter 4 Monitoring Report to meeting on 21/07/06 - CLOSED
<b>16/02/16 Min 67 – Audit Committee Self-Assessment of Good Practice Questionnaire</b>	
The completed Questionnaire be used as the basis for the Audit Committee Annual Report 2015/16	Questionnaire was used for Annual Report 2015/16 presented to Committee on 28/06/16 - CLOSED
<b>16/02/16 Min 70 – YGG Lon Las Lessons Learned – Referral from Cabinet</b>	
Item be deferred to a Special Meeting of the Audit Committee	Report presented to Special Meeting held on 22 March 2016 - CLOSED
<b>15/12/15 Min 52 – Briefing Cabinet Advisory Committee</b>	
The Leader be invited to a future meeting in order to provide an update report	Update scheduled for January 2017 meeting of Committee

<b>Action</b>	<b>Outcome</b>
<b>15/12/15 Min 53 – Chair Scrutiny Programme Committee</b>	
The Chair of the Scrutiny Programme Committee be invited to a future meeting in order to provide an update report	Included in Workplan for meeting on 13/12/16
<b>15/12/15 Min 56 – Risk Management Update</b>	
A more detailed report be presented to a future meeting	The Head of Finance and Delivery provided a more detailed report to the meeting on 16/02/16 - CLOSED
<b>15/12/15 Min 56 – Risk Management Update</b>	
The Chief Auditor circulates the link to access the risk procedure details on the Council website	See 16/02/16 Min 63 Risk Management Update below - CLOSED
<b>17/11/15 Min 47 – Housing Benefit Investigation Team Annual Report 2014/15</b>	
An interim report be provided in 6 months	Corporate Fraud Team Annual Report was presented to Audit Committee on 30/08/16 - CLOSED
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
The Chair writes to the Chief Social Services Officer regarding the 4 moderate audit ratings in Adult Services	Letter sent 30/11/15 and Chair met Head of Adult Services on 16/12/15 - CLOSED
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
The Chair writes to the Head of Transportation and Highways regarding the Streetworks audit which received a moderate level of assurance	Letter sent 30/11/15 and Chair met Head of transportation and highways on 22/12/15 - CLOSED
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
The Chief Auditor circulates the details of the Section 106 Agreements follow up audit to the Committee	Details circulated 19/11/15 - CLOSED
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
The Chief Auditor circulates the link to the Section 106 Agreements database to the Committee	Link circulated 22/12/15 - CLOSED
<b>20/10/15 Min 37 – Chair of Scrutiny Programme Committee</b>	
The Chair of the Scrutiny Programme Committee be invited to the Audit Committee meeting scheduled for 15 December 2015	The Chair of the Scrutiny Programme Committee attended the Audit Committee meeting on 15 December 2015 - CLOSED
<b>20/10/15 Min 38 – Corporate Governance Review – Update</b>	
Rod Alcott be invited to attend the Special Audit Committee on 17 November 2015 in order to present the draft report	Report presented to Committee on 28/06/16 - CLOSED
<b>20/10/15 Min 39 – Annual Report of School Audits 2014/15</b>	
A review be undertaken to ensure that school audit reports are placed upon school governor meeting agendas	To be included in Annual Report of School Audits 2015/16 to be presented to the meeting on 25/10/16

<b>Action</b>	<b>Outcome</b>
<b>20/10/15 Min 40 – Audit Committee Annual Report 2014/15 Follow Up</b>	
The Chief Auditor circulates the Audit Committee Knowledge and Skills Framework questionnaire to the Committee.	Framework circulated 19/11/15 - CLOSED
<b>18/08/15 Min 17 - Presentation Corporate Fraud Team</b>	
The Corporate Fraud Team Manager provides a future update report to the Committee	Corporate Fraud Team Annual report was presented to Audit Committee on 30/08/16 - CLOSED
<b>18/08/15 Min 20 - WAO Audit of Financial Statements Progress Report</b>	
A Special Audit Committee be scheduled between 17 and 24 September 2015 in order to discuss the Final Audit Report	Special meeting held on 21/09/15 - CLOSED
<b>16/06/15 Min 9 - Internal Audit Monitoring Report Quarter 4 2014/15</b>	
An update report regarding Section 106 Agreements be provided at the next scheduled meeting	Head of Economic Regeneration and Planning provided a report on 18/08/15 – CLOSED

## Report of the Chief Auditor

Audit Committee – 25 October 2016

### AUDIT COMMITTEE – WORKPLAN

<b>Purpose:</b>	This report details the Audit Committee Workplan to May 2017.
<b>Report Author:</b>	Paul Beynon
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	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
25 October 2016	Wales Audit Office Update Report Chair/Wales Audit Office Liaison Meeting Annual Report of School Audits 2015/16 Bad Debt Write Offs – Update Audit Committee Action Tracker Report
13 December 2016 – Special Meeting	Chair of Scrutiny Programme Committee Head of Commercial Services – Commercialism Strategy Audit Committee Training – Risk Management and Counter Fraud Risk Management Half Yearly Review 2016/17 Audit Committee Action Tracker Report Corporate Fraud Team – Investigation Report
3 January 2017	Cabinet Advisory Committees – Update Report 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 Audit Committee Action Tracker Report
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 Audit Committee Action Tracker Report
28 March 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 Audit Committee Action Tracker Report