



## 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:** Thursday, 8 March 2018

**Time:** 10.00 am

**Membership:**

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

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### Agenda

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- |           |   |                  |
|-----------|---|------------------|
| <b>1</b>  | <b>Apologies for Absence.</b>   |                  |
| <b>2</b>  | <b>Disclosures of Personal and Prejudicial Interests.</b><br><a href="http://www.swansea.gov.uk/disclosuresofinterests">www.swansea.gov.uk/disclosuresofinterests</a> |                  |
| <b>3</b>  | <b>Minutes.</b><br>To approve & sign the Minutes of the previous meeting(s) as a correct record.  | <b>1 - 7</b>     |
| <b>4</b>  | <b>Wales Audit Office Grants Report 2016/17.</b>  | <b>8 - 31</b>    |
| <b>5</b>  | <b>Wales Audit Office Audit Plan 2017/18 for City and County of Swansea and the Pension Fund.</b>   | <b>32 - 73</b>   |
| <b>6</b>  | <b>Overview of the Status of Risk Quarter 3 2017/18 and Update on Risk Register Access.</b>   | <b>74 - 78</b>   |
| <b>7</b>  | <b>Internal Audit Annual Plan Methodology Report 2018/19.</b>   | <b>79 - 87</b>   |
| <b>8</b>  | <b>Internal Audit Monitoring Report Quarter 3 2017/18.</b>  | <b>88 - 102</b>  |
| <b>9</b>  | <b>Audit Committee Action Tracker Report. (For Information)</b>   | <b>103 - 111</b> |
| <b>10</b> | <b>Audit Committee Work Plan. (For Information)</b>   | <b>112 - 115</b> |

**Next Meeting:** Tuesday, 10 April 2018 at 2.00 pm

*Huw Evans*

**Huw Evans**  
**Head of Democratic Services**  
**Thursday, 1 March 2018**

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**Contact: Democratic Services: - 636923**



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5 - Guildhall, Swansea

Tuesday, 12 December 2017 at 2.00 pm

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

**Councillor(s)**

C Anderson  
P Jones  
W G Thomas

**Councillor(s)**

P R Hood-Williams  
M B Lewis  
T M White

**Councillor(s)**

O G James  
S Pritchard

**Officer(s)**

Sarah Caulkin  
Simon Cockings  
Jeremy Parkhouse  
Sandie Richards  
Ben Smith

Interim Director of Resources  
Chief Auditor  
Democratic Services Officer  
Principal Lawyer  
Head of Financial Services & Service Centre and Section 151 Officer

**Apologies for Absence**

Councillor(s): B Hopkins, J W Jones and L V Walton  
Independent Member(s): Mr A M Thomas

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**49 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 M B Lewis – Minute No.52 – Wales Audit Office Update – Member of the Pension Fund Committee – personal.

Councillor S Pritchard – Minute No.56 – Internal Audit Monitoring Report Quarter 2 2017/18 – School Governor of Bishop Vaughan Comprehensive School – personal.

Councillor W G Thomas – Minute No.52 – Wales Audit Office Update – Member of the Pension Fund Committee – personal.

Councillor T M White – Minute No.52 – Wales Audit Office Update – Member of the Local Pension Board – personal.

**50 Minutes.**

**Resolved** that the Minutes of the previous meeting of the Audit Committee were approved as a correct record.

Minute No.46 – Audit Committee Performance Review Action Plan 2016/17 – Update – Noted that the item would be discussed at the meeting scheduled for 13 February 2018.

**51 Wales Audit Office - Annual Audit Letter.**

Geraint Norman, Wales Audit Office presented the Annual Audit Letter of the Auditor General for Wales for the City & County of Swansea and Pension Fund 2016-17.

It was outlined that the Council had complied with its responsibilities relating to financial reporting and use of resources. It was noted that on 29 September 2017 the Auditor General issued an unqualified audit opinion on the Financial Statement confirming that they presented a true and fair view of the financial position and transactions of the Council and Pension Fund.

