

# CITY AND COUNTY OF SWANSEA

## NOTICE OF MEETING

You are invited to attend a Meeting of the

## AUDIT COMMITTEE

**At:** Committee Room 5, Guildhall, Swansea

**On:** Tuesday, 8 August 2017

**Time:** 2.00 pm

**Chair:** Mr Alan M Thomas

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### Membership:

Councillors: C Anderson, T J Hennegan, P R Hood-Williams, B Hopkins, O G James, L James, P Jones, J W Jones, M B Lewis, S Pritchard, W G Thomas, L V Walton and T M White

## AGENDA

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<b>1 Apologies for Absence.</b>	
<b>2 Disclosures of Personal and Prejudicial Interests.</b> <a href="http://www.swansea.gov.uk/disclosuresofinterests">www.swansea.gov.uk/disclosuresofinterests</a>	
<b>3 Minutes.</b> To approve & sign the Minutes of the previous meeting(s) as a correct record.	1 - 8
<b>4 Governance Training.</b> Brief update from Tracey Meredith (Monitoring Officer)	
<b>5 Internal Audit Training.</b>	
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<b>10 Audit Committee Action Tracker Report. (For Information)</b>	99 - 107
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**Next Meeting:** Tuesday, 26 September 2017 at 2.00 pm

*Huw Evans*

**Huw Evans**

**Head of Democratic Services**

**Wednesday, 1 August 2017**

**Contact: Democratic Services: - 636923**

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## CITY AND COUNTY OF SWANSEA

### MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON  
TUESDAY, 20 JUNE 2017 AT 2.00 PM

#### **PRESENT:**

##### **Councillor(s)**

T J Hennegan  
L James  
L V Walton

##### **Councillor(s)**

B Hopkins  
P Jones  
T M White

##### **Councillor(s)**

O G James  
R V Smith

#### **Also Present:**

Mr Alan Thomas

#### **Officer(s)**

Simon Cockings  
Jeremy Parkhouse  
Richard Rowlands  
Ben Smith  
Debbie Smith

Chief Auditor  
Democratic Services Officer  
Performance & Delivery Manager  
Head of Financial Services and Service Centre  
Deputy Head of Legal & Democratic Services.

#### **Apologies for Absence**

Councillor(s): C Anderson, P R Hood-Williams, M B Lewis and W G Thomas

#### **1 ELECTION OF CHAIR FOR 2017-2018 MUNICIPAL YEAR.**

**RESOLVED** that Mr A M Thomas be elected Chair for the 2017-2018 Municipal Year.

**(MR A M THOMAS PRESIDED)**

The Chair welcomed all Councillors to the Audit Committee and noted that he expected good attendance at meetings in order for the Committee to achieve its targets.

#### **2 ELECTION OF VICE-CHAIR FOR 2017-2018 MUNICIPAL YEAR.**

**RESOLVED** that Councillor L James be elected Vice-Chair for the 2017-2018 Municipal Year.

#### **3 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.9 – Audit Committee Annual Report – Governor of Bishopston School – personal.

Councillor T M White – Minute No.8 – Benefactor of Local Government Pension Scheme – personal.

4 **MINUTES.**

**RESOLVED** that the Minutes of the meetings of the Audit Committee held on 14 and 28 March 2016 be approved as correct records.

5 **TRAINING - INTRODUCTION TO AUDIT COMMITTEE.**

The Chair welcomed the new Members of the Audit Committee and introduced Ben Smith, Head of Finance and Section 151 Officer who provided the Committee with background information regarding the role of the Audit Committee.

In addition, he outlined the powers of the Section 151 Officer and highlighted good models of working for the Committee to follow. He made reference to the CIPFA definition of an Audit Committee and its role, whilst working in partnership with scrutiny. Furthermore, he outlined the role of external audit within the process.

The Committee discussed the issues raised and requested a description to accompany items within the Work Programme.

**RESOLVED** that: -

- 1) The contents of the training be noted;
- 2) A description to accompany items within the Work Programme be provided in future.

6 **TRAINING - RISK MANAGEMENT.**

Richard Rowlands, Strategic Delivery Unit Manager provided the Audit Committee with Overview Training on Risk Management. He stated that the purpose of the training was to introduce the principles of Risk Management to the Committee in order for Members to understand the arrangements within the City and County of Swansea.

Details included within the presentation were as follows: -

- What is risk?
- What is risk management?
- Risk management framework
- The risk management cycle
- Risk identification
- Risk evaluation
- Risk response
- Risk control
- Audit Committee – Key responsibilities

The Committee discussed the issues raised within the training presentation.

**RESOLVED** that: -

- 1) The contents of the training presentation be noted;
- 2) The training slides be circulated to the Committee.

7 **WALES AUDIT OFFICE UPDATE REPORT.**

Geraint Norman and Samantha Clements, Wales Audit Office presented an update – June 2017 report.

Details were provided regarding Financial Audit Work 2016-17 - City & County of Swansea Pension Fund, Financial Audit Work 2016-17 – City & County of Swansea, Performance Audit work – City & County of Swansea.

The Committee commented regarding Wales Future Generations Act year one commentary and Estyn reports.

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

8 **WALES AUDIT OFFICE - SAVINGS PLANNING REPORT - CITY & COUNTY OF SWANSEA.**

Samantha Clements and Geraint Norman, Wales Audit Office presented the Savings Planning report – City and County of Swansea. It was outlined that the review focussed on answering: 'Do the council's financial savings planning arrangements support financial resilience?'

She highlighted the proposals for improvement, savings achievement 2015-16, financial planning arrangements and savings plan 2016-17. She commented that the overall conclusion was that the Council had sound planning but there were risks.

Discussions followed in relation to the work of the Service Improvement and Finance Scrutiny Panel, management response in relation to the report, budget monitoring, lessons learned from the report, concerns in relation to the financial gap within the Medium Term Financial Plan and the need to move budgeting away from an annual focus.

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

9 **AUDIT COMMITTEE ANNUAL REPORT 2016/17.**

The Chair presented the final Audit Committee Annual Report for the 2016/17 Municipal year. He added that he would present the report to Council in either August or September 2017.

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

10 **AUDIT COMMITTEE DRAFT TRAINING PROGRAMME.**

The Chief Auditor presented at Appendix 1 the Audit Committee Draft Training Programme for 2017/18. A summary of the details of the core knowledge required was provided at Appendix 2.

**RESOLVED** that the Audit Committee Training Programme for 2017-18 be noted and approved.

11 **INTERNAL AUDIT ANNUAL PLAN 2016/17 QUARTER 4 MONITORING REPORT.**

The Chief Auditor presented the Internal Audit Monitoring Report for the period 1 January 2017 to 31 March 2017.

It was outlined that due to the Chief Auditor's retirement at the end of March 2017, plans were put in place to allow the implementation of the Audit Section's restructure from April 2017. Competitive interviews took place resulting in the appointment of one of the Senior Auditors as the new Principal Auditor. This had resulted in the loss of one full time equivalent post from 2017/18 onwards.

It was added that the Internal Audit Section had continued to experience moderate levels of sickness in the 4<sup>th</sup> Quarter of 2016/17, with a total of 21 days. The total number of sick days taken in the since 1 April 2016 was 220 days against an annual budget of 80 days. As previously reported, most of the sickness in the year was due to a condition experienced by one member of staff.

A total of 27 audits were finalised during Quarter 4 and these were listed at Appendix 1. A total of 230 audit recommendations were made and management agreed to implement 229 recommendations i.e. 99.6% against a target of 95%. The one recommendation that was not agreed was classed as low risk.

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

- Education Improvement Grant Q3 2016/17 - 1,987,423

Significant issues which led to the two moderate ratings issued in the quarter were provided for Youth Offending Service and Employment of Agency Staff.

An analysis of the details in Appendix 2 showed that by the end of March 2017, approximately 72% of the Audit Plan was either completed or in progress which is excellent progress, particularly in view of the levels of sickness experienced in year.

The schools self-assessment questionnaire was sent to 28 primary schools due for audit in 2016/17 during Quarter 1 and by the end of the March 2017, 26 completed questionnaires had been returned. Work was ongoing to chase the return of the outstanding questionnaires. Some of the schools that responded late were due to be audited in Q1 2017/18.

It was added that no follow ups were required between 1 January 2017 to 31 March 2017.

The Committee discussed the need to closely monitor staffing and work levels within the Audit Section, risk management and the positive result arising from the work.

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

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

The Audit Committee Work Plan was reported for information.

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

The Audit Committee Tracker Report was provided for information.

The meeting ended at 4.06 pm

**CHAIR**

# **CITY AND COUNTY OF SWANSEA**

## **MINUTES OF THE AUDIT COMMITTEE**

**HELD AT COMMITTEE ROOM 2, CIVIC CENTRE, SWANSEA ON  
TUESDAY, 11 JULY 2017 AT 2.00 PM**

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

**Councillor(s)**

T J Hennegan  
L James

**Councillor(s)**

P R Hood-Williams  
J W Jones

**Councillor(s)**

O G James  
W G Thomas

**Officer(s)**

Simon Cockings

Nick Davies

Jeremy Parkhouse

Sandie Richards

Richard Rowlands

Amanda Thomas

Chief Auditor

Auditor

Democratic Services Officer

Principal Lawyer

Strategic Delivery Unit Manager

Chief Accountant / Interim Deputy Section 151 Officer

**Apologies for Absence**

Councillor(s): C Anderson, B Hopkins, P Jones, M B Lewis, L V Walton and  
T M White

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

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

Councillor T J Hennegan – Minute No.16 – Draft Statement of Accounts 2016/17, Housing Revenue Account – I am a Council tenant – personal.

15 **TRAINING – CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEE MEMBERS.**

Amanda Thomas, Chief Accountant / Interim Deputy Section 151 Officer provided the Committee with Financial Management and Accounting training. Details provided included financial management; financial statements; CIPFA Code of Practice; status of the Code and what it expects to see in the Statement of Accounts; receiving the external audit report and opinion on the audit; materiality; what to look for in an audit opinion, broad types of audit opinion and other issues; reviewing audit recommendations relating to financial management; what the Audit Committee is looking for; the role of the Chief Financial Officer (CFO) and how this is met, the CFO in a public service organisation and how they deliver their responsibilities; the law.

The Committee asked a number of questions relating to the training that were responded to accordingly.

The Chair thanked the Officer for providing the training presentation.



16 **DRAFT STATEMENT OF ACCOUNTS 2016/17.**

Amanda Thomas, Chief Accountant / Interim Deputy Section 151 Officer presented the Draft Statement of Accounts 2016/17.

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

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

The Draft Accounts for 2016/17 had been prepared and were signed by the Section 151 Officer on 12 June 2017. A copy was provided at Appendix A of the report.

The Accounts had been formally presented to the Council's auditors, Wales Audit Office, who had commenced the audit of the Accounts. As part of the audit process, the Accounts would be made available for inspection by the public for a four week period from 17 July 2017 to 11 August 2017.

The Committee asked questions in relation to HRA changes and assets; layout of accounts; expenditure and funding analysis; Movement in Reserves Statement; short term investments; General Fund balance; reserves used to fund redundancies, the acceptable level of reserves.

**RESOLVED** that: -

- 1) The contents of the report be noted;
- 2) The Section 151 Officer be requested to provide the Committee with an update regarding the funding of reserves and overall good financial management.

17 **RISK MANAGEMENT POLICY AND FRAMEWORK - UPDATE.**

Richard Rowlands, Strategic Delivery Unit Manager presented a 'for information' report on Risk Management Policy.

The report presented the Council's revised Risk Management Policy. The revised Risk Management Policy was provided at Appendix A and was supported by the revised Risk Management Framework at Appendix B. He confirmed that the Authority followed the CIPFA definition of risk.

The Chair stated that the updated policy and framework stemmed from the Wales Audit Office review that had recommended that the Council challenged risk and had a more pro-active view towards risk.

The Committee discussed roles and responsibilities; registers of risk being up to date; overview on status of risk; providing confidence to the Committee in risk management; cascading risk registers and policy throughout the organisation; Councillor access to risk registers; risk of cyber attacks; using the risk template to

make budget savings across the Authority; cross-cutting themes; commissioning reviews.

18 **DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17.**

Simon Cockings, Chief Auditor presented the draft Annual Governance Statement 2016/17. The Council was required by the Accounts and Audit (Wales) Regulations 2014 to undertake a review of its governance arrangements, at least annually. The review was intended to show how the Council had complied with its Code of Corporate Governance.

It was added that in 2016/17, a new Annual Governance Statement Group was established, tasked with the compilation of a revised Code of Corporate Governance, as well as a revised Annual Governance Statement. An annual review of compliance with the Code of Corporate Governance had been completed and published each year, which was now in the format of the Annual Governance Statement. The 7 new core principles of the Framework for Delivering Good Governance in Local Government established by CIPFA and SOLACE, were outlined. Council was due to approve the revised Code of Corporate Governance based on the 7 principles on 24 August 2017.

The draft Annual Governance Statement 2016/17 was attached at Appendix 1. The final version of the Annual Governance Statement would be reported to Cabinet in September for approval, before being signed by the Chief Executive and Leader and published with the audited Statement of Accounts 2016/17.

The Committee discussed the information contained in the report.

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

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

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

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

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

The meeting ended at 3.55 pm

**CHAIR**

## Report of the Chief Auditor

Audit Committee – 8 August 2017

### INTERNAL AUDIT ANNUAL REPORT 2016/17

<b>Purpose:</b>	This report reviews the work of the Internal Audit Section during 2016/17 and includes the Chief Auditor's required opinion on the internal control environment for 2016/17 based on the audit testing completed in the year.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee: 1. Review and discuss the work of the Internal Audit Section during 2016/17. 2. Review and approve the preferred approach to the external assessment. 3. Consider the Chief Auditor's opinion on the internal control environment
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 This report reviews the work of the Internal Audit Section in 2016/17 and compares its performance against the Internal Audit Annual Plan for the year which was approved by the Audit Committee on 19 April 2016.

- 1.3 A series of Performance Indicators are used to measure the performance of the Internal Audit Section against agreed targets set at the start of the year and also in comparison with other Welsh Authorities. A review of the Performance Indicators in 2016/17 is included in this report.
- 1.4 This report also contains the Chief Auditor's required opinion on the overall standards of the control environment in operation in the Council based on the testing performed during 2016/17.
- 1.5 This report and the annual opinion on internal control are key elements of assurance that are used in the Council's Annual Governance Statement.

## **2. Review of 2016/17**

- 2.1 A summary of time spent in 2015/16 on the different categories of Internal Audit work is shown in Appendix 1.
- 2.2 As shown in the summary table, there has been a reduction of 170 days (6.2%) in the actual productive audit days achieved against the planned number of productive days.
- 2.3 The loss of productive days was mainly due to the increased level of sickness (+156 days) and a vacant post which was held vacant for longer than originally planned (+25 days). Both issues have been reported to the Audit Committee in the quarterly Internal Audit monitoring reports. The overall loss in productive days has been reduced by the use of the contingency (80 days) and reduced staff training (24 days).
- 2.4 Appendix 1 also shows the impact of the loss of productive days across directorates and other types of audit work such as systems and computer audits.
- 2.5 The original Internal Audit Annual Plan 2016/17 contained 167 audit jobs, of which 83 (50%) were completed to at least draft report stage during the year while a further 38 audits were in progress as at 31/03/17. Taking into account those audits that were in progress at the end of the year, 72% of the audit jobs in the Annual Plan 2016/17 had been completed or were in progress as at 31/03/17.
- 2.6 An audit report was produced for each audit which was discussed and agreed with the client. The reports included recommendations to improve any weaknesses or areas of concern identified during the audit in relation to systems, procedures and controls. During the year 98% of recommendations made were accepted by clients.
- 2.7 A list of the audits finalised each quarter has been included in the Quarterly Monitoring Reports presented to the Audit Committee during

the year. A complete list of each audit finalised during 2016/17 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 2.

- 2.8 The amount of time spent on special investigations increased from 40 days in 2015/16 to 85 days in 2016/17. The responsibility for investigating any fraud allegations transferred to the Corporate Fraud Team on 01/06/15. However, the special investigations undertaken by the Audit Team in 2016/17 were not fraud related. An annual report for the Corporate Fraud Team appears elsewhere on the agenda for this meeting.
- 2.9 A summary of the main investigations undertaken by Internal Audit in 2016/17 is shown in the following table.

