



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5, Guildhall, Swansea

Tuesday, 26 September 2017 at 2.00 pm

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

**Councillor(s)**

C Anderson  
O G James  
M B Lewis  
L V Walton

**Councillor(s)**

T J Hennegan  
L James  
S Pritchard  
T M White

**Councillor(s)**

P R Hood-Williams  
P Jones  
W G Thomas

**Officer(s)**

Nick Davies	Principal Auditor
Jeremy Parkhouse	Democratic Services Officer
Sandie Richards	Principal Lawyer
Kelly Small	Head of Funding and Information Unit
Ben Smith	Section 151 Officer
Nick Williams	Chief Education Officer

**Apologies for Absence**

Councillor(s): B Hopkins and J W Jones

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**31 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.'s 36 – Annual Report of School Audits 2016/17 and 37 – Chief Education Officer Response to Annual Report of School Audits – School Governor at Clwyd Community School – personal.

Councillor P R Hood-Williams – Minute No.'s 36 – Annual Report of School Audits 2016/17 and 37 – Chief Education Officer Response to Annual Report of School Audits – LEA Governor of Crwys and Cila Primary Schools – personal.

Councillor M B Lewis – Minute No.35 – Wales Audit Office ISA 260 Report 2016/17 – Pension Fund – Member of the City & County of Swansea Pension Fund and Pension Fund Committee – personal.

Councillor W G Thomas - Minute No.35 – Wales Audit Office ISA 260 Report 2016/17 – Pension Fund - Member of the City & County of Swansea Pension Fund and Pension Fund Committee – personal.

Councillor T M White – Minute No.'s 35 – Wales Audit Office ISA 260 Report 2016/17 – Pension Fund - Benefactor of the City & County of Swansea Pension Fund and Local Pension Board Member, 36 - Annual Report of School Audits 2016/17, 37 – Chief Education Officer Response to Annual Report of School Audits – School Governor – personal.

### **32 Minutes.**

**Resolved** that the Minutes of the previous meeting of the Audit Committee were approved as a correct record, subject to the following amendments: -

Add Councillor P Jones to the list of apologies.

Minute No.28 – Second paragraph – Delete 'the' for the sentence to read – 'It was noted that Letters of Representation would be reported to Audit Committee earlier in future.'

### **33 External Audit Training - Wales Audit Office.**

Geraint Norman and David Williams, Wales Audit Office provided a detailed and informative training presentation regarding the role of the Wales Audit Office and the Audit Committee.

Details provided in the presentation included: -

- Introduction – Who are we?
- The Wales Audit Office – the work of the WAO and its role
- The financial audit
- WAO outputs
- Our relationship with Internal Audit
- Performance Audit (Local Government Measure)
- External Audit and the Audit Committee

The Chair thanked the Wales Audit Office representatives for providing the training and stated that the challenge was to build upon what had been achieved during the last few years.

### **34 Wales Audit Office ISA 260 Report 2016/17 - City and County of Swansea.**

Geraint Norman, Wales Audit Office presented Wales Audit Office ISA 260 report 2016/17 – City and County of Swansea. The report set out for consideration, matters arising from the audit of the 2016-17 financial statements for the Council that required reporting under ISA 260.

It was added that the auditors had received the draft financial statements for the year ended 31 March 2017 on 14 June 2017, before the deadline of 30 June 2017 and had now substantially completed their audit work. The Wales Audit Office were reporting the more significant issues arising from the audit, which they believed must

be considered prior to approval of the financial statements. These issues had already been discussed with the Section 151 Officer.

It was the Auditor General's intention to issue an unqualified audit report on the 2016-17 financial statements. The final letter of representation was contained at Appendix 1, the proposed audit report was provided Appendix 2, the corrected mis-statements were provided at Appendix 3 and the key recommendations arising from the financial audit work was set out in Appendix 4.

The Committee asked questions in relation to the following which were responded to by the Wales Audit Office Representative / Section 151 Officer: -

- The challenge to bring forward the report deadlines by the end of May in 2021 and the need to introduce more estimates / assumptions in the process;
- Increased risk and pressure upon resources due to the deadlines being brought forward and the challenge for management;
- The process of ratifying the accounts;
- Accounting for capital, particularly building and land valuations.

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

### **35 Wales Audit Office ISA 260 Report 2016/17 - Pension Fund.**

David Williams, Wales Audit Office presented a report that set out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2016/17 which required reporting under ISA 260.