Overall, the financial statements and associated working papers provided for audit were of a good standard, Officers were helpful and supplied the auditors with the information requested. More significant issues that arose from the audit were as follows: -

- City & County of Swansea Financial Statements – The Council continued to make progress in improving its arrangements for capital accounting but there were a number of areas where further work was required in 2017-18;
- City & County of Swansea Pension Fund Financial Statement – A number of amendments to the draft financial statements were identified but had no impact upon the Fund Account. The value of the Net Assets Statement was increased by £2.3 million. Controls over year-end reconciliations between payroll and the pensions systems were identified and needed improvement.

It was further noted that the financial statements were available in mid-June and the Council was making good progress towards achieving the 31 May deadline in 2020-21. A joint working group had also been formed in order to learn and improve working practices.

The Auditor General was also satisfied that the Council had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but the financial outlook was very challenging.

It was noted that the Council underspent by £2 million and current forecasts for 2017-18 suggested that there would be a £7 million overspend, mainly due to overspends in Social Services. It was also highlighted that the Council did not have a good track record in identifying and delivering against financial savings plans. The overspend would therefore impact the Council reserves and emphasised the need to have a clear medium term financial plan including robust financial plans to deliver financial savings in both current and future years.

The Auditor General stated that the work to date on certification of grant claims and returns had not identified significant issues that would affect the 2016-17 financial statements or key financial statements.

The Committee discussed the following: -

- The current level of overspend, Council reserves and the 2018-19 budget;
- The Council not having a good track record in identifying and delivering against financial savings plans;
- Proposals to overcome the overspend in Social Services;
- The impact of austerity cuts upon Local Government.

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

**52 Wales Audit Office Update.**

Geraint Norman, Wales Audit Office presented Wales Audit Office Update Report – December 2017.

Details provided included Financial Audit Work and Pension Fund Audit Work 2016-17 – City & County of Swansea and Performance Audit work.

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

**53 Wales Audit Office - Good Governance When Determining Significant Service Changes - City & County of Swansea Council.**

Samantha Clements, Wales Audit Office presented the Good Governance when determining significant service changes report.

As part of the review, the auditors assessed the overall arrangements the Council had for developing and determining service changes. Aspects of the decision-making arrangements in relation to a range of significant service change proposals were examined during the Commissioning Reviews for Residential and Outdoor Centres, Culture and Leisure, Waste Management and Adult Services.

It was noted that the Council adopted a comprehensive strategy for change in 2014 and commenced undertaking Commissioning Reviews in 2015. In 2017, cross-cutting reviews were started, providing opportunities for community and other key stakeholder engagement in the co-production of reviews and options for future service delivery.

The auditors concluded that the Council had a clear governance framework for determining significant service change but needed to clarify how the impact of change for service users would be evaluated. The proposals for improvement was provided at Exhibit 1 and the criteria are in place to guide the option appraisal process was provided at Exhibit 2.

The following were discussed in the report: -

- The Council had a clear vision and framework to support decision making for significant service change;

- Roles and responsibilities for service change decisions are clear and understood by Members and Officer;
- The Council's appraisal of service options is well supported by impact assessments and clear selection criteria;
- Commissioning reviews describe intended outcomes but have not consistently explained how the impact of change will be evaluated in the future;
- The Council had evaluated and refined the commissioning review process.

Discussions followed regarding: -

- Membership / organisation of Future Generations Board and transparency of Boards / Groups;
- Timescales of Wales Audit Office reports, i.e. some reports refer to information nearly two years old;
- Whether Commissioning Reviews examined external options / costs, and it was clarified this formed part of the process;
- Examining the quality of services provided;
- Ensuring meaningful consultation is undertaken with service users, the public and staff;
- Confusion created amongst the public when different departments of the Authority have responsibility for similar service areas;
- Upskilling staff as part of the Commissioning Review process;
- The impact of the proposed cuts included in the 2018-19 budget and the potential impact upon the Internal Audit Section.