<b>Investigation</b>	<b>Outcome</b>
Housing Loans	Following the receipt of a whistleblowing letter, a review was completed to assess the adequacy of controls in place in relation to the administration of the various Housing Loan schemes that are in place across the Authority. A number of recommendations were made which are being addressed by Legal and Housing.
Bishop Vaughan Comprehensive School	At the request of the Head of Finance & Delivery and the Schools Accounting Manager, an investigation was initiated to review the administrative processes at the school. This investigation is ongoing.
Highways & Transportation P-Cards	The Head of Highways and Transportation requested a review of P-Card transactions. Some issues were identified in relation to following the guidance issued detailing card use. The issue is currently being dealt with by the Head of Service and Human Resources.
Employee Services Pension Records (PR) Backlog	At the request of the Head of Finance & Delivery, a review was undertaken to identify the reasons for a large backlog of outstanding PR forms (recording ex-employee deferred benefits). The backlog was largely due to the introduction of new pension legislation and auto-enrolment. A Pension Liaison Team was set up to address the issue and the backlog was promptly cleared.

- 2.10 As well as the planned audit work and special investigations, a number of other areas of work were undertaken during the year which are shown below:

- The Annual Governance Statement 2015/16 was written in consultation with other officers. The Annual Governance Statement reviews whether the Council has complied with its Code of Corporate Governance. The draft Statement was reported to the Audit Committee in July 2016 and to Council for approval in September 2016 before being signed by the Chief Executive and Deputy Leader and published with the Statement of Accounts 2015/16.
- The following grants were audited and certified in 2016/17:
  - Pupil Deprivation Grant 2015/16
  - Education Improvement Grant 2015/16
  - School Uniform Grant 2015/16
  - Supporting People Programme Grant 2015/16
  - Supporting People Programme Grant Coordinator 2015/16
- In addition, we were asked to complete an audit of the annual accounts for Brynmill Angling Club for which a fee was charged.
- A total of 9 unplanned days was spent in 2016/17 carrying out sample checks on Equal Pay schedules prior to the payments being made to staff. No errors were noted in the samples tested.
- A sample review of Back Pay calculations continued in 2016/17 prior to payments being made to staff. This work was unplanned and took 21 days to complete. A number of errors were identified in the sample tested which led to savings totalling over £59,000.
- Periodic reviews of P Card purchases were undertaken to confirm the appropriateness and authorisation of a sample of transactions.
- Participation in a number of specialist groups established by the South Wales Chief Auditors Group including ICT, Education, Social Services and Contracts/Procurement. The Groups share best practice and are a source of expertise.

### **3. Follow Ups**

3.1 It is important that action is taken to ensure that management have implemented the recommendations agreed following each audit. The Internal Audit Section uses a risk based approach to follow up audits as shown below

- Fundamental audits are subject to a Recommendations Tracker exercise mid way through the year to confirm that the agreed recommendations have been implemented. The results of the Recommendation Tracker exercise are reported to the Audit Committee.
- Non Fundamental audits which receive a 'moderate' or 'limited' level of assurance receive a follow up visit usually within 6 months to test whether the 'high' and 'medium' risks recommendations have been implemented. The results of any follow up visits for non fundamental audits are included in the quarterly monitoring reports presented to the Audit Committee.

- 3.2 Any audits that receive a 'moderate' or 'limited' level of assurance are also reported to the relevant Directorate Performance and Financial Monitoring (PFM) meeting to allow senior management to monitor the implementation of the recommendations arising from the audit.
- 3.3 The Recommendations Tracker exercise carried out in 2016/17 was reported to the Audit Committee in February 2017 where the conclusion was positive with 86% of agreed recommendations implemented by the end of November 2016.
- 3.4 During 2016/17, 17 follow up visits were made and it was found that in all but two cases substantial progress had been made in implementing the agreed recommendations. Where substantial progress in implementing the agreed recommendations had not been noted, the Chair of the Audit Committee has written to and met with the relevant Head of Service to discuss the issues that were identified and further follow up visits are planned to take place.

#### **4. Performance Indicators**

- 4.1 A series of 12 Performance Indicators (PI's) are used to measure the work of the Internal Audit Section. The PI's measure output, quality and cost and are also measured by other local authority Internal Audit Sections across Wales to provide comparable statistics.
- 4.2 The PI's are shown in detail in Appendix 3 which shows that in 2016/17, the Internal Audit Section met or exceeded the target set at the start of the year for 8 out of the 12 PI's. This is a slight deterioration on 2015/16 where 9 of the 12 PI's were met or exceeded by the Section.
- 4.3 The PI's where the target was not met in 2016/17 were:
- PI 1 – audit assignments achieved against planned
  - PI 4 – audits completed within planned time
  - PI 5 – directly productive time against time available
  - PI 9 – average cost per directly chargeable day
- 4.4 The increased level of sickness and vacancy has contributed to the failure to achieve PI 1 although it should also be recognised that a further 38 audits were in progress as at the end of March 2017 but had not reached the draft report stage.
- 4.5 The Section also employed two new members of staff during 2016/17 which meant that there was a period of time where training and support was required. This has also impacted on the achievement of some PI targets. In addition, 45 days more than had been originally planned was spent on investigations. This, combined with the increase in the amount of sick leave and the delay in filling the vacancy which combined account for an additional 181 unplanned days explains why

some PI's have not been met. Further details can be found in Section 5 below which outlines the Quality Assurance and Improvement Programme.

- 4.6 The Comparator PI's show Swansea's PI results against the average results for comparable authorities in Wales by population. However, at the time of writing this report the results from a number of comparator authorities have not been received so this information is not currently available.
- 4.7 Unfortunately, the comparison with other Internal Audit Sections across Wales is becoming less meaningful over time as a number of authorities no longer collect the data or are only able to provide results for some of the PI's.

## **5. Quality Assurance & Improvement Programme**

- 5.1 It is a requirement of the PSIAS that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.
- 5.2 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 5.3 Subject to Committee approval, it is proposed that the external assessment in Swansea will be undertaken during quarter 3 of 2017/18 and the preferred method is a self-assessment review subject to an external validation using the peer review group established by the Welsh Chief Auditors Group. A summary of the self-assessment review of conformance against the PSIAS was undertaken during June/July 2017 by the Chief Auditor, the results of which can be found in Appendix 4. The self-assessment indicates that the Audit Department is 94% compliant with the Standards, with 315 of the 334 best practice lines in the Standards being in place.
- 5.4 In addition to the self-assessment review, as part of the QAIP an action plan is compiled in order to set targets for improvement for the coming year in relation to those PI's that have not been achieved. A copy of the QAIP report and action plan for 2017/18 can be found in Appendix 5.

## **6. Statement of Organisational Independence**

- 6.1 The PSIAS also require the Chief Auditor to confirm the organisational independence of the internal audit activity. As outlined in the self-



assessment review, the organisational independence of the Chief Auditor can be confirmed for the following reasons:

- The Chief Auditor reports to the Head of Financial Services & Service Centre, who is a permanent member of Corporate Management Team.
- The Chief Auditor reports functionally to the Audit Committee and has unrestricted access to the Committee.
- As a third tier officer, the Chief Auditor can influence the control environment, has sufficient status to pursue audit issues and provide credible, constructive challenge to management.
- The Internal Audit Charter is reviewed and approved by Audit Committee and the Corporate Management Team on an annual basis.
- The risk-based audit plan is reviewed and approved by Audit Committee on an annual basis.
- The performance of the Internal Audit Function is reported to Audit Committee on a quarterly basis via quarterly monitoring reports, annually as part of the Internal Audit Annual Report and also as part of the QAIP programme.
- The Chief Auditor has no other management responsibilities other than Internal Audit.
- The Chief Auditor also has unrestricted access to senior management and the Audit Committee and has the ability to report to all levels in his own name which allows the internal audit activity to fulfil its responsibilities.
- The Chief Auditor also has the right of direct access to the Chief Executive as agreed by the Section 151 Officer.

## **7. Internal Control Opinion**

- 7.1 The system of internal control is designed to help the Council to manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.
- 7.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.
- 7.3 Prior to 01/04/12, the Internal Audit Section gave an opinion rating at the end of each audit assignment however opinion ratings were replaced by levels of assurance at the start of 2012/13. The basis used for each opinion rating and level of assurance is shown in Appendix 6.
- 7.4 This means that at the moment there is a mix of audits some of which have opinions ratings and some which have levels of assurance. Although the basis for the opinion ratings and levels of assurance are different, they have been combined in the following table for comparative purposes.

Opinion / Level of Assurance	As at 31/03/16		As at 31/03/17		Variation	
	No.	%	No.	%	No.	%
Good/High	76	20.3	89	23.7	13	3.4
Satisfactory/Substantial	258	69.0	252	67.2	-6	-1.8
Adequate/Moderate	35	9.4	31	8.3	-4	-1.1
Unsatisfactory/Limited	5	1.3	3	0.8	-2	-0.5
Total	374	100.0	375	100.0	1	0.0

7.5 The table shows a small increase in the overall number of audits included in Internal Audit Plan as a result of the annual consultation exercise which results in some audits being removed from the plan that are no longer relevant, and some new audits being added.

7.6 A pleasing trend which has been identified for the past two years of an increase in the number of audits receiving a high level of assurance has continued this year. There has also been a small decrease in the number of audits with a substantial, moderate or limited level of assurance.

7.7 There are 14 audits which are classed as fundamental which are undertaken on either an annual or bi-annual basis. Following the audits completed in 2016/17 all fundamental audits now have either a high or substantial level of assurance.

7.8 **Overall, based on the audit testing completed in 2016/17, 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 2016/17 which would have a material impact on the Council's financial affairs or the achievement of its objectives.**

## 8. Equality and Engagement Implications

8.1 There are no Equality and Engagement implications associated with this report.

## 9. Financial Implications

9.1 There are no financial implications associated with this report.

## 10 Legal Implications

10.1 There are no legal implications associated with this report

**Background Papers:** Internal Audit Plan 2016/17

**Appendices:** Appendix 1 Internal Audit Plan 2016/17 – Summary  
Appendix 2 Internal Audit Section – Audits Finalised 2016/17  
Appendix 3 Internal Audit – Performance Indicators 2016/17

Appendix 4 Internal Audit - Summary of self-assessment of PSIAS  
Conformance  
Appendix 5 Internal Audit - QAIP Report & Action Plan 2017/18  
Appendix 6 Internal Audit - Audit Opinion Ratings / Levels of  
Assurance

## INTERNAL AUDIT PLAN 2016/17 - SUMMARY

Categories of Audit Work	Actuals 2015/16		Plan 2016/17		Actuals 2016/17		Variation 2016/17	
	Days	%	Days	%	Days	%	Days	%
People	462	16.5	465	17.0	354	13.0	-111	-4.1
Place	395	14.1	394	14.4	353	12.9	-41	-1.5
Corporate Services	265	9.5	253	9.3	212	7.8	-41	-1.5
Systems Audits	273	9.7	403	14.8	360	13.2	-43	-1.6
Computer Audits	29	1.0	100	3.7	57	2.1	-43	-1.6
Contract Audits	4	0.1	8	0.3	0	0.0	-8	-0.3
Projects and Special Investigations								
1. Projects	252	9.0	138	5.1	243	8.9	105	3.8
2. Special Investigations	40	1.4	0	0.0	85	3.1	85	3.1
Cross Cutting Audits	0	0.0	75	2.7	2	0.1	-73	-2.7
<b>Productive Days</b>	<b>1720</b>	<b>61.3</b>	<b>1836</b>	<b>67.3</b>	<b>1666</b>	<b>61.0</b>	<b>-170</b>	<b>-6.2</b>
Other Activities								
1. Staff Training	68	2.4	84	3.1	60	2.2	-24	-0.9
2. Holidays & Public Holidays	423	15.1	409	15.0	409	15.0	0	0.0
3 Sick and Special Leave	226	8.0	80	2.9	236	8.6	156	5.7
4. Admin, Planning, Control, Clerical Support etc	208	7.4	196	7.2	211	7.7	15	0.5
5. Contingencies	0	0.0	88	3.2	80	2.9	-8	-0.3
6. Secondments	0	0.0	0	0.0	0	0.0	0	0.0
7. Vacancies	124	4.4	20	0.7	45	1.6	25	0.9
8. Voluntary Reduction in Hours	0	0.0	0	0.0	0	0.0	0	0.0
9. Maternity Leave	0	0.0	0	0.0	0	0.0	0	0.0
10. Staff Appraisals	31	1.1	0	0.0	0	0.0	0	0.0
11. Non Audit Work	9	0.3	17	0.6	23	0.8	6	0.2
<b>Non Productive Days</b>	<b>1089</b>	<b>38.7</b>	<b>894</b>	<b>32.7</b>	<b>1064</b>	<b>39.0</b>	<b>170</b>	<b>6.2</b>
<b>Total Days</b>	<b>2809</b>	<b>100.0</b>	<b>2730</b>	<b>100.0</b>	<b>2730</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2016/17

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Child & Family Services	Community Childcare	04/10/16	High	3	3	0
Corporate Building & Property Services	Quadrant Rents	25/07/16	High	0	0	0
Corporate Building & Property Services	Estates Management	16/08/16	High	1	1	0
Education Improvement	Education Library Resource Service	12/12/16	High	1	1	0
Education Learner Support Service	Lifelong Learning	20/05/16	High	5	5	0
Education Planning & Resources	Pen-y-Fro Primary School	20/04/16	High	4	4	0
Education Planning & Resources	Grange Primary School	27/05/16	High	3	3	0
Education Planning & Resources	Morrison Comprehensive School	13/01/17	High	8	8	0
Education Planning & Resources	Morrison Primary School	20/03/17	High	5	5	0
Education Planning & Resources	Clwyd Community Primary School	30/03/17	High	6	6	0
Finance & Delivery	Housing & Council Tax Benefit 2015/16	14/07/16	High	3	3	0
Finance & Delivery	Accounts Payable 2015/16	25/07/16	High	5	5	0
Finance & Delivery	Insurance	02/08/16	High	3	3	0
Finance & Delivery	Pension Fund Other	05/09/16	High	0	0	0
Finance & Delivery	Trusts & Charities	13/09/16	High	7	4	3
Finance & Delivery	NNDR 2015/16	04/10/16	High	3	3	0
Finance & Delivery	Cash	12/01/17	High	4	4	0
Finance & Delivery	Main Accounting 2016/17	22/03/17	High	2	2	0
Housing & Public Protection	Taxi Licencing	19/08/16	High	0	0	0
Housing & Public Protection	Town Centre DHO	27/09/16	High	5	5	0
Housing & Public Protection	Housing Division (Pests & Strays)	02/11/16	High	4	4	0
Housing & Public Protection	Rent & Arrears Team	30/03/17	High	6	6	0
Human Resources & Organisational Development	Teachers Pensions	02/03/17	High	0	0	0
Legal & Democratic Services	Coroners Service	16/08/16	High	3	3	0
Legal & Democratic Services	Councillors Expenses and Allowances	13/19/2016	High	2	2	0
Legal & Democratic Services	Councillors Code of Conduct	20/10/16	High	3	3	0
Poverty & Prevention	Outdoor Environmental Residential Education Service	28/07/16	High	4	4	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2016/17

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Adult Services	Social Services Establishments	05/04/16	Substantial	7	7	0
Child & Family Services	Emergency Duty Team	10/10/16	Substantial	9	8	1
Child & Family Services	Discretionary Payments	06/02/17	Substantial	13	13	0
Child & Family Services	Leaving Care Act	30/03/17	Substantial	11	11	0
Commercial Services	Purchasing Cards	30/03/17	Substantial	4	4	0
Communications & Customer Engagement	Design Print	12/04/16	Substantial	25	25	0
Communications & Customer Engagement	Corporate Marketing	17/01/17	Substantial	4	4	0
Communications & Customer Engagement	Contact Centre	02/02/17	Substantial	3	3	0
Computer Audits	Procurement of Telephones	06/09/16	Substantial	5	5	0
Corporate Building & Property Services	Corporate Building Services - Stores	21/11/16	Substantial	12	11	1
Corporate Building & Property Services	Day to Day Repairs - Maintenance Section	06/12/16	Substantial	5	4	0
Corporate Building & Property Services	CBS (Heol y Gors) Plant	21/03/17	Substantial	8	8	0
Cultural Services	Plantasia	13/04/16	Substantial	11	11	0
Cultural Services	Foreshore & Lettings	06/07/16	Substantial	3	3	0
Cultural Services	Swansea Museum	25/07/16	Substantial	8	8	0
Cultural Services	Sports Development	07/09/16	Substantial	8	8	0
Cultural Services	Spot Checks	31/10/16	Substantial	7	7	0
Economic Regeneration & Planning	Rights of Way	30/08/16	Substantial	5	4	1
Economic Regeneration & Planning	Planning Services Administration - Fees	22/11/16	Substantial	10	10	0
Economic Regeneration & Planning	Section 106 Agreements	13/12/16	Substantial	2	2	0
Education Improvement	St Helen's Welsh Centre & Translation Unit	07/10/16	Substantial	15	15	0
Education Learner Support Service	Access to Learning - Management & Admin	09/08/16	Substantial	13	13	0
Education Planning & Resources	Pennard Primary School	01/04/16	Substantial	8	8	0
Education Planning & Resources	Crwys Primary	12/04/16	Substantial	16	15	1
Education Planning & Resources	Cadle Primary School	19/04/16	Substantial	10	10	0
Education Planning & Resources	Pontarddulais Primary School	28/04/16	Substantial	14	13	1

