

# **CITY AND COUNTY OF SWANSEA**

## **MINUTES OF THE AUDIT COMMITTEE**

**HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON  
TUESDAY, 14 MARCH 2017 AT 2.00 PM**

**PRESENT:** Mr A M Thomas (Chair) Presided

**Councillor(s)**

C Anderson  
L James

**Councillor(s)**

T J Hennegan  
P M Meara

**Councillor(s)**

P R Hood-Williams  
L V Walton

**Officer(s)**

Paul Beynon  
Lindsay Harvey  
Jeremy Parkhouse  
Sandie Richards  
Brian Roles  
Kelly Small

Chief Auditor  
Chief Education Officer  
Democratic Services Officer  
Principal Lawyer  
Head of Education Planning and Resources  
Head of Funding and Information Unit

**Also Present:**

Geraint Norman                      Wales Audit Office

**Apologies for Absence**

Councillor(s): J W Jones, R V Smith and T M White

65 **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 L James – Minute No.69 – Internal Audit Monitoring Report Quarter 3, 2016/17 – School Governor at Bishopston Comprehensive School – personal.

66 **MINUTES.**

**RESOLVED** that the Minutes of the previous meetings of the Audit Committee held on 3 January and Special Audit Committee held on 14 February 2017 were approved as correct records.

67 **CHIEF EDUCATION OFFICER BRIEFING. (VERBAL)**

The Chair welcomed the Chief Education Officer, the Head of Education Planning and Resources and the Head of Funding and Information Unit. He outlined the context of the discussions, particularly the recurring themes being raised in school audits around procurement by schools. He added that whilst many of these issues were devolved, some occurred across all schools and had not been followed up.

The Committee also wanted certain items to be placed upon the agendas of school governor meetings in order for them to be highlighted.

The Chief Education Officer / Head of Funding and Information Unit outlined the following: -

- Welsh Assembly Government (WAG) / Regulation – WAG encourage maximum delegation to schools. The role of Education centrally is to support schools and governing bodies;
- Core Visits – Challenge advisors attend schools and look at resources in order to advise / examine all aspects of schools administration;
- Estyn – When inspecting schools, Estyn looks at provision and how effectively resources are deployed;
- Education – Supports schools from a central position via the School Support Unit, providing budget and procurement training for staff and governors. Schools are also accountable for the money they receive and the School Support Unit monitors budgets and recommendations received from school audits;
- Contract Procedure Rules – A copy is provided to all schools;
- Training – Governor training is provided once a term and new head teachers must undergo an induction;
- Website – Contains information regarding financial matters, procurement guides and service level agreements;
- Common Themes – Dinner money continued to be an issue in many schools and the option of having an online payment system was being examined. Many of the problems in schools were centred around the administration within schools;
- Pupil Deprivation Grants – WAG want these grants monitored closely in order to ensure they are used for the pupils concerned.

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

- Schools closely following procurement advice / guidance;
- Information being provided to school governing bodies in a timely manner;
- Changes to responsibilities being placed upon governors, the potential impact of these changes and the possibility of the Committee providing feedback to the consultation process;
- The need to make governor training compulsory instead of voluntary;
- The more information placed upon the Council website would assist schools / governors to understand procedures / policies;
- Assurances that governing bodies were being made aware of issues highlighted in school audits;
- The need to complete all recommendations highlighted in school audits

68 **WALES AUDIT OFFICE UPDATE REPORT.**

Geraint Norman, Wales Audit Office presented Wales Audit Office Update – March 2017 report.

Details were provided regarding Financial Audit Work 2015-16 – City & County of Swansea Pension Fund, Financial Audit Work 2015-16 – City & County of Swansea and Performance Audit work - City & County of Swansea.

The Committee commented regarding risk management, governance and value added.

**RESOLVED** that: -

- 1) The contents of the report be noted;
- 2) The Chair, Chief Auditor and Wales Audit Office Representative build risk management, governance and value added issues into the Audit Committee Workplan.

69 **INTERNAL AUDIT MONITORING REPORT QUARTER 3 2016/17.**

The Chief Auditor presented the Internal Audit Monitoring Report – Quarter 3 2016/17.

He reported that all posts within the Internal Audit Section were now filled and that the member of staff who had been on long term sick had returned to work.

A total of 21 audits were finalised during Quarter 3 and these were listed at Appendix 1, which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. It was highlighted that the audit of Section 106 agreements had received a substantial level assurance and there were no moderate or limited assurance levels.

A total of 142 audit recommendations were made and management agreed to implement 138 recommendations i.e. 97.2% against a target of 95%. The recommendations which were not agreed were either low risk or good practice or it was shown by management that compensating controls were in place.

In addition, the Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government: -

- Supporting People Programme Grant 2015/16 - £13,817,121
- Pupil Deprivation Grant 2015/16 - £6,375,365

It was found that the grants had been spent in accordance with the agreed purpose and that only eligible expenditure was included.

Appendix 2 provided the Internal Audit Plan 2016/17, progress to 31/12/16 and approximately 69% of the Audit Plan was either completed or in progress, which was excellent progress, particularly in view of the sickness levels.

The self –assessment schools questionnaire was sent to 28 primary schools due for audit in 2016/17 during Quarter 1 and by the end of the December 2016, 22 completed questionnaires had been returned. Work was ongoing to chase the return

of the outstanding questionnaires. The returned questionnaires had been analysed and a short visit to schools commenced during Quarter 3 to confirm that controls were in place. A draft report would then be sent to the Headteacher before being finalised and reported to the School's Governing Body. School visits would continue during Quarter 4.