The gross assets controlled by the Pension Fund amounted to £1.8 billion. The quantitative levels at which misstatements were judged to be material for the Pension Fund is £18.6 million. The report provided the matters arising from the audit of the financial statements of the Pension Fund for 2016-17.

The draft financial statements for the year ended 31 March 2017 were received on 6 June 2017, prior to the 30 June 2017 deadline. The Wales Audit Office were reporting the more significant issues arising from the audit, which they believed must be considered prior to approval of the financial statements. These issues had already been discussed with the Section 151 Officer.

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

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

It was outlined that there were no misstatements identified in the financial statements which remained uncorrected. There were a number of misstatements which had been corrected by management but which the auditors felt should be highlighted due

to their relevance to the responsibilities of the Authority over the financial reporting process. These were set out with explanations in Appendix 3. These amendments had no impact on the Fund Account but the value of investments in the Net Assets Statement was increased by £2.3 million. There were also a number of other presentational amendments made to the draft financial statements arising from the audit. Other significant issues arising from the audit were also reported.

The key recommendations arising from the financial audit work were set out in Appendix 4. Management had responded to them and progress would be checked during next year's audit. Where any actions were outstanding, the auditors would continue to monitor progress and include it in the report next year.

The Committee asked questions relating to the following, which were responded to by the Wales Audit Office Representative / Section 151 Officer: -

- Private equity estimates;
- Information received from permitted bodies in an accurate and timely manner;
- Increase in membership of the Pension Fund.

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

### **36 Annual Report of School Audits 2016/17 and Chief Education Officer Response to Annual Report of School Audits 2016/17.**

The Principal Auditor presenting the report provided a summary of the school audits undertaken by the Internal Audit Section during 2016/17 and identified some common issues found during the audits.

It was outlined that an audit of each primary, secondary and special school in Swansea was undertaken every 3 years. A standard audit programme existed for each school sector.

For a number of years, a report summarising the school audits undertaken each year had been prepared for the Chief Education Officer and Audit Committee. The report also identified the common themes which had been found during the audits.

The School Audits Annual Report 2016/17 was attached at Appendix 1.

The Committee asked a number of questions of the Principal Auditor, Chief Education Officer and Head of Funding and Information Unit, who responded accordingly. Discussions centred around the following: -

- Audit procedures following recommendations being provided to Head Teachers and ensuring that the Chair of Governors, Governing Bodies and Chief Education Officer received the final report;
- Ensuring that the process in place was robust enough to deal with and finalise any outstanding matters;
- Submission of Governing Body minutes to the School Support Unit in a timely manner;

- The importance of recognising that the majority of schools were providing a good service and moderate audit opinions were very few;
- Follow up visits to schools receiving a moderate assurance ratings;
- Greater overview in relation to Unofficial Funds which included parental donations to schools;
- Encouraging progress made in respect of School Self-Assessment Questionnaires, the successful introduction of a new audit approach being rolled out to Primary and Special Schools and the positive feedback received from schools regarding the new approach;
- Ensuring that the new approach was working as effectively as the previous method and evidence this in the report next year;
- Scrutiny of schools provided by visits of the Challenge Advisors to schools;
- Deadline dates being introduced on forms to ensure they comply and return their questionnaires in a timely manner;
- School payments in respect of the Procurement Service Level Agreement (SLA) and the number of schools that had opted out of the SLA;
- Procurement issues, particularly highlighting risks and procedures to be followed;
- Providing additional procurement training to Head Teachers / admin staff and the proposal to make the training compulsory;
- Effective use of the dedicated Schools Procurement Officer within the Authority.
- The difference between schools and the normal Council budget / procedures in relation to access to the approved list of suppliers and having access to Council contractors for services, e.g. window cleaning services;
- The need to overcome the procurement problems in schools and keep on top of matters;
- Excessive amounts of money in the bank accounts of a small number of schools;
- Ensuring that all entitled children were claiming free school meals and the new entitlement system introduced through benefits;
- The implementation of an online payments system for school meals from September 2017 (sQuid) that should greatly reduce minor discrepancies found at audit.

The Chief Education Officer stated that he would present the report to the School Budget Forum for discussion.

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

**37 Audit Committee Action Tracker Report. (For Information)**

The Audit Committee Action Tracker Report was provided for information.

**38 Audit Committee Work Plan. (For Information)**

The Audit Committee Work Plan was reported for information.

The meeting ended at 4.10 pm

**Chair**