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2016/17

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Education Planning & Resources	Gwyrosydd Primary School	04/05/16	Substantial	13	13	0
Education Planning & Resources	Cwmglas Primary School	17/05/16	Substantial	12	8	4
Education Planning & Resources	YGG Gyfun Gwyr	30/06/16	Substantial	9	9	0
Education Planning & Resources	YGG Pontybrenin	25/07/16	Substantial	11	11	0
Education Planning & Resources	Penyrheol Primary School	22/09/16	Substantial	8	8	0
Education Planning & Resources	Bishop Vaughan Comprehensive School	09/11/16	Substantial	4	4	0
Education Planning & Resources	St Joseph's Catholic Primary	12/01/17	Substantial	5	5	0
Education Planning & Resources	Olchfa Comprehensive School	18/01/17	Substantial	21	21	0
Education Planning & Resources	Hafod Primary School	31/01/17	Substantial	4	4	0
Education Planning & Resources	YGG Felindre	06/02/17	Substantial	7	7	0
Education Planning & Resources	Glyncollen Primary School	09/03/17	Substantial	11	11	0
Education Planning & Resources	St Davids RC Primary School	20/03/17	Substantial	6	6	0
Education Planning & Resources	Pen y Bryn Special School	28/03/17	Substantial	10	10	0
Education Planning & Resources	Pentrechwyth Primary School	31/03/17	Substantial	11	11	0
Finance & Delivery	Accounts Receivable 2015/16	02/11/16	Substantial	5	5	0
Finance & Delivery	Cashiers Office	06/12/16	Substantial	9	9	0
Finance & Delivery	Grants Receivable	24/01/17	Substantial	13	13	0
Finance & Delivery	Car Loans	31/03/17	Substantial	10	9	1
Highways & Transportation	Highways Trading Account	12/08/16	Substantial	7	7	0
Highways & Transportation	Civil Parking Enforcement	17/10/16	Substantial	10	9	1
Highways & Transportation	Clydach Depot - Stores	07/12/16	Substantial	6	6	0
Highways & Transportation	CTU Pipehouse Stores	07/12/16	Substantial	8	8	0
Housing & Public Protection	Housing Options	28/07/16	Substantial	14	14	0
Housing & Public Protection	Penlan DHO	31/03/17	Substantial	15	15	0
Human Resources & Organisational Development	Employee Services (Payroll) 2015/16	24/05/16	Substantial	11	11	0
Human Resources & Organisational Development	HR Policies Management of Absence	01/08/16	Substantial	12	11	1

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2016/17

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Human Resources & Organisational Development	Employee Vetting	08/11/16	Substantial	7	7	0
Human Resources & Organisational Development	Pensions Admin	13/12/16	Substantial	3	3	0
Human Resources & Organisational Development	Employee Services (Payroll) 2016/17	23/03/17	Substantial	11	11	0
Information & Business Change	Information Management	25/04/16	Substantial	10	10	0
Legal & Democratic Services	Electoral Services inc Register of Electors	07/11/16	Substantial	16	16	0
Poverty & Prevention	Info-Nation	18/04/16	Substantial	10	10	0
Poverty & Prevention	Community Safety	20/06/16	Substantial	4	4	0
Waste Management	Street Cleaning & Refuse	20/05/17	Substantial	8	8	0
Waste Management	Waste Disposal	18/07/16	Substantial	6	6	0
Waste Management	Trade Refuse	25/07/16	Substantial	6	6	0
Child & Family Services	Youth Offending Service	08/02/17	Moderate	20	20	0
Education Planning & Resources	Seaview Primary School	11/05/16	Moderate	16	16	0
Human Resources & Organisational Development	Employment of Agency Staff	30/03/17	Moderate	12	12	0
<b>Total</b>				<b>707</b>	<b>691</b>	<b>15</b>



INTERNAL AUDIT - PERFORMANCE INDICATORS 2016/17

APPENDIX 3

Performance Indicator			2015/16			2016/17			2017/18
			Target	Actual	Comparator	Target	Actual	Comparator	Target
1	Audit Assignments achieved against planned	%	75	50		75	50		75
2	Clients satisfied with quality of audit service	%	98	99		98	99		98
3	Audit recommendations accepted against made	%	95	99		95	98		95
4	Audits completed within planned time	%	70	52		70	58		70
5	Directly productive time against time available	%	65	66		65	62		65
6	Average period - from response to final report	Days	3	6		3	2		3
7	Average period - closing meeting to draft report	Days	10	1		10	6		10
8	Directly productive time achieved against planned time	%	90	99		90	90		90
9	Average cost per directly chargeable day	£	288	272		278	280		278
10	Staff turnover rate	%	15	8		15	10		15
11	Staff costs per 1,000 population	£	2,070	1,933		2,093	1,906		2,070
12	Staff costs per £m gross revenue expenditure (inc. HRA)	£	670	607		651	626		650
<p>The 'Comparator' figures are based on the average of 5 comparable authorities by population.</p> <p>No Comparator figures were provided for 15/16.</p>									

## INTERNAL AUDIT – SUMMARY OF SELF-ASSESSMENT OF PSIAS CONFORMANCE

In summary there are 334 best practice lines within the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken during July 2017 by the Chief Auditor revealed that 94% of the best practice of the PSIAS was in place.

The table below summarises the outcome of the self-assessment.

Standard	Conformance			Total
	Y	N	P	
1. Definition of Internal Audit	3	0	0	3
2. Code of Ethics	12	0	1	13
<b>3. Attribute Standards</b>				
1000. Purpose, Authority and Responsibility	23	0	0	23
1100. Independence and Objectivity	26	2	1	29
1200. Proficiency and Due Professional Care	21	0	0	21
1300. Quality Assurance and Improvement Programme	26	1	0	27
<b>4. Performance Standards</b>				
2000. Managing the Internal Audit Activity	41	1	4	46
2110. Nature of Work	31	0	0	31
2200. Engagement Planning	53	3	2	58
2300. Performing the Engagement	21	0	1	22
2400. Communicating Results	53	2	0	55
2500. Monitoring Progress	3	1	0	4
2600. Communicating the Acceptance of Risks	2	0	0	2
<b>Total</b>	<b>315</b>	<b>10</b>	<b>9</b>	<b>334</b>
<b>Percentage</b>	<b>94%</b>	<b>3%</b>	<b>3%</b>	<b>100%</b>

**Summary of Part/Non-Compliance**

Ref	Conformance with the Standard	Y	P	N	Evidence
<b>2</b>	<b>Code of Ethics</b>				
	<b>Confidentiality</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Acting prudently when using information acquired in the course of their duties and protecting that information?		P		Files are not locked away at night or when the office is left unattended although public access to the office is unlikely due to position within the Guildhall which is no longer accessible by the public.
<b>3</b>	<b>Attribute Standards</b>				
<b>3.2</b>	<b>1100 Independence and Objectivity</b>				
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?			N	The Council's Employee Performance Management Policy states that the annual performance appraisal should be carried out by the immediate line manager.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			N	Feedback from the Chair of the Audit Committee is not sought as part of the Chief Auditor's annual performance appraisal.
	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?		P		Audits are rotated amongst staff but there is no specific policy to rotate audits as experience in particular areas is felt to be advantageous and knowledge base is deemed to be more efficient from a client perspective.
<b>3.4</b>	<b>1300 Quality Assurance &amp; Improvement Program</b>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?			N	This statement is not currently used in audit reports. Pending outcome of the external review in Q3.

<b>4</b>	<b>Performance Standards</b>				
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>				
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?		P		A number of areas of non-conformance have been identified as part of this self-assessment which will be addressed.
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?		P		Policies and procedures including an audit manual are in place but the Manual needs to be reviewed and updated.
	Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.		P		An audit manual exists but needs to be reviewed and updated to ensure that it conforms to the PSIAS – however this has been replaced with more practical guidance notes.
	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?		P		The audit manual requires updating and should then be reviewed on an annual basis going forward. However, procedure notes have been developed and reviewed to guide staff which are accessible from a shared drive as a replacement for the Audit Manual.
	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			N	An assurance mapping exercise has not been carried out.
<b>4.3</b>	<b>2200 Engagement Planning</b>				
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?			N	Unclear as to what this means.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?			N	Unclear as to what this means.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?			N	Unclear as to what this means.

	Were work programmes approved prior to implementation for each engagement?		P		Audit programmes are reviewed but were not being formally approved prior to each engagement. This has now been addressed and all new/amended programmes are subject to approval by the Principal Auditor.
	Were any adjustments required to work programmes approved promptly?		P		Changes to audit programmes have not historically been subject to formal approval. This has now been addressed and all amendments are approved prior to implementation.
<b>4.4</b>	<b>2300 Performing the Engagement</b>				
	Does the CAE control access to engagement records?		P		Working papers are either held on paper files or on the Galileo Audit Management System. Paper files are held in the Internal Audit room but are not locked away when the room is unattended. However, unauthorised access to the files is unlikely due to the position of the room within the Guildhall. The permission of the Chief Auditor is required before access to records is granted to someone outside the Section.
<b>4.5</b>	<b>2400 Communicating Results</b>				
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?		N		This statement is not currently used in audit reports. The outcome of the external assessment will determine whether we are able to include this statement going forward.
	Does the annual report incorporate the following: g) A statement on conformance with the PSIAS?		N		The Annual Report does not contain reference to the PSIAS and at the moment
<b>4.6</b>	<b>2500 Monitoring Progress</b>				
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?		N		A report/memo is provided to the service manager and Head of Service recording the results of the follow up visit but the original level of assurance is not revised on the basis of the follow up visit. The level of

					<p>assurance will be reviewed when the next full audit of the service is completed. However, if any significant issues were identified during a follow up audit, they would be reported to the service management, senior management and the Audit Committee if appropriate.</p>
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**City and County of Swansea**

**Internal Audit Section**

**Quality Assurance and Improvement  
Programme**

**2016/17**

## **1. Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for all providers of public sector internal audit services in the UK.
- 1.2 It is a requirement of the PSIAS that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.
- 1.3 The establishment of a QAIP will allow the evaluation of the operations of Internal Audit and identify any areas for improvement. The QAIP should allow for quality to be assessed at both individual member of staff level and at the team level.
- 1.4 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 1.5 The results of the QAIP will provide evidence to all relevant stakeholders that the City and County of Swansea's Internal Audit Section is
  - Performing its work in accordance with its Internal Audit Charter which is consistent with all aspects of the PSIAS i.e. the Mission of Internal Audit, Definition of Internal Audit, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Attribute and Performance Standards.
  - Operating in an efficient and effective manner
  - Is adding value and continually improving internal audit operations.
- 1.6 The QAIP should be based on the following key elements to ensure compliance with the Standards
  - Supervision of the work undertaken by internal auditors as an ongoing process throughout the year.
  - Internal reviews or self-assessments to appraise the quality of the audit work and compliance with the PSIAS which is usually undertaken on an annual basis.
  - External reviews carried out by a qualified independent person to appraise the quality of the audit work and compliance with the PSIAS which must be completed at least once every 5 years.



## **2. Internal Assessment – Ongoing Review**

2.1 The following systems and procedures have been established to form the internal assessment ongoing review element of the QAIP.

- Policies and procedures have been established to guide staff in the performance of their internal audit duties. The policies and procedures have been included in the Internal Audit Manual but the Manual needs to be reviewed to ensure consistency with the PSIAS. In the meantime, guidance in policies and procedures is provided to internal audit staff by the Chief Auditor, Principal Auditor and Senior Auditors. The Team also has access to a set of guidance notes and templates that are stored on a shared drive for staff to refer to when necessary.
- Audit work is allocated to staff based on their level of skills, experience and competence. A quarterly Audit Plan is prepared by the Principal Auditor which allocates audit assignments to staff and is reviewed by the Chief Auditor before being issued.
- A Lead Auditor is assigned to each audit and will be either the Principal Auditor or a Senior Auditor. The role of the Lead Auditor is to supervise and monitor progress in completion of the audit and to complete a quality assurance review to ensure that the work has been completed to the required level and complies with the PSIAS. The level of supervision required will depend upon the competence and experience of the auditor.
- The Lead Auditor will also review the draft and final report to ensure it fully reflects the findings of the audit and includes appropriate recommendations and level of assurance.
- All draft and final reports are subject to review by the Principal Auditor prior to being issued.
- A Quality Control Questionnaire is issued with the final report to the client to obtain their feedback on the audit. Any issues identified in the completed QCQ are discussed with the auditor and action taken where required.
- A comprehensive set of Performance Indicators are maintained as shown in Appendix 1. The PI's are measured at team and individual level with targets being set at the start of each year. The PI's measured at individual auditor level are monitored on a quarterly basis by the Principal Auditor and Chief Auditor and any issues identified are discussed with the auditor and action taken where necessary. The team PI's are monitored annually and are reported to the Head of Financial Services & Service Centre and the Audit Committee in the Internal Audit Annual Report.
- An action plan has also been produced as part of this report as shown in Appendix 2 to provide some justification in relation to those PI's that have not been achieved, together with proposed action that will be taken in 2017/18 to try and rectify this going forward.

- The Welsh Chief Auditors Group collects performance indicator information from across Wales which is used to compare performance against other similarly sized internal audit teams.
- Performance indicator information is also used as part of the annual appraisal process under the Employee Performance Management Policy. All employees receive an annual appraisal which is a competency based process that reviews performance and training and development needs.
- Use is made of available training programmes to keep staff up to date with professional practice and to meet any skill shortages identified. Particular use is made of the annual training programme put together by the South Wales Chief Auditors Group.

### **3. Internal Assessment – Periodic Review**

3.1 The following systems and procedures have been established for the periodic internal assessment

- A quarterly review of progress made against the Annual Audit Plan is made by the Chief Auditor to ensure the Section is meeting its aims and objectives. The results of the review are reported to the Head of Financial Services & Service Centre and the Audit Committee in the quarterly Internal Audit Monitoring Report.
- The Chief Auditor completes an annual self-assessment of compliance with the PSIAS using the detailed checklist included in CIPFA's Local Government Application Note. The results of the self-assessment are reported to the Audit Committee.
- The annual self-assessment also fulfils the requirement established in the Accounts and Audit (Wales) Regulations 2014 for an annual assessment of the effectiveness of the Internal Audit service.

### **4. External Assessments**

4.1 An external assessment of compliance with the PSIAS must be completed at least once every 5 years and may either be a full external assessment or a self-assessment which is subject to independent external validation.

4.2 The format of the external assessment must be considered fully by the Chief Auditor and discussed with the Audit Committee. If an independent validation is to be used, the person or team appointed must be appropriately qualified, have sufficient knowledge of the PSIAS and there must be no conflicts of interest or impairment to objectivity.

4.3 The external assessment in Swansea will be undertaken during quarter 3 2017/18 and the preferred method is a self-assessment subject to an external validation using the peer review group established by the Welsh Chief Auditors

Group. This approach has been agreed with the Head of Financial Services & Service Centre but needs to be agreed by the Audit Committee.

- 4.4 The Welsh Chief Auditors peer group will see Chief Auditors acting as independent assessors of other Internal Audit Sections arranged on a random basis. The external review of the City and County of Swansea will be undertaken by the Chief Auditor of the City and County of Cardiff while the Chief Auditor of Swansea completed the review of Blaenau Gwent.
- 4.5 A report will be produced detailing the findings and any recommendations arising from the external assessment which will also be made available to the Head of Financial Services and to the Audit Committee.