**Resolved that:** -

- 1) The contents of the report be noted;
- 2) The Chair, on behalf of the Audit Committee, writes to the Chief Executive highlighting concern regarding the potential impact of the proposed cuts on the Internal Audit Section.

#### **54 Review of Revenue Reserves Report 2016/17. (For Information)**

The Section 151 Officer presented the Review of Revenue Reserves Report 2016-17 that was provided 'for information'. The report had been presented to Council in October 2017 and outlined the mid-term review of the Revenue Reserves position.

The Committee discussed the following: -

- Insurance provision, particularly in relation to potentially large claims against the Authority;
- Comparisons of reserves with other local authorities in Wales;
- The importance of protecting reserves in the current financial climate;
- The difficult position faced by the Authority in light of the funding received from Welsh Government, inflation being at a 5-year high and the proposed 2% pay offer to staff.

**55 Treasury Management Annual Report 2016/17 & Budgetary Control Update.  
(For Information)**

The Section 151 Officer presented a 'for information' report which provided details of the Council's Treasury Management activities during 2016-17 and compared actual performance against the strategy laid down at the start of the year. The report had been presented to Council in September 2017 and it was highlighted that the Authority had operated within all the determined treasury limits provided at Appendix 1.

The Committee discussed debt restructuring, use of reserves, capital finance costs and the impact of the City Deal.

**56 Internal Audit Monitoring Report Quarter 2 2017/18.**

The Chief Auditor presented the report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2017 to 30 September 2017.

It was outlined that 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 had resulted in the loss of one full time equivalent post from 2017/18 onwards.

The Internal Audit Section had continued to experience high levels of sickness in the 2<sup>nd</sup> Quarter of 2017/18 with a total of 63 days absence. Cumulative sickness absence to date stood at 109 days against a projected annual budget of 80 days. As previously reported, most of the sickness in the second quarter had been caused by two members of staff being off for extended periods of time.

A total of 21 audits were finalised during Quarter 2. The audits finalised were listed at Appendix 1, which also provided the level of assurance given at the end of the audit and the number of recommendations made and agreed.

A total of 249 audit recommendations were made and management agreed to implement 248 recommendations i.e. 99% against a target of 95%. The one recommendation not agreed, for practical operational reasons, was classed as low risk, and was agreed with the S151 Officer.

Details of classifications, including two moderate ratings and grants audited were also provided.

Appendix 2 provided each audit included in the Audit Plan approved by Committee in March and identified the position of each audit as at 30 September 2017. Approximately 50% of the Audit Plan was either completed or in progress, which was as expected at the end of the second quarter in the year.

Details of additional work done by Internal Audit and follow-ups completed between 1 July 2017 to 30 September 2017.

The Committee highlighted the reasons provided as concerning in respect of the moderate audit ratings.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The appropriate Head(s) of Service are requested to attend the next scheduled meeting in order to update the Committee regarding progress in respect of their moderate audit ratings.

**57 Recommendation Tracker Report 2016/17.**

The Chief Auditor presented the report which provided a summary of the recommendations made following the fundamental audits 2016/17 and identified whether the agreed recommendations had been implemented.

Appendix 1 provided details for each fundamental audit, the number of recommendations made following the 2016/17 audits and whether they had been implemented, partly implemented, not implemented or were not yet due. A summary of the latest position on the 40 recommendations made was provided and the percentage of recommendations implemented by 30 November 2017 was 86%.

An analysis of the 5 recommendations, which had been partly or not implemented over the classification of audit recommendations used by the Internal Audit Section, was provided at Appendix 2. The Appendix showed that 1 recommendation had not been implemented and was classed as low risk and the other 2 were classed as good practice. Both partly implemented recommendations were classed as either low risk or good practice. The recommendations which had been partly or not implemented were provided at Appendix 3.