Details of the follow ups completed between 1 October 2016 and 31 December 2016 were also provided and included visits to Portmead Primary School, Seaview Primary School, Grand Theatre and Swansea Children's Centre / Mayhill Family Centre, where substantial progress was noted. It was added that outstanding recommendations remained at Suresprung, Community Equipment Store, Community Alarms and Car Parks.

The Committee discussed the following: -

- The positive response received in respect of Portmead and Seaview Primary Schools;
- The disappointing responses received from Suresprung, Community Equipment Store, Community Alarms and Car Parks;
- Planned audits that had not been completed being rolled over to the following year and the annual target of 70% completion for planned audits.

**RESOLVED** that: -

- 1) The contents of the report be noted;
- 2) Letters from the Chair be forwarded to the relevant Heads of Service in respect of outstanding recommendations remaining at Suresprung, Community Equipment Store, Community Alarms and Car Parks.

## 70 **INTERNAL AUDIT PLAN 2017/18 - METHODOLOGY.**

The Chief Auditor presented a report that provided a briefing to the Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2017/18 being reported to the Committee for approval on 28 March 2017.

It was added that the Public Sector Internal Audit Standards (PSIAS) provided a framework for the delivery of a professional, independent and objective internal audit service and are mandatory for all internal audit providers in the public sector in the UK. One of the requirements of the PSIAS is that an annual risk-based Internal Audit plan must be prepared to determine the priorities of Internal Audit and to ensure consistency with the Council's goals. The Plan must allow sufficient audit coverage across the whole Council for the Chief Auditor to be able to provide an annual opinion to Council via the Section 151 Officer and Audit Committee on the control environment covering corporate governance, risk management and internal control.

Details of the Internal Audit Plan Methodology were outlined and an extract of the PSIAS requirements regarding internal audit planning was provided at Appendix 1 and a copy of the Risk Assessment form used was provided at Appendix 2.

The Committee discussed consistency of visits to service areas, added value, corporate risk register, embedding risk management into the Council, money handling and checks undertaken.

**RESOLVED** that the contents of the methodology be noted prior to the preparation of the Internal Audit Annual Plan 2017/18.

71 **INTERNAL AUDIT CHARTER 2017/18.**

The Chief Auditor presented the Internal Audit Charter 2017/18. The report outlined the background to the Public Sector Internal Auditing Standards (PSIAS), introduced with effect from 1 April 2013 and presented an Internal Audit Charter for approval by the Committee.

The Chief Auditor was required to review the Internal Audit Charter periodically and present it to the Corporate Management Team and Audit Committee for approval. The Internal Audit Charter for the City and County of Swansea's Internal Audit Section had been reviewed with tracked changes and was provided at Appendix 1.

**RESOLVED** that the Internal Audit Charter 2017/18 be approved.

72 **PUBLIC SECTOR INTERNAL AUDIT STANDARDS - EXTERNAL ASSESSMENT.**

The Chief Auditor presented the Public Sector Internal Audit Standards External Assessment report.

It was explained that the Public Sector Internal Audit Standards (PSIAS) were introduced in the United Kingdom on 1 April 2013 and compliance with the Standards is mandatory for all providers of internal audit services in the public sector. One of the requirements of the Standards is that an external assessment of each internal audit provider must be conducted at least once every 5 years. The Standards also require that the form of the external assessment and the qualifications and independence of the external assessor be discussed by the Audit Committee.

The report satisfied the requirements of the Standards in terms of the external assessment and recommended the way forward for securing the external assessment of the City and County of Swansea's Internal Audit Section.

It was added that as a result of discussions, it was agreed that the Welsh Chief Auditors would establish a peer group to provide an external assessment via a robust external validation of the self-assessment checklist provided by CIPFA. Terms of reference for the peer group have been established by the Welsh Chief Auditors Group to fully meet the requirements of the PSIAS.

3The peer review would be undertaken by the Chief Auditor of another Welsh authority and to ensure independence and objectivity, 2 authorities would not be allowed to undertake each other's external assessment. The main advantage of the proposed approach was that it fully complied with the requirements of the PSIAS in terms of the assessor's qualifications, independence, objectivity and knowledge of the Standards and the external assessment process. The peer review approach would also be delivered without the cost of employing an external assessor. Evidence had been gathered showing that a full external assessment was likely to cost around £15k, while an external validation costs approximately £11k.

There would not be any costs involved in the peer review approach apart from the Chief Auditor's time in completing an external validation of another authority. It was proposed that the external validation of Swansea would be undertaken by the Chief Auditor of the City and County of Cardiff, while the Chief Auditor of Swansea would undertake the external validation of Blaenau Gwent County Borough Council.

The Section 151 Officer supported the provision of the external assessment by self-assessment with an external validation by the peer group established by the Welsh Chief Auditors. The intention of identifying an appropriate sponsor for the external review was to further safeguard the independence of the external assessment process. It was proposed that the Chair of the Audit Committee be appointed as the appropriate sponsor and be responsible for agreeing the scope of the external review with the Chief Auditor.

It was explained that the external validation would take approximately 5 days between October and December 2017

**RESOLVED** that: -

- 1) The external assessment by way of self-assessment with an independent external validation provided through the Welsh Chief Auditor's Peer Group be approved;
- 2) The Chair be nominated as the 'appropriate sponsor' who must agree the scope of the external assessment.

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

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

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

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

The meeting ended at 3.33 pm

**CHAIR**