## **5 Reporting**

- 5.1 The Chief Auditor will report the outcome of the periodic internal assessment to the Head of Financial Services & Service Centre and the Audit Committee on an annual basis.
- 5.2 The results of the external assessment will also be reported to the Head of Financial Services & Service Centre and the Audit Committee when received along with an Action Plan to address any issues raised in the report. The Action Plan will be subject to regular monitoring with progress being reported to the Head of Financial Services & Service Centre and the Audit Committee.
- 5.3 The Chief Auditor will only use the phrase 'Conforms with International Standards for the Professional Practice of Internal Auditing' in reports where the results of the QAIP support the statement.

## INTERNAL AUDIT – PERFORMANCE INDICATORS

No.	Performance Indicator		Target 2016/17	Actual 2016/17	Achieved/ Not Achieved
1	Audit assignments achieved against planned	%	75	50	Not Achieved
2	Clients at least satisfied with quality of audit service	%	98	99	Achieved
3	Audit recommendations accepted against made	%	95	98	Achieved
4	Audits completed within planned time	%	70	58	Not Achieved
5	Directly productive time against time available	%	65	62	Not Achieved
6	Average period from client response to issue of final report	Days	3	2	Achieved
7	Average period from closing meeting to issue of draft report	Days	10	6	Achieved
8	Directly productive time achieved against planned time	%	90	90	Achieved
9	Average cost per directly chargeable day	£	278	280	Not Achieved
10	Staff turnover rate	%	15	10	Achieved
11	Staff cost per 1,000 population	£	2,093	1,906	Achieved
12	Staff cost per £m gross revenue expenditure (incl HRA)	£	651	626	Achieved

## INTERNAL AUDIT – SUMMARY OF ACTIONS 2017/18

PI	Target / Result	Justification	Action to be taken 2017/18
1 - Audit assignments achieved against planned	75% / 50%	<p>The original Internal Audit Annual Plan 2016/17 contained 167 audit jobs, of which 83 (50%) were completed to at least draft report stage during the year while a further 38 audits were in progress as at 31/03/17. Taking into account those audits that were in progress at the end of the year, 72% of the audit jobs in the Annual Plan 2016/17 had been completed or were in progress as at 31/03/17.</p> <p>Increased sickness (+156 days) and an extended vacancy (+25 days) resulted in an unexpected loss of 170 productive days in 2016/17. In addition, 85 days were spend on investigations against a budget of 40 days in the original plan.</p> <p>The Team also recruited two new members of staff in year, and one member of the team returned to work following a period of long term sickness. Due to lack of experience Audits took longer to complete (as reflected in PI 4) hence resulting in fewer audits being completed.</p> <p>Given the points noted above, I feel it is positive to note that 72% of the plan had been completed or was in progress at year end.</p>	<p>Sickness absence will continue to be monitored.</p> <p>Quarterly monitoring of progress against the annual plan will continue and this will be reported to the Head of Financial Services and Audit Committee on a quarterly basis.</p> <p>Training of new staff will continue and it is envisaged that with greater experience, new staff will be able to complete audits more promptly, helping to complete more of the Annual Plan in year.</p>
4 - Audits completed within	70% / 58%	As noted above, two new members of staff were recruited in year and one member of the team	Team have been reminded to ensure they monitor their individual

PI	Target / Result	Justification	Action to be taken 2017/18
planned time		returned to work following a long period of sickness. Due to lack of experience audits therefore took longer than expected to complete.	budgets more closely.  Principal Auditor will continue to monitor this on a periodic basis and will take the required action with the staff concerned throughout the year.
5 - Directly productive time against time available	65% / 62%	Due primarily to an increase in budgeted sickness absence (+156 days) and vacancy (+25 days) we experienced a significant reduction in the number of productive days.	Sickness will continue to be monitored throughout 2017/18.
9 - Average cost per directly chargeable day	£278 / £280	PI almost achieved. No significant reason for failure.	Costs will continue to be monitored throughout 2017/18.

## AUDIT OPINION RATINGS / LEVELS OF ASSURANCE

### Basis of Audit Opinion Ratings – operated until 31/03/12

Opinion Rating	Risks Identified	Report Recommendations
Good	Minimal	Minor
Satisfactory	Some	Some changes in procedures etc needed
Adequate	Many	Some significant changes needed
Unsatisfactory	Major	Fundamental changes needed

### Basis of Audit Level of Assurance – operated from 01/04/12

Assurance Level	Basis	Description
High Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High or Medium Risk. Any recommendations are mainly Good Practice with few Low Risk recommendations.	There is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High Risk. Occasional Medium Risk recommendations allowed provided all others are Low Risk or Good Practice	There is a sound system of internal control but there is some scope for improvement as the ineffective controls may put the system objectives at risk
Moderate Assurance	Recommendations for ineffective controls affecting the material areas of the service are at least Medium Risk	The ineffective controls represent a significant risk to the achievement of system objectives
Limited Assurance	Recommendations for ineffective controls affecting the material areas of the service are High Risk	The ineffective controls represent unacceptable risk to the achievement of the system objectives

# Agenda Item 7

## Report of the Chief Auditor

Audit Committee – 8 August 2017

### CORPORATE FRAUD TEAM ANNUAL REPORT 2016/17

<b>Purpose:</b>	This report provides a summary of the work completed by the Corporate Fraud Team in 2016/17.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that Committee notes the Corporate Fraud Team Update 2016/17.
<b>Report Author:</b>	Talfryn Davies
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. INTRODUCTION

- 1.1 The Corporate Fraud Team (CFT) was established within the Internal Audit Section with effect from 1 June 2015 on an initial 2 year trial period although funding to make the Team permanent was provided in December 2016.
- 1.2 The Corporate Fraud Team Plan 2016/17 was presented to the Audit Committee at the meeting on 30 August 2016.
- 1.3 A 6 month update of progress made by the Team in achieving its Plan for 01 April 2016 to 30 September 2016 was reported to the Audit Committee of 28 March 2017.
- 1.4 This report provides a 12 month update of the work of the Team in achieving its Plan for 1 April 2016 to 31 March 2017.



## **2. CORPORATE FRAUD TEAM ACTIVITIES 2016/17**

### **2.1 Headline Figures**

- 2.1.1 Appendix 1 provides some headline figures to give an overview of the work of the Corporate Fraud Team for the whole of 2016/17.
- 2.1.2 The figures show the value of savings achieved by the Team split between cases investigated as part of the Joint Working pilot with the DWP and cases investigated solely by the Corporate Fraud Team.
- 2.1.3 The total value of savings achieved exceeds £376,000 which shows excellent progress by the Team in its second year of operation.
- 2.1.4 Appendix 1 also highlights the number of cases investigated to date by the Team which at the end of March 2017 stood at 278.
- 2.1.5 An interesting development during 2016/17 has been the number of employee cases referred to the Team for investigation. Savings of just over £115,500 were achieved from 26 employee cases in respect of 50 employees which is a good indication that the work of the Team is valued across the Council. Appendix 2 provides headline figures for employee cases for 2016/17.
- 2.1.6 Any significant investigations undertaken by the Team will be subject to a report to the Audit Committee providing details of the investigation and the outcome.

### **2.2 Headline Activities**

- 2.2.1 Fraud Awareness:
- Bulletin issued to staff.
  - Report appeared in the South Wales Evening Post.
  - Article appeared in the Top Brief Newsletter.
- 2.2.2 Revised Corporate Induction Training
- 2.2.3 Corporate Policies updated: Anti-Fraud and Corruption, Disciplinary, Surveillance and Whistleblowing.
- 2.2.4 Devised a guide to preparing witness-type statements.
- 2.2.5 Reviewed Direct Payment Forms.
- 2.2.6 Tenancy Fraud Key Amnesty delivered.
- 2.2.7 External Audit undertaken on the use of DVLA data.
- 2.2.8 Commenced participation in the National Fraud Initiative 2016.
- 2.2.9 Continued participation in LA / DWP Joint Working Pilot
- 2.2.10 Continued to evaluate, consider and investigate a diverse range referrals in respect abuse, misuse and fraud.
- 2.2.11 A 6-monthly update of activities for 01.04.16-30.09.16 presented to the Audit committee on 28.03.17.

2.2.12 Aims and objectives contained in the Corporate Fraud Team Plan for 2016/17 were partly / fully achieved. Appendix 2 shows details of the target outcomes and achievements.

2.2.13 The Corporate Fraud Team Plan for 2017/18 presented to the Audit committee on 28.03.17.

### **3. Detailed Information on the Headline Activities**

#### **3.1 Fraud Awareness**

##### **3.1.1 Bulletin issued to staff: April 2016:**

#### **New Corporate Fraud Team launched**

**A new team has been launched to help staff and councillors protect public funds and ensure our use of resources is legal, properly authorised, and achieves best value.**

Expert staff from the former Benefits Investigation Team – whose work was transferred to the Department for Work and Pensions last year – will help staff and managers get smarter about preventing, detecting, and acting on fraud arising from inside or outside the Council.

The law and our own Council Constitution mean all Council members and employees must take adequate steps to protect public funds and use resources appropriately.

The new Council Corporate Fraud Team (CFT) will be raising awareness of fraud and how to prevent it, promoting a zero tolerance culture to fraud, encouraging reporting of suspicions and taking action where evidence confirms ‘wrongdoing’ or fraud.

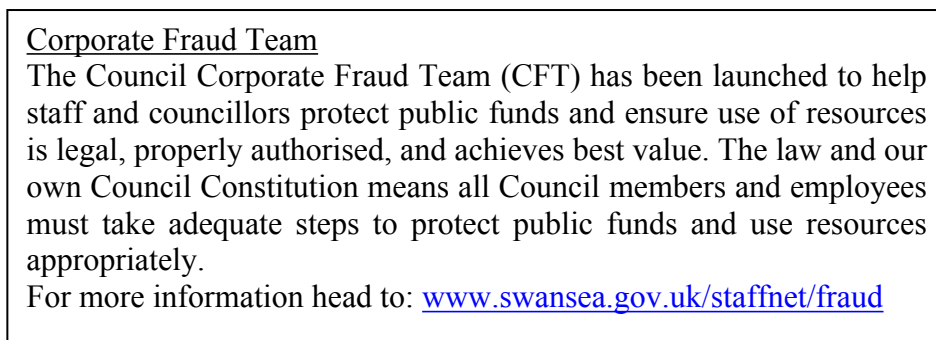
The team is responsible for investigations into areas such as Council Tax discounts and exemptions, Council Tax reduction, social housing, Blue Badges, direct payments for social care, grants and internal fraud in areas such as contracts, procurement, payroll, expenses, etc.

If fraud is uncovered all appropriate action will be taken including disciplinary action, criminal prosecutions as well as recovery of losses.

### 3.1.2 South Wales Evening Post report: May 2016:



### 3.1.3 Top Brief Newsletter: May 2016:



## 3.2 Revised Corporate Induction Training

3.2.1 The Corporate Induction Training proved by Human resources was revised in order to:

- Explain the Council's position on tackling fraud following the introduction of CFT;
- Clarify the role, remit and aims of CFT;
- Underline the Statutory and Constitutional responsibilities we all have as public servants as regards not only tackling fraud but also minimising the risk of losses resulting from error.

3.2.2 The revision also highlighted the three principles that the Council strives to adhere to in order to tackle abuse, misuse and fraud:

- Acknowledge;
- Prevent;
- Pursue;

3.2.3 The revision also signposted policies relevant to tackling fraud and error:

- Anti-Fraud and Corruption Policy
- Disciplinary Policy
- Whistle Blowing Policy

3.2.4 The concluding summary was revised to clarify the overarching aims of the Council and the expectations of employees and members:

- To build an effective anti-fraud culture by embedding counter fraud activity into day-to-day running of the Council;
- To minimise loss from fraud and error;

- To promote a zero tolerance approach to fraud and corruption by adhering to Financial Procedure Rules;
- To do everything we can to prevent, detect, and deter fraud and take appropriate action against those found to have committed fraud.
- To safeguard public funds by adhering to Financial Procedure Rules, Accounting Instructions and relevant Policies.
- To promptly pass on any suspicions of fraud or irregularity 'in confidence'.

### **3.3 Corporate Policies updated**

3.3.1 Following a review of the existing Policies on Anti-Fraud and Corruption, Disciplinary, Surveillance and Whistleblowing, they were updated to reflect:

- The introduction of the Corporate Fraud Team (CFT).
- CFT's involvement with investigations in respect of Council employees.
- The potential for CFT undertaking surveillance on Council employees in connection with investigations of abuse, misuse and fraud.

### **3.4 Devised a guide to preparing witness-type statements**

3.4.1 A bespoke guide was devised for officers of the Revenues and Benefits Section to assist them with interviews aimed at identifying client information errors and potential benefits fraud.

3.4.2 A properly prepared witness statement can improve the efficiency of decision making processes in respect of the reassessment of benefit entitlement by:

- Ensuring that statement is not a mere mouthpiece for the Officer or subject;
- Confining the statement to the issues of importance that will determine the outcome of a case;
- Refraining from advancing a case for an unrelated collateral purpose;
- Providing disclosure of relevant material; and
- Presenting evidence that is relevant and free from influence.

### **3.5 Reviewed Direct Payment Forms**

3.5.1 A recent investigation into a claim for Direct Payments for social care necessitated a review of all relevant Direct Payment forms.

3.5.2 It became clear that although 'Form DP4 – Contract for the receipt of Direct Payments between the Council and the Client' mentioned the potential suspension / termination of Direct Payments, it did not make reference to other consequences that may occur if the conditions of the contract are contravened.

3.5.3 As a result, the declarations / content were not considered robust enough to demonstrate a 'guilty mind' which is required to prove criminal liability to a beyond all reasonable doubt standard.

3.5.4 The following recommendation has been made to ensure that the declarations / content of the DP4 Form are adequately criminally specific, thereby assisting in demonstrating a 'guilty mind' in instances of misuse / fraud:

“We may decide to take criminal action if you knowingly give false information or knowingly fail to declare a relevant change circumstances (e.g. health, care needs, finances, etc.), or fail to use the direct payment in part or whole to pay for care.”

### **3.6 Tenancy Fraud Key Amnesty delivered**

3.6.1 In conjunction with the Housing Department, a Key Amnesty was delivered in February and March 2017, for the following reasons:

- In 2009, the Audit Commission in 2009 suggested that one of the best ways to combat housing tenancy fraud was via the use of public campaigns as they not only raise awareness of the issue but also encourage residents to report suspected illegal activity (not just tenancy fraud).
- Key Amnesties have been successful in other local authority areas, with many properties having been recovered on a low cost basis, and as a direct result and those in genuine need being housed quicker.
- City and County of Swansea had never before delivered a Key Amnesty, and as such the extent of illegal sub-letting in Swansea had never been tested.

3.6.2 Publicity urged Council tenants in Swansea who were illegally sub-letting their homes and living elsewhere to hand back their keys on a ‘no questions asked’ basis by 31<sup>st</sup> March, because from April onwards, the Council will push for maximum sentences in the courts which could mean up to two years in prison, a fine of up to £50,000 and recovery not only of the property, but also the proceeds from unlawfully renting the property together with all legal costs.

3.6.3 Although no keys were returned, the exercise was considered worthwhile as it appears to have demonstrated that the potential problem here in Swansea is nowhere near as widespread as in other parts of the UK.

3.6.4 However, there were lessons to be learned, in particular regarding a longer and broader publicity campaign to reach as wide an ‘audience’ as possible and to build up a momentum gathering ‘buzz’ in the community.

3.6.5 As a consequence, and because tenancy fraud may become an issue in Swansea via a ‘ripple effect’ from other parts of the UK, delivering another Key Amnesty will be considered in the near future.

### **3.7 External Audit undertaken on the use of DVLA data**

3.7.1 The Government Internal Audit Agency (GIAA) aims to provide the DVLA with reassurance that personal data is being requested for legitimate purposes and handled in line with best practice and in accordance with the Data Protection Act.