It was concluded that the number of recommendations arising from the fundamental audits continued to decrease year on year. There were 40 recommendations made following the 2016/17 fundamental audits which was down by 6 on the previous year. It was added that the results of the Recommendations Tracker exercise to the end of November 2017 were positive, with 32 (86%) of agreed recommendations due for implementation already implemented. A small number of recommendations still required work to implement or were due for implementation prior to the end of the financial year. Progress on the implementation of these recommendations would be reviewed during the fundamental audits for 2017/18.

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

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

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

Councillors queried progress in relation to them receiving access to the risk register. The Chief Auditor explained that an update would be provided at the next scheduled meeting.



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

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

The meeting ended at 3.32 pm

**Chair**



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2016-17 – **City & County of Swansea**

Audit year: 2017

Date issued: February 2018

Document Reference: 393A2018-19

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Agenda Item 4

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised Geraint Norman, David Williams, Jonathan Mather, Lucy Herman, Harry Bird, Aneesa Ali, Andrea Williams and Olivia Hodgson.

# Contents

## Summary report

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# Summary

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- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
  - 2 We undertook our work with the aim of certifying individual claims and to assess whether the Council has adequate arrangements to ensure the production of co-ordinated, accurate, timely and properly documented grant claims.
  - 3 We have completed the audit and conclude that while the Council has generally adequate arrangements in place for the production and submission of its 2016-17 grant claims, there is always scope for improvement. We are continuing to work with the Council to make these improvements for 2017-18. It is recognised that the co-ordination and management of the submission/audit process was well managed by the grant co-ordinator , Finance. Our conclusion for 2016-17 is based on the following overall findings:
    - the Council worked closely with us to ensure that an accurate and up-to-date schedule of 2016-17 grants was in place throughout the year; and
    - there is some scope to improve the Council's arrangements for managing grants in some service areas.
  - 4 For 2016-17, we certified 12 grant claims, with a total value of £217,261,586 – this was five claims less than in 2015-16 (£295,761,884).
  - 5 In accordance with a new understanding between the Welsh Government and the Wales Audit Office, auditors working under certification arrangements made by the Auditor General for Wales are only required to seek claim adjustments or issue qualification letters when the collective value of the matters arising is likely to be £10,000 or more.
  - 6 The Council submitted 75% of its 2016-17 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of some £53,985. Overall, our 2016-17 audits resulted in a reduction of £17,616 being claimable by the Council.
  - 7 Five of the Council's claims were qualified; which is in line with the Council's performance last year and in line with national average.

# Headlines

|                                    |   |
|------------------------------------|---|
| <b>Introduction and background</b> | <p><b>This report summarises the results of work on the certification of the Council's 2016-17 grant claims and returns</b></p> <ul style="list-style-type: none"><li>• As appointed auditors of the Council, we are asked on behalf of the Auditor General, to certify grant claims made by the Council. For 2016-17, we certified 12 grants and returns with a total value of £217,261,587.</li><li>• At the start of our grant audit work for 2016-17, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our proposed approach for completion of this work.</li><li>• In 2016 we agreed a <b>Joint Working Protocol</b>, this was formally implemented in 2017 alongside a comprehensive <b>Good Practice Grant Checklist</b>, which we provided to be included on each grant claim file. The <b>Grant Checklist</b> highlights the key areas we review whilst performing grant auditor certification.</li><li>• We held regular meetings with the Grants Coordinator and agreed the timetable of grant audit work to be performed. We subsequently worked with key financial officers to ensure that an accurate and up to date schedule of grants and returns was in place.</li><li>• We held a post project learning session with key financial officers to review the processes followed in 2016-17 and to improve arrangements for 2017-18.</li><li>• We have produced this report so that we can provide feedback to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.</li></ul> |
| <b>Timely receipt of claims</b>    | <p><b>75% of the Council's grants were submitted on time</b></p> <ul style="list-style-type: none"><li>• Our analysis shows that nearly all of the grants received during the year were received by the Council's deadline. However, whilst the Council submitted 25% (3) of its claims late for audit, most of the claims had only minimal delays. We can confirm that none of the delays caused audit adjustments to the claims.</li><li>• In future, the grant co-ordinator should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than four</li></ul>   |