3.7.2 In March 2017, the GIAA carried out a data assurance audit on behalf of DVLA.

- 3.7.3 The audit focused on requests made by CFT directly to DVLA via their Keeper at Date of Event (KADOE) service in connection with benefit fraud investigations
- 3.7.4 The purpose of the audit visit was:
- To confirm the reason for each vehicle keeper request made by CFT,
  - To identify what evidence was available to support these requests,
  - To see how the vehicle keeper data had been used, the security arrangements protecting the information once obtained, including who has access to it, what controls are in place and how long it is retained.
- 3.7.5 Subsequently, CFT received an overall audit rating of 'Green', which demonstrates a high level of compliance.
- 3.8 NFI 2016 (NFI16)**
- 3.8.1 The National Fraud Initiative is a bi-annual data matching exercise delivered by the Cabinet Office.
- 3.8.2 Data matching involves comparing computer records held by one organisation against computer records held by the same or another organisation to see how far they match.
- 3.8.3 Records that are subject to data matching include:
- Blue Badge
  - Creditors
  - Council Tax Reduction
  - Housing Benefits
  - Housing tenants
  - Housing waiting lists
  - Immigration
  - Market traders
  - Payroll
  - Pensions
  - Personal alcohol licences
  - Personal budgets for social care
  - Right to buy
  - Student loans
  - Taxi licenses
  - VAT overpaid
- 3.8.4 Matches can be an exact match or a very close match. As a consequence, report are categorised as High Priority, Medium Priority, and by Address.
- 3.8.5 Where a match is found it indicates that there may be an inconsistency that requires further investigation.
- 3.8.6 Therefore no assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.
- 3.8.7 NFI16 Matches were published on a Cabinet Office secure web-site at the end of January 2017.

3.8.8 For City & County of Swansea, there are in excess of 10,000 matches with almost 2,000 classed as 'Recommended' matches.

3.8.9 Internally, the exercise is coordinated by the Chief Internal Auditor and CFT.

3.8.10 Initially, some 8,000 matches including almost 1,500 'Recommended' matches have been allocated to officers based in the following establishments:

- Accounts Payable.
- Audit.
- Corporate Fraud Team.
- Customer Services.
- Housing.
- Pensions.
- Revenues and Benefits.

3.8.11 Information on progress will be provided to a subsequent Audit Committee.

### **3.9 Continued participation in LA / DWP Joint Working Pilot**

3.9.1 On 01.06.15, the DWP's Single Fraud investigation Service (SFIS) became solely responsible for investigating all welfare benefit frauds, including Housing Benefit and Council Tax Benefit.

3.9.2 However, due to concerns (raised mainly by LA's) regarding potential loss of local knowledge, reduced information sharing and CTR offences either not being investigated or LA's undertaking a separate investigation alongside SFIS investigations, the Government commissioned a feasibility study into joint working between LA's and SFIS.

3.9.3 Following the production of feasibility report, the Department for Communities and Local Government (DCLG) and Department for Work and Pensions (DWP) were asked to test the joint working of fraud allegations concerning both DWP Welfare benefit fraud and LA administered CTR.

3.9.4 Five LA's (in England, Scotland and Wales) were invited to participate in a joint working pilot, including the City and County of Swansea as the only Welsh participant.

3.9.5 The aim of the pilot was to bring together the combined expertise of the Welfare Benefit Fraud investigation services undertaken by DWP's SFIS and LA CTR fraud investigators.

3.9.6 The pilot ran from November 2015 to May 2016 and aimed to test two strands of fraud work between DWP and LA's:

- Sharing of information to support each organisation's fraud detection work.
- Joint investigations with a view to a single outcome / prosecution.

3.9.7 This approach was adopted in order to determine if the pilot could support the vision to minimise fraud and error across government.

3.9.8 Due to the initial success of the pilot, it was extended for a further 6 months

(May 2016 to November 2016) in order to fully test the processes involved in prosecutions:

- File preparation,
- Referral to and action by the Crown Prosecution Service,
- Issues raised and outcomes achieved in the Magistrate and Crown Courts.

3.9.9 At this time, the pilot sites increased from 5 to 7, with City & County of Swansea remaining as the sole Welsh participant.

3.9.10 At the end of the pilot, across the pilot sites, an analysis of the 464 joint working cases that commenced within the test period of November 2015 to November 2016, showed they collectively surpassed 100 positive outcomes:

- 22 Prosecutions
- 27 Administrative penalties
- 33 Positive Criminal
- 38 Positive Compliance

3.9.11 These outcomes yielded £1.34m of fraudulent overpayments were created of which around £86,000 relates to Council Tax Reduction.

3.9.12 Other headlines include:

- 231 No Result
- 113 Cases on-going
- £1.34m of fraudulent overpayments were created of which around £86,000 relates to Council Tax Reduction.

3.9.13 Between November 2015 and November 2016 City & County of Swansea achieved:

- 7 of the 22 national prosecutions to date – significantly outperforming other areas (Swansea at 27% - national average for the test sites is 10%).
- Just over £200k of fraudulent overpayments of which around £8,500 relates to Council Tax Reduction.

3.9.14 The general view of Government and stakeholders in the pilot is that joint working protects the integrity of the Welfare Benefit, Tax Credits, and Local Government systems. It also aims to contribute positively to the achievement of fraud performance measures across Government.

3.9.15 As the Government intends to roll-out joint working nationally from 2018, the pilot sites have adopted joint working as a 'business as usual' function.

3.9.16 Further, from December 2016, City & County of Swansea agreed to include Housing Tenancy Fraud in 'business as usual' joint working investigations.

3.9.17 Full details for City & County of Swansea for the period November 2015 to March 2017 are:

- 69 Cases considered:
  - 31 Live – including 2 with linked Housing Tenancy Fraud
  - 38 Closed.



- £235,081.38 Overpayments created:
  - £15,623.70 Council Tax Reduction
  - £108,034.13 Housing Benefit & Council Tax Benefit
  - £111,423.75 Benefits administered by DWP
- 7 Prosecutions.

### 3.10 **Continued to evaluate, consider and investigate a diverse range referrals in respect abuse, misuse and fraud.**

3.10.1 Appendix 3 provides a breakdown of all cases considered.

3.10.2 The following cases provide a 'flavour' of the varied nature of CFT's work and to highlight 'significant' investigations / cases concluded in 2016/17:

- Personnel issues:
  - Community Waste Recycling Site
  - Breakfast Clubs
  - Working whilst on sick leave
- Fake Goods Operation

More details about these cases are contained in Appendix 4.

## **4. Equality and Engagement Implications**

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

## **5. Financial Implications**

5.1 There are no financial implications associated with this report.

## **6. Legal Implications**

6.1 The Accounts and Audit (Wales) Regulations 2014 require the maintenance of an adequate and effective system of internal audit of the Council's accounting records and control systems. This is essential to the prevention and detection of fraud and corruption and is a key element of the Chief Finance Officer's statutory duties as contained in section 151 of the Local Government Act 1972.

**Background Papers:** None

### **Appendices:**

Appendix 1 - Headline Figures for all cases for 2016/17.

Appendix 2 - Review of the Plan for 2016-17 to outcomes achieved.

Appendix 3 - Headline Figures for employee cases for 2016/17.

Appendix 4 - Brief summaries of selected cases concluded in 2016/17.

## Headline Figures for all Cases 2016/17

### Overview of cases:

Type	Joint Working	CFT only	Total
Brought forward from 2015/16	11	24	35
New cases in 2016/17	55	188	243
<b>Total</b>	<b>66</b>	<b>212</b>	<b>278</b>

### Status of cases:

Type	Joint Working	CFT only	Total
Cases closed	35	178	213
Cases to be considered	0	11	11
Cases under investigation	31	23	54
<b>Total</b>	<b>66</b>	<b>212</b>	<b>278</b>

### Savings achieved:

Joint Working cases			
Created via CFT		Created via DWP	
Excess CTR Reduction	Other LA OP's	HB & CTB	DWP
£12,192.88	£1,791.75	£80,355.67	£68,609.80
£13,984.63		£148,965.47	
<b>£162,950.10</b>			

CFT only cases	
Actual OP Savings	Theoretical Savings
£21,649.53	£191,454.90
<b>£213,104.43</b>	

Total Savings
<b>£376,054.53</b>

### Note: Savings for CFT only cases:

#### Actual Savings:

- Monies received or recovered, e.g. via:
  - Overpayments of HB/CTB/CTRS.
  - CTRS Administrative Penalties.
  - Proceeds of Crime Act 2002.
  - Unlawful Profit Orders - Prevention of Social Housing Fraud Act 2013.
- Assets recovered, e.g. a Council property returned to stock.
- Savings made by undertaking the task in a different way, e.g.:
  - The cost of CFT surveillance compared to an external third party.
  - Saving resulting from the strengthening of internal controls (comparisons on costs could be made year on year to calculate a net saving).
- Extra liability created, e.g. via the removal of Council Tax SPD.
- Overpayments created (available to be recovered / yet to be recovered).

**Theoretical / notional:**

These savings could be stand alone or claimed in addition to an actual saving:

- Recognised Industry Standards – including projected ongoing savings.
- Other justifiable savings, e.g.:
  - An employee on sick leave is due to retire in December. Due to CFT actions they instead retire a few months earlier. A theoretical saving is claimed for salary and on-costs saved for the period between the old and new retirement dates.
  - Resignations linked to disciplinary action, perhaps linked to pending disciplinary proceedings.
  - Projected ongoing savings based on potential prevented future loss where no industry standard is available, for example by putting a stop to frauds / irregular practices.

**Unquantifiable Savings:**

- Deterrent: The deterrent value of having a CFT, offering a confidential way to report concerns, acting on the concerns, taking appropriate sanctions and publicising successes is immeasurable.
- Procedural: Some internal investigation may not yield measurable actual or theoretical savings. However, they may and have resulted in changes in policies and procedures which will ultimately reduce the potential for loss.
- Morale: Again, some internal investigation may not yield measurable actual or theoretical savings. But, due to certain known practices being stopped and the perpetrator disciplined, then this could increase morale, performance and re-build bridges and trust between colleagues and managers.

## Appendix 2 – Review of the Plan for 2016-17 to outcomes achieved

Activity	Detail	Target Outcomes	Outcomes Achieved
Consider new areas of activity: <ul style="list-style-type: none"> <li>• Planning,</li> <li>• Preparation,</li> <li>• Procedures.</li> </ul>	To explore new areas with a view to undertaking proactive activity: <ul style="list-style-type: none"> <li>• Business Rates.</li> <li>• Grants.</li> <li>• Personal budgets for social care.</li> <li>• Procurement.</li> </ul>	'Fact finding' in order to establish an understanding of relevant legislation and best practices.  Devise and implement proactive 'pilot' exercises to: <ul style="list-style-type: none"> <li>• Assist in ensuring that funds are used for the intended purposes.</li> <li>• Maximise income from Business Rates</li> <li>• Identify fraud and error.</li> <li>• Seek to recover losses.</li> <li>• Take criminal action in appropriate cases.</li> </ul>	Target partly achieved: The requirements of reactive work have not enabled CFT to undertake 'pilot' exercises. However, individual investigations into Personal Budgets for Social Care and procurement have been undertaken. As a consequence, knowledge and expertise has increased in these areas, and recommendations regarding procedures have been made as in order to enhance the robustness of processes and monitoring.
Tackle social housing tenancy fraud	Continue to work in partnership the Housing Department and Legal Section to combat tenancy fraud: from unlawful subletting to bogus succession claims.	Raise awareness of the problem of social housing fraud and the damage that it does.  Prevent the unlawful succession to social housing properties by people that do not have a right to succeed the tenancy  Detect properties purchased via fraudulent right to buy applications.  Reduce the number of properties being unlawfully sub-let.  Develop an effective process that expedites the recovery of properties where tenancy fraud has been identified.	Target achieved: Single points of contact have been established within the Housing Department and Legal Section.  Guidelines / procedures have been devised in conjunction with Housing / Legal officers as regards necessary actions to expedite instances where Tenancy Fraud is identified.  A Key Amnesty exercise was delivered in February and March 2017.

Activity	Detail	Target Outcomes	Outcomes Achieved
		<p>In accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006, where appropriate:</p> <ul style="list-style-type: none"> <li>• Undertake criminal prosecutions.</li> <li>• Utilise Unlawful Profit Orders to recover any profit made by offenders.</li> </ul> <p>Deliver a Key Amnesty campaign.</p>	
Tackle Council Tax fraud	Utilise internal and external Data Matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards and exemptions.	<p>Recover single person discounts 'incorrectly' claimed.</p> <p>Recover other disregards and discounts 'incorrectly' claimed.</p>	Target achieved: Incorrectly claimed discounts and exemptions have been identified via individual investigations and via internal & external data matching.
Tackle Council Tax Reduction (CTR) fraud	<p>Prior to the introduction of SFIS, Council Tax Reduction fraud was investigated by the HB Investigation Team. CFT will continue to investigate Council Tax Reduction fraud where no other welfare benefit is in payment.</p> <p>To continue to participate in the joint working pilot with SFIS.</p> <p>The initial pilot was for 6 months: November 15 to May 16. It has since been extended to October 16.</p>	<p>Sharing information and expertise:</p> <ul style="list-style-type: none"> <li>• To ensure that the totality of welfare benefit and CTRS frauds tackled in the most efficient and effective manner.</li> <li>• To identify overpayments and excess reductions.</li> <li>• To take sanction action in appropriate cases. Administrative Penalties and prosecutions.</li> </ul>	<p>Target achieved: CFT remain committed to tackling CTR fraud both via the joint working pilot with SFIS (see point 3.9) and CFT only investigations.</p> <p>Note: Joint working with SFIS has been adopted as business as usual, and the Government intends to roll out joint working national from 2018.</p>

Activity	Detail	Target Outcomes	Outcomes Achieved
National Fraud Initiative (NFI)	<p>Continue to participate in the National Fraud Initiative.</p> <p>Since SFIS became responsible for investigating HB and CTB fraud and a Fraud and Error Reduction Incentive Scheme (Feris) Officer was appointed in the Revenues and Benefits Section, towards the tail end of NFI 2014 it became clear that the approach to subsequent exercises would need to change.</p> <p>So, from NFI16, due to be published in January 17, the Feris Officer will have a significant role in dealing with matches in respect of HB. Whereas, CFT will mainly deal with non-benefit related matches.</p>	<p>Liaise with the Feris Officer and SFIS to ensure that all relevant NFI Reports are examined/considered so that:</p> <ul style="list-style-type: none"> <li>• Fraud, error, overpayments and excess reductions are identified.</li> <li>• To take appropriate against offenders.</li> </ul>	<p>Target achieved: NFI 16 reports were published at the end of January 2017. Internal Audit / CFT have coordinated the allocation of all appropriate reports. The examination of matches and monitoring thereof is underway (see point 3.8).</p>

Activity	Detail	Target Outcomes	Outcomes Achieved
<p>Tackle other internal and external fraud, examples includes:</p> <ul style="list-style-type: none"> <li>• Abuse of Position</li> <li>• Blue badge</li> <li>• Flexi time</li> <li>• Income collection and banking</li> <li>• Payroll</li> <li>• Pensions</li> <li>• Travel and subsistence</li> <li>• Etc</li> </ul>	<p>During 2016/17, CFT will continue to investigate various anomalies and referrals.</p> <p>CFT will continue to work with internal departments and external organisations in order to undertake risk assessments, and gather intelligence and evidence to point towards or away from fraud and error.</p> <p>Subject to available resources, CFT will consider and investigate any other frauds if it is in the best interests of the Council and the general public it serves.</p>	<p>Retain public confidence.</p> <p>Maintain the Council's good reputation.</p> <p>Identify fraud, error and over payments.</p> <p>Instigate criminal proceedings as appropriate.</p> <p>Recover losses.</p>	<p>Target achieved: CFT have undertaken reactive investigations in the majority of the areas mentioned in the 1<sup>st</sup> column.</p>

Activity	Detail	Target Outcomes	Outcomes Achieved
Raising Awareness	<p>Continue to raise awareness of the role of CFT both inside and outside the Council.</p> <p>The aim is to maintain reputation and to encourage the reporting of potential fraud in the belief that action will be taken.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> <li>• New - Develop a guide to Corporate Fraud for inclusion in HR Induction Training.</li> <li>• Existing - Develop and deliver training as and when required.</li> <li>• All - In partnership with Human Resources, deliver amendments to relevant Policies: Anti-Fraud and Corruption, Disciplinary, Whistleblowing.</li> </ul> <p><u>Members:</u> Continue to deliver reports to the Audit Committee.</p> <p>When scheduled, deliver a presentation at the Audit Committee's Training Event.</p> <p><u>Contractors:</u> Develop a guide that highlights their role in combatting fraud.</p> <p><u>Public:</u> Continue to publicise activities, successes, and prosecutions.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> <li>• New – Target achieved: Guide developed for inclusion in HR Induction Training.</li> <li>• Existing - Target partly achieved: Training has been developed, and is ready to be delivered.</li> <li>• All – Target achieved: In August 2016, In partnership with Human Resources, amendments were made to relevant Policies: Anti-Fraud and Corruption, Disciplinary, Whistleblowing.</li> </ul> <p><u>Members:</u> Target achieved: Reports / updates have been delivered to the Audit Committee (30.08.16, 13.12.16, 28.03.17).</p> <p>Target achieved: a presentation was delivered at the Audit Committee's Training Event on 13.12.16.</p> <p><u>Contractors:</u> Target partly achieved: Other priorities have meant the guide has not been fully developed.</p> <p><u>Public:</u> Target achieved: Publicity has been sought/release via the Councils public web-site and the South Wales Evening Post.</p>



## Headline Figures for Employee Cases for 2016/17

Type	Cases	Employees
Brought forward from 2015/16	4	15
New cases in 2016/17	22	35
<b>Total</b>	<b>26</b>	<b>50</b>

Reason	Cases	Employees
Time keeping	4	19
Not following procedures	2	2
Expenses	1	1
Working whilst sick	4	4
Abuse of position	12	13
Theft	2	6
Various (combination of the above)	1	5
<b>Total</b>	<b>26</b>	<b>50</b>

Outcome	
Type	No
Agency staff dismissed	2
Misdemeanour letters / warnings issued	19
Resigned before disciplinary hearing	3
Action discontinued	17
Ongoing investigation	9
<b>Total</b>	<b>50</b>

Savings	Total £
For cases brought forward from 2015/16	£89,298.52
For new cases in 2016/17	26,269.31
<b>Total</b>	<b>£115,567.83</b>

## Brief summaries of selected cases concluded in 2016/17

### Personnel - Community Waste Site

This case was reported 'in camera' to the Audit committee in December 2016

Allegations were received that employees at a community waste site were complicit in allowing items such as clothing which should have been recycled to leave the site with a private individual for personal gain.

If proven, this would result in lost revenue and have a detrimental impact on the Council's recycling targets.

An investigation showed that 5 persons employed at the site were complicit in varying degrees (3 employed directly by the Council and 2 employed via an agency).

Wrongdoing included:

- Bags of clothing removed by a private individual.
- Other recyclable items being removed by private individuals (e.g. laptops, flat screen TV's).
- Allowing what appeared to be prohibited waste and / or trade waste to be deposited on site.
- Smoking on site.
- Leaving the site with less than the minimum number of required employees.
- Falsifying time keeping records.

The above practices / losses were stopped due to:

- Agency staff – employment of 2 staff immediately terminated.
- Council staff:
  - 1 verbally warned about future conduct.
  - 1 received a verbal and written warning about future conduct.
  - 1 suspended pending a disciplinary hearing into multiple charges of gross misconduct. They eventually resigned just 4 days prior to the hearing.

Savings attributable to this case amount to £84,688.00.

## **Personnel - Breakfast Clubs**

An allegation was received that suggested that on Friday mornings a number of blue collar Council employees wearing liveried uniforms were signing on for work, leaving their work base in Council liveried vehicles, but instead of going to their job site, they would travel elsewhere, park up, and then partake of a 'sit-in' breakfast in a public establishment. If proven, it would be in contravention of management guidance.

After an initial evaluation visit, surveillance was undertaken on 4 consecutive Friday's to establish the nature and extent of the Breakfast club. During the investigation another Breakfast Club was discovered also involving blue collar workers at a different public establishment.

Again, after an initial evaluation visit, surveillance was undertaken on consecutive Friday's to establish the nature and extent of the second Breakfast club.

It was established that the Breakfast Clubs were repeated behaviour by the majority of the 17 subjects lasting around just over 30 minutes per subject on each occasion.

Details were passed to the Client Department and Human Resources to consider appropriate Disciplinary action. As a consequence:

- 'Informal' misdemeanour letters were issued to 17 employees in respect of unauthorised absence from work, and in some cases falsification of a time sheet. The employees were also reminded that:
  - Stopping for a sit down breakfast was not acceptable and in future they must to adhere to the departmental procedure which permits the taking of one 10 minute morning break at their job site.
  - If there is any repetition of this incident, the matter will be dealt with under the formal section of the Disciplinary Policy.
- In January 2017, the Head of Human Resources issued a directive to all Heads of Service regarding unpaid breaks. This was followed up in February 2017, by an article contained in the Top Brief Newsletter:

"Breaks during your working day EXCEPT in the normal course of your job duties and during your lunch break, you should not leave your place of work without prior authorisation from your line manager. In addition employees are also reminded that breaks taken during the working day should be accounted for in the hours worked and are unpaid. Such breaks include lunch, breakfast, smoking breaks etc. Managers will of course be flexible as the needs of the service dictate and there may be local arrangements in place. If in doubt employees should speak to their manager as failure to comply may result in action being taken in line with the appropriate policies."

Quantifiable savings attributable to both Breakfast Clubs amount to £8,983.38.

Immeasurable Savings include:

- Deterrent value on other (potential) Breakfast Clubs.
- Increased productivity due to improved morale in those who have not / do not participate in Breakfast Clubs, but have been aware that others do.
- Minimising the potential for reputational damage within the community.

## Fake Goods

In December 2016, the two CFT Investigators participated in a multi-agency operation lead by Officers of the City & County of Swansea's Trading Standards Division. The following article summarises the operation.

# Fake goods in £1m haul were destined for streets of Swansea

By South Wales Evening Post | Posted: December 12, 2016



Council bosses say social media is being used to sell fake goods.

THOUSANDS of items of fake electrical goods, clothing and cosmetics among a haul seized by the authorities were likely to have ended up being sold in Swansea.

Swansea Council's trading standards department was just one of the agencies involved in a joint operation, which saw counterfeit products worth £1 million seized when police pounced on a convoy 12 of vehicles travelling south on the M5.

Working with West Midlands Police and others, officers found six of the vehicles seized during the raid crammed full with counterfeit products including Kylie Jenner cosmetics, Ugg boots, GHD hair straighteners and fake MAC makeup sets.

Other goods taken, which were believed to be en route to Bristol Fruit Market, included fake Nike and Adidas trainers and various brands of perfume and aftershave.

The council became involved after investigating complaints locally from consumers who had purchased goods via social media sites including Facebook and Instagram.

Mark Child, Swansea Council's cabinet member for wellbeing & healthy city, said: "We've seen an increase in the sale of counterfeit goods across the country. Social media is being used as a platform to sell these products.

"All of these counterfeit goods are poorly constructed and have not been put through the rigorous safety tests that genuine products are subject to. This means consumers are put at risk, especially where electrical products are concerned.



Some of the goods seized by police and trading standards officials.

"The seizure of this very large haul of counterfeit goods is the result of a lot of hard work by a number of agencies all working together and sharing the information they have.

"This is an excellent result for all the agencies involved as well as the public and businesses that are affected by the sale of counterfeit products."

The raid is the latest phase of Operation Jasper, a long running campaign, coordinated by the National Markets Group and trading standards.

The aims of the raid are to disrupt the flow of cheap, dangerous, counterfeit goods by gangs who supply rogue traders at Bristol Fruit market, as well as Facebook and Instagram sellers who get them from the market, and sell them on to members of the public.

The gang's activities came to light after painstaking intelligence work by agencies, such as the Government Agency Intelligence Network (GAIN) and the Intellectual Property Office (IPO).

Baroness Neville-Rolfe, Minister of State for Energy and Intellectual Property, said: "I would like to congratulate Trading Standards and their partners in law enforcement and the private sector for keeping dangerous fake goods away from market stalls and out of the hands of the public.

Rhys Harries from Swansea Council's trading standards department.

"As the festive season begins we must do everything we can to make sure unscrupulous traders selling counterfeit goods do not take advantage of consumers looking for a Christmas bargain.

"This is not a victimless crime. The sale of counterfeit goods hurts honest businesses who lose trade and consumers who risk buying shoddy or even dangerous goods. Counterfeiters should expect a lean Christmas."

Some of the tactics used in the latest investigation included using ANPR technology to track the movement of a number of vehicles over a long period of time along with the seizure of mobile phones and satellite tracking equipment used by the gangs.

Other Welsh trading standards teams involved in the operation included Carmarthenshire, Neath Port Talbot and Caerphilly.

## **Personnel - Employee working whilst on sick leave**

Information was received from Human Resources that an employee may be working whilst on sick leave relating to mobility issues.

In fact the work undertaken in and out of work is the same and requires full mobility.

Following an evaluation and risk assessment visits an investigation commenced.

It was established via that the employee had historically been running a company undertaking the work.

However, the employee had not sought any approval for secondary employment.

A period of surveillance was undertaken which established that the employee was undertaking the physical work whilst on sick leave.

Whereas the employee had advised Human Resources that they were unable to attend sickness interviews due to back pain which may require an operation.

The details of the investigation were passed to the client department and Human Resources to consider what further action should be taken.

Subsequently, a letter was issued inviting the employee to a disciplinary investigation meeting to discuss the following allegations:

- Undertaking work whilst on sick leave from the Authority
- Breach of the Management of Absence Policy
- Breach of Trust and Confidence

However, prior to the Hearing, the employee tendered their resignation with immediate effect. Their resignation was accepted and their post was advertised.

Quantifiable savings in respect of this case amount to £20,128.81.

# Agenda Item 8

## Report of the Chief Auditor

### Audit Committee – 8 August 2017

#### INTERNAL AUDIT ANNUAL PLAN 2017/18 MONITORING REPORT FOR THE PERIOD 1 APRIL 2017 TO 30 JUNE 2017

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2017 to 30 June 2017.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Recommendation(s):</b>	It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the report
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Introduction

- 1.1 The Internal Audit Annual Plan 2017/18 was approved by the Audit Committee on 28<sup>th</sup> March 2017 and quarterly monitoring reports will be presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits which were finalised in the period 1st April 2017 to 30<sup>th</sup> June 2017.

#### 2. Audits Finalised 1 April 2017 to 30 June 2017

- 2.1 Due to the Chief Auditor's retirement at the end of March, plans were put in place to allow the implementation of the Audit Section's



restructure from April 2017. Competitive interviews took place resulting in the appointment of one of the Senior Auditors as the new Principal Auditor. This has resulted in the loss of one full time equivalent post from 2017/18 onwards.

- 2.2 The Internal Audit Section has continued to experience high levels of sickness in the 1<sup>st</sup> Quarter of 2017/18 with a total of 46 days against an annual budget of 80 days. As previously reported, most of the sickness in the year was due to a condition experienced by two member of staff.
- 2.3 A total of 20 audits were finalised during Quarter 1. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.
- 2.4 An analysis of the audits finalised during the 1<sup>st</sup> Quarter is shown in the following table.

<b>Assurance Level</b>	High	Substantial	Moderate	Limited
Number	6	14	0	0

- 2.5 A total of 195 audit recommendations were made and management agreed to implement 194 recommendations i.e. 99% against a target of 95%. The one recommendation that was not agreed was classed as low risk.
- 2.6 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during Quarter 1 is shown in the following table

<b>High Risk</b>	<b>Medium Risk</b>	<b>Low Risk</b>	<b>Good Practice</b>	<b>Total</b>
0	14	128	52	194

- 2.7 No grant certifications were required in Quarter 1.
- 2.8 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 2 shows each audit included in the Plan approved by Committee in March and identifies the position of each audit as at 30 June 2017.
- 2.9 None of the reports issued in Quarter 1 had a moderate assurance rating.

- 2.10 An analysis of the details in Appendix 2 shows that by the end of June 2017, approximately 31% of the Audit Plan was either completed or in progress which is as expected at the end of the first quarter in the year. It should also be noted that a number of the audits finalised in this quarter were those that were in progress at year end and hence had been brought forward from the 2016/17 plan.
- 2.11 As reported previously, the way primary schools audits are undertaken has been changed to use a self-assessment questionnaire and a much shorter audit visit. It is hoped that using this basis for primary school audits will have benefits both for the Internal Audit Section by reducing the amount of time for each audit and also for schools by reducing the Service Level Agreement recharge for audits and causing less disruption at school during the audit visit.
- 2.12 The self-assessment questionnaire was completed during Quarter 1 and the opportunity was also taken to review the scope of primary school audits to ensure that it remained relevant and fit for purpose.
- 2.13 The revised questionnaire was sent to 18 primary schools due for audit in 2017/18 during Quarter 1 and audits will be undertaken over the course of the year as and when responses are received.
- 2.14 The Internal Audit Section was also involved in the following work during Quarter 1:
- Ongoing investigation in relation to administrative practices at Bishop Vaughan Comprehensive School.
  - Continuation of work on the National Fraud Initiative 2016 exercise.

### **3. Follow Ups Completed 1 April 2017 to 30 June 2017**

- 3.1 The follow up procedures operated by the Internal Audit Section include visits to any non-fundamental audits which received a moderate or limited level of assurance to confirm and test that action has been taken by management to address the concerns raised during the original audit.
- 3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Chief Finance and Deputy Section 151 Officer. No follow up visits were required in Q1.

#### **4 Equality and Engagement Implications**

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

#### **5. Financial Implications**

5.1 There are no financial implications associated with this report.

#### **6. Legal Implications**

6.1 There are no legal implications associated with this report.

**Background Papers:** Internal Audit Plan 2016/17

**Appendices:** Appendix 1 Internal Audit – Monitoring Report Quarter 1 2017/18  
Appendix 2 Internal Audit Plan 2017/18 – Progress to 30/06/17

## INTERNAL AUDIT - MONITORING REPORT QUARTER 1 2017/18

Head of Service	Audit	Date Finalised	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Education Planning & Resources	Bishopston Primary School	28/04/17	High	3	3	0
Education Planning & Resources	Pengelli Primary School	10/05/17	High	7	7	0
Finance & Delivery	Accounts Payable	15/05/17	High	5	5	0
Finance & Delivery	Council Tax	07/06/17	High	0	0	0
	Highways - Business Case, Tender & Evaluation	20/04/17	High	3	3	0
Highways & Transportation	Swansea Marina	12/05/17	High	5	5	0
Communications & Customer Engagement	Corporate Complaints	20/06/17	Substantial	5	5	0
Education Learner Support Service	Stepahead Educaiton Centre	23/05/17	Substantial	12	12	0
Education Learner Support Service	Arfryn Education Centre	23/05/17	Substantial	12	12	0
Education Learner Support Service	KS4 Education Centre	23/05/17	Substantial	12	12	0
Education Planning & Resources	St Thomas Primary School	10/04/17	Substantial	13	13	0
Education Planning & Resources	Casllwchwr Primary School	30/05/17	Substantial	16	16	0
Education Planning & Resources	Wanarlwydd Primary School	30/05/17	Substantial	15	15	0
Education Planning & Resources	St Joseph's Cathedral Primary School	14/06/17	Substantial	11	11	0
Education Planning & Resources	YGG Gellionnen	19/06/17	Substantial	16	16	0
Housing & Public Protection	Townhill DHO	11/05/17	Substantial	13	13	0
Housing & Public Protection	Sketty DHO	26/06/17	Substantial	13	13	0
Informaiton & Business Change	Procurement of IT	08/05/17	Substantial	15	15	0
Planning & City Regeneration	Swansea Mobility Hire	23/05/17	Substantial	17	16	1
Highways & Transportation	Advance Payments Code	27/06/17	Substantial	2	2	0
<b>Total</b>				<b>195</b>	<b>194</b>	<b>1</b>

## INTERNAL AUDIT ANNUAL PLAN 2017/18

Head of Service	Risk Rating	Progress as at 30.06.17
<b>Head of Education Planning &amp; Resources</b>		
Brynmill Primary School	Medium	In Progress
Casllwchwr Primary School	Medium	Final Issued
Craigcefnparc Primary School	Medium	In Progress
Glais Primary School	Medium	In Progress
Llangyfelach Primary School	Medium	In Progress
YGG Gellionnen	Medium	Final Issued
St Illtyds RC Primary School	Medium	In Progress
Clase Primary School	Medium	In Progress
Gendros Primary School	Medium	In Progress
Gorseinon Primary School	Medium	In Progress
Pentre'r Graig Primary School	Medium	In Progress
Craigfelen Primary School	Medium	In Progress
Cwmrhydyceirw Primary School	Medium	In Progress
Llanridian Primary School	Medium	In Progress
Oystermouth Primary School	Medium	In Progress
Parkland Primary School	Medium	In Progress
Penllergaer Primary School	Medium	In Progress
Tre Uchaf Primary School	Medium	In Progress
Whitestone Primary School	Medium	In Progress
Ynystawe Primary School	Medium	In Progress
Ysgol Cymraeg y Cwm	Medium	In Progress
YGG Llwynderw	Medium	In Progress
YGG Lon Las	Medium	In Progress
YGG Pontybrenin	Medium	In Progress
YGG Tirdeunaw	Medium	In Progress
YGG Tan-y-Lan	Medium	In Progress
Bishopston Comprehensive School	Medium	In Progress
Cefn Hengoed Comprehensive School	Medium	Planned
Pontarddullais Comprehensive School	Medium	Planned
Ysgol Gyfun Bryn Tawe	Medium	Planned
Ysgol Crug Glas	Medium	In Progress
School Funding & Information	Medium/High	Planned
Capital Planning & Delivery Unit	Medium/High	Planned
<b>Head of Education Improvement</b>		
Challenge Advisers	Medium	Planned
<b>Head of Education Learner Support Service</b>		
EOTAS Pathways	Medium	Planned
Home Tuition Service	Medium	Planned
LAC Co-ordinator	New	Planned
Ethnic Minority Achievement Unit	Medium	Planned
School Kitchens	Medium	Planned
Catering Service Headquarters	Medium	Draft Issued
Music Service	Medium	Planned

## INTERNAL AUDIT ANNUAL PLAN 2017/18

Head of Service	Risk Rating	Progress as at 30.06.17
<b>Education - Other</b>		
School Uniform Grant	N/A	Planned
Education Improvement Grant	N/A	In Progress
Pupil Deprivation Grant	N/A	Planned
Schools Annual Report	N/A	Planned
<b>Head of Child &amp; Family Services</b>		
Independent Agency Payments	Medium/High	Planned
Nant-y-Felin Children's Home	Medium	Draft Issued
Adoption Allowances	Medium	Planned
Foster Swansea	Medium	Planned
<b>Head of Adult Services</b>		
Home Care	Medium/High	Planned
Supporting People Team	Medium	In Progress
Supporting People Grant	N/A	Planned
Live Kilometre Support Grant	N/A	In Progress
Cyrenians - Lessons Learned	New	In Progress
Deprivation of Liberty Safeguards	New	In Progress
Emergency Placements	New	Planned
CREST	Medium	Planned
<b>Directorate Services</b>		
Client Property and Finance	Medium	Planned
Staff Development and Training Section	Medium	Planned
<b>Head of Poverty &amp; Prevention</b>		
Partnerships, Performance & Commissioning	New	Planned
Play Team	Medium	Planned
<b>Head of Corporate Building &amp; Property Services</b>		
Heol y Gors - Estimating	Medium	In Progress
Enjergy Management	Medium	Planned
<b>Head of Waste Management</b>		
Waste Enforcement	New	Planned
Specilaist Parks Services	Medium	Planned
Parks Buildings	Medium	Planned
<b>Head of Highways &amp; Transportation</b>		
Home to School Transport	Medium	Planned
Concessionary Bus Fares	N/A	Planned
Swansea Marina	Medium	Final Issued
Clydach Depot - Finance and Admin	Medium	Planned
Swansea Highways Partnership	New	Planned
<b>Head of Housing &amp; Public Protection</b>		
Townhill District Housing Office	Medium	Final Issued
Sketty District Housing Office	Medium	Final Issued
Voids Team / Homes Preparation Unit	Medium	Planned
Renewal Areas	Medium	In Progress
<b>Head of Cultural Services</b>		

## INTERNAL AUDIT ANNUAL PLAN 2017/18

Head of Service	Risk Rating	Progress as at 30.06.17
Morrison Leisure Centre	Medium	Planned
Penlan Leisure Centre	Medium	Planned
Penyrheol Leisure Centre	Medium/High	In Progress
Penyrheol Theatre	Medium	In Progress
Glynn Vivian Art Gallery	Medium	Draft Issued
Archives	Medium	In Progress
Spot Checks	Medium	Planned
Brangwyn Hall and Guildhall Catering	Medium/High	Planned
<b>Head of Planning &amp; City Regeneration</b>		
Development Projects and Joint Ventures	Medium	Planned
Planning & Enforcement	New	Planned
Planning - AONB	New	Planned
<b>Head of Communications &amp; Customer Engagement</b>		
Scrutiny	New	Planned
<b>Head of Finance &amp; Delivery</b>		
Cashiers Office	Medium/High	Planned
Write-off Requests by Departments	N/A	Planned
Cashiers Write Offs	N/A	Planned
Car Loans	Medium	Planned
Risk Management	High	Planned
Private Residential Care Charges	Medium/High	Planned
Funded Nursing Care	Medium	Planned
Short Term Care	Medium	Planned
Abacus Income Collection	New	Planned
TSB Accounts	Medium/High	Planned
Learning Disability Recharges	New	Planned
<b>Head of Legal &amp; Democratic Services</b>		
Freedom of Information	New	Planned
Debt Recovery Process	New	Draft Issued
<b>Head of Human Resources</b>		
Officers Expenses	Medium	In Progress
Emergency Planning and Civil Contingencies	Medium	Planned
<b>Head of Information &amp; Business Change</b>		
Project Management Methodology	New	Planned
Strategic Projects - Administration	Medium	Planned
<b>Head of Commercial Services</b>		
No planned audits		
<b>Fundamental Systems</b>		
Payroll	High	Planned
Pensions Administration	High	Planned
Teachers Pensions	Medium	Planned
Accounts Receivable	High	Planned
Business Rates	Medium	Planned
Pension Fund Investments	High	Planned

## INTERNAL AUDIT ANNUAL PLAN 2017/18

Head of Service	Risk Rating	Progress as at 30.06.17
Housing Rents	Medium	Planned
Housing & Council Tax Benefit	Medium	Planned
Capital Accounting	Medium	Planned
<b>Contract Audits - Systems</b>		
<b>Legal</b> Liquidations, Insurance Cover & Performance Bonds	Medium/High	Planned
<b>Highways &amp; Transportation</b> Control of Contracts	Medium	Final Issued
<b>Corporate Building Services</b> Tendering	Medium	Planned
Housing Systems Overview	Medium	Planned
Housing Renewal Areas	Medium	Planned
<b>Social Services</b> Tendering, Letting & Monitoring	New	In Progress
<b>Computer Audits</b>		
File Controls	Medium	Planned
Data Storage	Medium	Planned
Network Controls - Corporate Network	Medium	Planned
Firewall Controls - Corporate Network	Medium	Planned
Payment Card Industry - Data Security Standard	Medium	Planned
e-Commerce Controls	Medium	Planned
Physical and Environmental Controls	Medium/High	Planned
Computer Operations	Medium/High	Planned
Application Controls - Flare System	Medium	Planned
Application Controls - Fostercare System	Medium	Planned
Application Controls - CRM System	N/A	Planned
Change Control - Oracle	High	Planned
Digital Strategy	High	Planned
Extraction of Data - Miscellaneous	N/A	Planned
<b>Contract Audits</b>		
Final Accounts	N/A	Planned
Financial Appraisal of Contractors for Tenders	N/A	Planned
<b>Cross Cutting Audits</b>		
Corporate Governance Review	New	Planned
Partnerships - Overview and Governance	New	Planned
Review of Corporate Risks	New	Planned
Added Value Work	New	Planned
Delegated Decision Making	New	Planned
Ethics & Values	New	Planned
Review of Senior Management Assurance Statements	New	Planned
Officer's Code of Conduct	New	Planned
Whistleblowing Policy	New	Planned
<b>Miscellaneous Audits</b>		
Swansea Bay Port Health Authority	New	Draft Issued



## INTERNAL AUDIT ANNUAL PLAN 2017/18

Head of Service	Risk Rating	Progress as at 30.06.17
<b>Projects and Special Investigations</b>		
Unpresented Cheques > £2,000	N/A	Planned
Galileo Audit Management System	N/A	Planned
Annual Plan & Annual Report	N/A	Planned
Health & Safety Group	N/A	Planned
Recommendations Tracker	N/A	Planned
Follow Ups	N/A	Planned
Development of Audit Programmes	N/A	Planned
Compliance with Pay Policy	New	Planned
P Card Review of Purchases	N/A	Planned
PSIAS External Assessment	N/A	Planned

# Agenda Item 9

## Report of the Chief Auditor

Audit Committee – 8 August 2017

### LETTERS OF REPRESENTATION 2016/17

<b>Purpose:</b>	This report provides copies of two letters of representation returned to the Wales Audit Office completed by those charged with governance and management for the City & County of Swansea and the City & County of Swansea Pension Fund.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Corporate Management Team, Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that Audit Committee review the letters of representation.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Introduction

- 1.1 Audit enquiry letters were received from the Wales Audit Office formally seeking documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements for both the City and County of Swansea and the City and County of Swansea Pension Fund.
- 1.2 The considerations were relevant to both the management and those charged with governance of the City and County of Swansea and the City and County of Swansea Pension Fund.
- 1.3 The responses have been compiled by the Head of Financial Services & Service Centre (City and County of Swansea) and the Chief Treasury & Technical Officer (City and County of Swansea Pension

Fund) with specific review and comment from the Chief Internal Auditor.

- 1.4 Both responses have also been formally considered by officers charged with governance and the Corporate Management Team including both the Chief Executive and the Monitoring Officer.
- 1.5 Copies of the responses provided to the Wales Audit Office may be found in Appendix 2 (City and County of Swansea) and Appendix 3 (City and County of Swansea Pension Fund) attached.
- 1.6 Due to timing, this year the letters are presented to Committee for information only. In subsequent years, the letters will be presented to Committee for consideration prior to being submitted.

## **2. Equality and Engagement Implications**

- 2.1 An EIA is not required as 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

**Appendices:** Appendix 1- Letter of Representation for the City and County of Swansea.  
Appendix 2 – Letter of Representation for the City and County of Swansea Pension Fund.



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Mr Mike Hawes  
Corporate Director (Resources)  
City & County of Swansea  
Civic Centre  
Oystermouth Road  
Swansea  
SA1 3SN

**Reference:** JH17/NG

**Date issued:** 17 March 2017

Dear Mike

## City & County of Swansea – 2016-17 - Audit enquiries to those charged with governance and management

In my 2017 Audit Plan I noted that International Standards on Auditing (UK&I) state that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I set out the respective responsibilities of auditors, management and those charged with governance. I also advised that I would be writing to both management and those charged with governance to explain these responsibilities further and make enquiries of how the responsibilities have been discharged.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the management and 'those charged with governance' of the City & County of Swansea (the Council).

I have set out below the areas of governance on which I am seeking views.

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;
  - communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.

4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2016-17 financial statements.

I would be grateful if you could complete the attached table in [Appendix 1](#), which should be formally considered and communicated to us on behalf of both management and those charged with governance (the Council) by 28 July 2017. In the meantime, if you have queries, please contact Geraint Norman on 07810 056 683 or by e-mail at [geraint.norman@audit.wales](mailto:geraint.norman@audit.wales).

Yours sincerely



John Herniman  
Engagement Director

cc Mr Phil Roberts, Chief Executive

## Appendix 1

### International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

#### Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for the City & County of Swansea (the Council) is the ‘full Council’. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Council exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA? The ISA views fraud as either:

- the intentional misappropriation of the UHB’s assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

#### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Council:

Enquiries of management	
Question	Response
1. What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	Low/Minimal but remain constantly vigilant to the risk. Same staff worked on this year as last. But with sufficient segregation of duties in each role. Internal audit reviews in year. Personal review by S151 officer
2. How can management assure the Council that it has not been inappropriately influenced by external pressures?	Independence of Monitoring Officer and S151 officer Both have right of reporting direct to Cabinet/council

	<p>Both have professional right of reporting to CX (since strengthened in March 2017 management restructure).</p> <p>Statutory Chief Officers are equal members of CMT.</p>
<p>3. Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?</p>	<p>Yes – the entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published three year medium term financial plan looking for savings in the region of £60m.</p> <p>This is considered a statement of projected fact/expectation.</p> <p>There is no pressure to achieve a certain outcome beyond that which would be reasonably expected , that is, appropriate management and Executive action to contain spending to within a balanced budget position .</p>

Enquiries of management	
Question	Response
4. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>Online reporting tool for staff to report suspected fraud cases directly to the Fraud Team inbox.</p> <p>Dedicated fraud reporting phone number published online (internal and external referrals).</p> <p>Participate in NFI data matching exercises.</p> <p>Management review of all accounting statements. Internal audit function. Review by audit Committee Consistency/experience of staff working on financial statements both in terms of central consolidation but also individually as professionals so sufficient segregation of duties and professional oversight/check.</p> <p>Personal review by S151 officer</p>
5. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<p>Published and well publicised on the intranet, separate but complementary Staff and Member Codes of Conduct.</p> <p>In addition, Public Sector Internal Audit Standards require audit team to declare adherence to a code of ethics. The team have all signed and returned these.</p>
6. What arrangements are in place to report about fraud to those charged with governance?	<p>Disciplinary/fraud cases highlighted and reported both via PFM process and through to CMT monthly as part of HR dashboard reporting.</p>



	<p>Established Audit Committee.</p> <p>Annual fraud report goes to Audit Committee plus annual fraud plan.</p> <p>Right of Chief Internal Auditor and/or S151 to report to Audit Committee.</p> <p>Right of Chief Internal Auditor and S151 officer to report directly to CX on any material concern.</p> <p>Material individual concerns communicated by S151 to relevant member of CMT.</p>
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### Enquiries of the Council

Question	Response
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Council and the internal control that management has established to mitigate those risks?	<p>Provision of a well-resourced Internal Audit section.</p> <p>Dedicated, experienced Fraud Team (in addition to the core Audit Function).</p> <p>Audit Committee.as well as responding to audit reviews is taking an increasingly active role in looking at wider risk management/risk register.</p> <p>Independent Audit Committee Chair.</p>
2. Has the Council knowledge of any actual, suspected or alleged fraud since 1 April 2015?	No material items - ongoing fraud investigation of a range of cases is "normal business" and shared with internal/external audit as necessary
3. Has the Council any suspicion that fraud may be occurring within the	No material cases – again "normal business" is such

organisation?	that there are risks in an organisation of this scale and there is a resourced corporate fraud team under the Chief Internal Auditor to review and report on individual cases
4. Is the Council satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas?	<p>Yes.</p> <p>Financial Procedure Rules.</p> <p>Oracle Workflow rules requiring separate sign off of transactions above threshold levels.</p> <p>Internal audit specifically review segregation of duties as part of all audits undertaken.</p>
5. How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?	<p>Published Anti-Fraud and Corruption policy.</p> <p>Published Disciplinary Policy</p> <p>Published Whistleblowing Policy</p> <p>Fraud/Whistleblowing telephone hotline – intranet coverage/news stories/online reporting forms available.</p>

<b>Enquiries of the Council</b>	
<b>Question</b>	<b>Response</b>
6. From a fraud and corruption perspective, what are considered by the Council to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?	Chief Officer and Head of Service Posts A range of other senior posts Finance posts above Grade 10 Full DBS checks on high risk posts
7. Is the Council aware of any related party relationships or transactions that could give rise to instances of fraud and how does the Audit Committee mitigate the risks associated with fraud related to related party relationships and transactions?	No
8. Is the Council aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?	No
9. Is the Council aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?	Yes – the entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published three year medium term financial plan looking for savings in the region of £60m.  This is considered a statement of projected fact/expectation.  There is no pressure to achieve a certain outcome beyond that which would be reasonably expected, that is, appropriate management and Executive action to contain spending to within a balanced budget position.

International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements

**Background**

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non-compliance rests with management and the Council (as 'those charged with governance'). The ISA requires us, as external auditors, to obtain an understanding of how the Council gains assurance that all relevant laws and regulations have been complied with.

**What are we required to do?**

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Council:

Enquiries of management	
Question	Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Constitution specifies officer delegation and proper officer arrangements for procurement, contracting, entering into legal agreements etc. Legal and finance sign off required in each case.
2. Are there any potential litigations or claims that would affect the financial statements?	Potentially yes - given the size of the authority there are always outstanding potential litigations and obligations, both general and very specific in nature. Items of material nature are as fully disclosed in the statement of accounts as is possible under contingent liabilities and provisions having due regard to confidentiality, commercial terms and data protection laws.

**Enquiries of the Council**

<b>Question</b>	<b>Response</b>
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	All formal reports to Cabinet/Council require legal, access to services and finance sign off
2. Is the Council aware of any non-compliance with relevant laws and regulations?	No
3. If there have been instances of non-compliance what are they, and what oversight has the Council had to ensure that action taken by management to address and gaps in control?	Not applicable

## International Standard for Auditing (UK and Ireland) 550 – Related parties

### Background

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### What are we required to do?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and the Council:

Enquiries of management	
Question	Response
1. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	As part of our closure processes we test and review transactions with third parties. Where there appear to be related parties these are escalated through management and decision made by the S151 officer as to materiality/relevance for disclosure in the statement of accounts.
2. Confirm that you have: <ul style="list-style-type: none"> <li>disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	Yes  Yes

Enquiries of the Council	
Question	Response
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transaction sand relationships?	This is delegated to the S151 officer through control processes.  Necessary and appropriate disclosures are made in the statement of accounts which is reviewed by Audit Committee and approved by Council.



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Mr Mike Hawes  
Corporate Director – Resources  
City & County of Swansea Pension Fund  
Civic Centre  
Oystermouth Road  
Swansea  
SA1 3SN

**Reference:** JH18/NG

**Date issued:** 17 March 2017

Dear Mike

## City & County of Swansea Pension Fund – 2016-17 - Audit enquiries to those charged with governance and management

In my 2017 Audit Plan I noted that International Standards on Auditing (UK&I) state that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I set out the respective responsibilities of auditors, management and those charged with governance. I also advised that I would be writing to both management and those charged with governance to explain these responsibilities further and make enquiries of how the responsibilities have been discharged.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the management and 'those charged with governance' of the City & County of Swansea Pension Fund (the Fund).

I have set out below the areas of governance on which I am seeking views.

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;
  - communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.



5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Fund and its business processes and support our work in providing an audit opinion on your 2016-17 financial statements.

I would be grateful if you could complete the attached table in [Appendix 1](#), which should be formally considered and communicated to us on behalf of both management and those charged with governance (the Council) by 28 July 2017. In the meantime, if you have queries, please contact Geraint Norman on 07810 056 683 or by e-mail at [geraint.norman@audit.wales](mailto:geraint.norman@audit.wales).

Yours sincerely



John Herniman  
Engagement Director

cc Mr Phil Roberts, Chief Executive

## Appendix 1

### International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

#### Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for the City & County of Swansea Pension Fund (the Fund) is the ‘full Council’. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Council exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA? The ISA views fraud as either:

- the intentional misappropriation of the UHB’s assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

#### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Council:

Enquiries of management	
Question	Response
1. What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	Low/Minimal Same staff worked on this year as last. But with sufficient segregation of duties in each role. Internal audit reviews in year. Personal review by S151 officer
2. How can management assure the Council that it has not been inappropriately influenced by external pressures?	Independence of Monitoring Officer and S151 officer Both have right of reporting direct to Cabinet/council Both have professional right of reporting to CX (since strengthened in March 2017 management

	restructure) Statutory Chief Officers are equal members of CMT.
3. Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?	<p>Yes – the entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published three year medium term financial plan looking for savings in the region of £60m.</p> <p>This is considered a statement of projected fact/expectation.</p> <p>There is no pressure to achieve a certain outcome beyond that which would be reasonably expected , that is appropriate management and Executive action to contain spending to within a balanced budget position .</p> <p>The Pension Fund is part of the Wales Pension Partnership project, a projected outcome of which shall be reduced fund management fees</p>

Enquiries of management	
Question	Response
4. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>Management review of all accounting statements.</p> <p>Internal audit function.</p> <p>NFI screening and Atmos mortality screening</p> <p>Review by audit Committee</p> <p>Consistency/experience of staff working on financial statements both in terms of central consolidation but also individually as professionals so sufficient segregation of duties and professional oversight/check.</p> <p>Personal review by S151 officer</p>
5. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<p>Published and well publicised on the intranet, separate but complementary Staff and Member Codes of Conduct.</p>
6. What arrangements are in place to report about fraud to those charged with governance?	<p>Audit Committee.</p> <p>Right of Chief Internal Auditor and/or S151 to report to Audit Committee.</p> <p>Right of Chief Internal Auditor and S151 officer to report directly to CX on any material concern.</p> <p>Material individual concerns communicated by S151 to relevant member of CMT.</p> <p>Escalation to Local Pension Board and Pension Regulator</p>

Enquiries of the Council	
Question	Response
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Council and the internal	<p>Provision of a well resourced Internal Audit section.</p> <p>Audit Committee.</p>

control that management has established to mitigate those risks?	Independent Audit Committee Chair. Pension Fund Committee Local Pension Board Pension Regulator
2. Has the Council knowledge of any actual, suspected or alleged fraud since 1 April 2015?	No material items - ongoing fraud investigation of a range of cases is "normal business" and shared with internal/external audit as necessary
3. Has the Council any suspicion that fraud may be occurring within the Fund?	No material cases – again "normal business" is such that there are risks in an organisation of this scale and there is a resourced corporate fraud team under the Chief Internal Auditor to review and report on individual cases
4. Is the Council satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas?	Yes. Financial Procedure Rules. Oracle Workflow rules requiring separate sign off of transactions above threshold levels.
5. How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?	Anti fraud and corruption policy Disciplinary Policy Whistleblowing Policy Fraud/Whistleblowing hotline/intranet/online forms Pensions Regulator hotline

<b>Enquiries of the Council</b>	
<b>Question</b>	<b>Response</b>
6. From a fraud and corruption perspective, what are considered by the Council to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?	Chief Officer and Head of Service Posts A range of other senior posts Finance posts above Grade 10 Full DBS checks on high risk posts
7. Is the Council aware of any related party relationships or transactions that could give rise to instances of fraud and how does the Audit Committee mitigate the risks associated with fraud related to related party relationships and transactions?	No
8. Is the Council aware of any entries made in the accounting records of the Fund that it believes or suspects are false or intentionally misleading?	No
9. Is the Council aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?	Yes – the entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published three year medium term financial plan looking for savings in the region of £60m.  This is considered a statement of projected fact/expectation.  There is no pressure to achieve a certain outcome beyond that which would be reasonably expected , that is appropriate management and Executive action to contain spending to within a balanced budget position .

International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements

**Background**

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non-compliance rests with management and the Council (as 'those charged with governance'). The ISA requires us, as external auditors, to obtain an understanding of how the Council gains assurance that all relevant laws and regulations have been complied with.

**What are we required to do?**

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Council:

Enquiries of management	
Question	Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Constitution specifies officer delegation and proper officer arrangements for procurement, contracting, entering into legal agreements etc. Legal and finance sign off required in each case.
2. Are there any potential litigations or claims that would affect the financial statements?	Potentially yes - given the extent of the investment portfolio, there may be an ongoing corporate action in which we could be affected but not directly involved in the litigation.

**Enquiries of the Council**

<b>Question</b>	<b>Response</b>
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	All formal reports to Pension Fund Committee/Council require legal, access to services and finance sign off
2. Is the Council aware of any non-compliance with relevant laws and regulations?	No
3. If there have been instances of non-compliance what are they, and what oversight has the Council had to ensure that action taken by management to address and gaps in control?	Not applicable



## International Standard for Auditing (UK and Ireland) 550 – Related parties

### Background

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### What are we required to do?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and the Council:

<b>Enquiries of management</b>	
<b>Question</b>	<b>Response</b>
1. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	Material transaction parties are regular and known and appropriate disclosures are made in the financial statements.  Contracted relationships are subject to the Council's CPRs and OJEU regulation where applicable
2. Confirm that you have: <ul style="list-style-type: none"> <li>disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	Yes  Yes

<b>Enquiries of the Council</b>	
<b>Question</b>	<b>Response</b>
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transaction sand relationships?	This is delegated to the S151 officer through control processes. Necessary and appropriate disclosures are made in the statement of accounts which is reviewed by Audit Committee and approved by Council.

## Report of the Chief Auditor

Audit Committee – 8 August 2017

### 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>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Debbie Smith
<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 In the past, the Committee has had no transparency over the outcomes of the actions minuted by the Committee. As a result, an Action Tracker process was put in place in 2016/17.
- 1.3 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, 2016/17 and 2017/18 municipal years are attached in Appendix 1, 2 and 3.
- 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 2017/18

**Appendix 2** – Action Tracker 2016/17

**Appendix 3** – Action Tracker 2015/16

<b>AUDIT COMMITTEE ACTION TRACKER 2017/18</b>	
<b>Action</b>	<b>Outcome</b>
<b>11/07/17 – Performance Review Development of the Audit Committee</b>	
In relation to the Audit Committee Performance Review findings, the Chair of the Audit Committee is to investigate the possibility of reinstating regional working groups for Chairs/Audit Committee Members to consider joint training and benchmarking possibilities.	
<b>11/07/17 Min 16 – Draft Statement of Accounts</b>	
The Section 151 Officer be requested to provide Committee with an update regarding the funding of reserves and overall good financial management.	
<b>20/06/17 Min 5 – Work Programme</b>	
A description to accompany items within the Work Programme be provided in future.	

## Appendix 2

<b>AUDIT COMMITTEE ACTION TRACKER 2016/17</b>	
<b>Action</b>	<b>Outcome</b>
<b>28/03/17 Min 77 – Chair of Scrutiny Committee</b>	
The Chair of the Scrutiny Programme Committee be invited to a future meeting of the Committee in order to provide an update report.	The Chair of the Scrutiny Programme Committee is due to attend Audit Committee on the 10/10/17 - CLOSED
<b>28/03/17 Min 78 – Procurement Processes</b>	
Procurement procedures being linked to risk.	
<b>14/02/17 Min 63 – Audit Committee – Action Tracker</b>	
The outcome relating to Councillor access to the Section 106 database be reopened due to insufficient information being available.	The action has been reopened pending further information being received from Planning. See Min 41 of meeting on 25/10/16 below - CLOSED
<b>03/01/17 Min 55 – Wales Audit Office Annual Audit Letter 2015/16</b>	
The Wales Audit Office report regarding the key principles to a strategic approach to setting, increasing or introducing charges for local authority services be circulated to the Committee	The report was circulated on 04/01/17 - CLOSED
<b>13/12/16 Min 45 – Training Presentation Risk Management</b>	
An update on the progress of Risk Management be provided in March	Due to the number of items on the agendas for the meetings in March 2017, the Risk Management update has been included on the agenda for the June 2017 meeting - CLOSED
<b>13/12/16 Min 45 – Training Presentation Risk Management</b>	
The presentation be circulated to the Committee	The presentation was circulated on 21/12/16 - CLOSED
<b>13/12/16 Min 46 – Training Presentation Counter Fraud</b>	
The presentation be circulated to the Committee	The presentation was circulated on 21/12/16 - CLOSED
<b>13/12/16 Min 47 – Commercialism Strategy</b>	
Members of the Committee be invited to attend the forthcoming Headteacher Workshops	An e-mail was sent to the Head of Commercial Services on 11/01/17 to register the interest of members of the Committee in the Headteacher Workshops. When the Workshop date has been agreed, details will be circulated to the Committee. Reminder e-mail sent to CW 26/07/17.
<b>13/12/16 Min 47 – Commercialism Strategy</b>	

The presentation be circulated to the Committee	The presentation was circulated on 21/12/16 - CLOSED
<b>13/12/16 Min 51 – Corporate Fraud Team Investigation Report</b>	
The Chair writes to the Head of Waste Management to seek assurance that the lessons learned from this investigation have been adopted by the service,	A letter was sent to the Head of Waste Management on 13/01/17 - CLOSED
<b>25/10/16 Min 39 – Annual Report of School Audits 2015/16</b>	
The Head of Commercial Services be invited to the next scheduled meeting to discuss the Service Level Agreement	The Head of Commercial Services attended the meeting on 13/12/16 - CLOSED

<b>25/10/16 Min 39 – Annual Report of School Audits 2015/16</b>	
The Chief Education Officer be invited to the next scheduled meeting to discuss the influence the centre can exercise over compliance with procedures by schools	The Chief Education Officer attended the Audit Committee on 14/03/17 - CLOSED
<b>25/10/16 Min 41 – Chair / Wales Audit Office Liaison Meeting</b>	
Confirmation be provided regarding Member access to the Section 106 database	Feedback was provided by the Chief Auditor to the meeting on 03/01/17 and a note circulated to all members. A further request has been made to Planning identifying information members would like to receive regarding Section 106 agreements. The Chair will meet the Head of Planning and City Regeneration to discuss. - CLOSED
<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	Self-assessment questionnaire to be added to agenda of governing body clerks forum meeting to be held in January 2017. A reminder will also be circulated to all schools - CLOSED
<b>30/08/16 Min 26 – Corporate Fraud Team Plan 2016/17</b>	
An update be provided to the Committee in 6 months	Update included on agenda for Committee meeting on 28/03/17 - CLOSED
<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	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

employment with the Authority	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	The recommendations included in the Corporate Governance report as well as those arising from the WAO’s Corporate Assessment and the Peer Review are being monitored on a regular basis by the Corporate Management Team. Work is progressing to implement the recommendations and will continue to be monitored by the Interim 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>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 and an e-mail was sent to all schools on 09/11/16 - CLOSED
<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 was presented to Cabinet on 19/01/17 - CLOSED
<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	Training presentations delivered at meeting on 13 December 2016 - CLOSED





<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 as part of the current review of the Risk Management Policy and Framework
<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	Update provided to Audit Committee on 25/10/16 - CLOSED
<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 provided to the Audit Committee meeting on 03/01/17 - CLOSED

Action	Outcome
<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	The Chair of the Scrutiny Programme Committee is attending the meeting on 28/03/17 – CLOSED
<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	The review was reported to the Audit Committee on 25/10/16 - CLOSED

<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 – 8 August 2017

### AUDIT COMMITTEE – WORKPLAN

<b>Purpose:</b>	This report details the Audit Committee Workplan to May 2018
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Sherill Hopkins

#### FOR INFORMATION

#### 1. Introduction

- 1.1 The Audit Committee's Workplan to May 2018 is attached in Appendix 1 for information
- 1.2 The dates included for the meetings in 2017/18 are subject to approval by Council.

#### 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 2017/18**

## AUDIT COMMITTEE WORKPLAN 2017/18

Date of Meeting	Reports
20 June 2017	<b>Election of Chair and Vice Chair</b> Audit Committee Initial Training <b>Audit Committee Training Programme</b> Wales Audit Office Update Report WAO Financial Resilience Final Report <b>Internal Audit Monitoring Report Quarter 4 2016/17</b> <b>Final Audit Committee Annual Report 2016/17</b> Audit Committee Performance Review 2016/17 - Action Plan Audit Committee Action Tracker Report
11 July 2017 – Special	Financial Management & Accounting Training <b>Draft Statement of Accounts 2016/17</b> <b>Draft Annual Governance Statement 2016/17</b> Risk Management Policy and Framework - Update Audit Committee Action Tracker Report
8 August 2017	Internal Audit Training Governance Training Wales Audit Office Update Report <b>Internal Audit Annual Report 2016/17</b> <b>Corporate Fraud Annual Report 2016/17</b> <b>Internal Audit Monitoring Report Quarter 1 2017/18</b> Audit Committee Action Tracker Report
26 September 2017 - Special	External Audit Training <b>Wales Audit Office ISA 260 Report 2016/17 – City and County of Swansea</b> <b>Wales Audit Office ISA 260 Report 2016/17 – Pension Fund</b> <b>Annual Report of School Audits 2016/17</b> <b>Chief Education Officer Response to Annual Report of School Audits 2016/17</b> Audit Committee Action Tracker Report
10 October 2017	Counter Fraud Training <b>Chair of Scrutiny Programme Committee</b> Corporate Governance Review - Progress Update Risk Management Half-Yearly Review 2017/18 Risk/Performance/Governance Update Wales Audit Office Update Report Audit Committee Performance Review Action Plan 2016/17 - Update Audit Committee Action Tracker Report

Date of Meeting	Reports
12 December 2017	<b>Wales Audit Office – Annual Audit Letter 2016/17</b> Wales Audit Office Update Report <b>Internal Audit Monitoring Report Quarter 2 2017/18</b> <b>Recommendations Tracker Report 2016/17</b> Review of Reserves Report Treasury Management & Budgetary Control Update Audit Committee Action Tracker Report
13 February 2018	Wales Audit Office Update Report <b>Wales Audit Office Grants Report 2016/17</b> <b>Internal Audit Monitoring Report Quarter 3 2016/17</b> <b>Internal Audit Annual Plan Methodology 2018/19</b> Audit Committee Performance Review 2016/17 Action Plan - Update <b>Audit Committee Review of Performance 2017/18</b> Risk/Performance/Governance Update Audit Committee Action Tracker Report
10 April 2018	<b>Wales Audit Office Annual Plan 2018</b> Wales Audit Office Update Report <b>Internal Audit Charter 2018/19</b> <b>Internal Audit Annual Plan 2018/19</b> <b>Corporate Fraud Annual Plan 2018/19</b> <b>Draft Audit Committee Annual Report 2017/18</b> Audit Committee Action Tracker Report