|                                     |  |
|-------------------------------------|--|
|                                     | <p>working days. We acknowledge that some council staff have moved to agile working arrangements and as a result queries may take longer to address. We also accept that audit queries relating to third parties may require more time to resolve. Nevertheless, it is important that queries are answered in a timely manner in order for the auditor certification deadline to be met.</p>   |
| <b>Certification results</b>        | <p><b>We issued unqualified certificates for 7 grants and returns but qualifications were necessary in 5 cases (42%)</b></p> <ul style="list-style-type: none"> <li>The reasons for qualifying the 2016-17 grants can be grouped into issues which have been reported in previous financial years: <ul style="list-style-type: none"> <li><b>Qualification issues reported in previous financial years:</b> <ul style="list-style-type: none"> <li>claims not prepared correctly;</li> <li>submission deadlines not met;</li> <li>apportionment rates not supported by robust evidence; and</li> <li>procurement issues due to non-compliance with the Council's contract procedures.</li> <li>Pricing review of Pooled Budgets catalogue</li> <li>Lack of monitoring of grants to third parties</li> </ul> </li> <li><b>Qualification issues reported for the first time in 2016-17</b> <ul style="list-style-type: none"> <li>Ongoing dispute with First Cymru regarding passenger numbers.</li> </ul> </li> </ul> </li> </ul> |
| <b>Audit adjustments</b>            | <p><b>Adjustments were necessary to one of the Council's grants as a result of our work this year</b></p> <ul style="list-style-type: none"> <li>there was one significant adjustment (ie, over £10,000); and</li> <li>the net adjustment of the two grants is a reduction of £17,616 in funds payable to the Council, which represents 0.01% of the total grant audited (£217,261,586).</li> </ul>  |
| <b>The Authority's arrangements</b> | <p><b>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas.</b></p>  |

**Fees**

- the Council should consider if training is required for those officers having responsibility within departments for letting contracts to ensure that they are aware of the correct procedures to be followed;
  - further procedures should be put in place to ensure that individual grant scheme rules are adhered to throughout the Council; and
  - the Council should put in place systems and controls to ensure that where grant is passed to a third party to spend, that the organisation is complying with grant scheme rules by keeping adequate records of expenditure.
- 
- Our overall fee for certification of grants and returns for 2016-17 is some £53,985, which was significantly within our original estimate of £100,000. The lower fee reflects the reduction in the number of grants requiring certification and improved audit efficiencies.



# Summary of certification work outcomes

- 8 Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2016-17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 9 In accordance with a new understanding between the Welsh Government and the Wales Audit Office, auditors working under certification arrangements made by the Auditor General for Wales are only required to seek claim adjustments or issue qualification letters when the collective value of the matters arising is likely to be £10,000 or more.
- 10 A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

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## Key information for 2016-17

### Overall, we certified 12 grants and returns:

7 were unqualified with no amendment

5 required a qualification to our audit certificate, no amendment was made to the final claims

| Ref –<br>Para 8          | Grants and returns                                  | Claim due  | Claim received | Late | Qualified certificate | Value of claim     | Adjustment (>£10,000) | Adjustment (<£10,000) | Unqualified certificate |
|--------------------------|---|------------|----------------|------|-----------------------|--------------------|-----------------------|-----------------------|-------------------------|
| 1                        | Housing Benefits Subsidy                            | 30/04/2017 | 25/04/2017     | No   |                       | £89,008,300        |                       | (£670)                | Yes                     |
| 2                        | 21st Century Schools/LGBl                           | 30/09/2017 | 22/09/2017     | No   | Yes                   | £7,114,000         |                       |                       |                         |
| 3                        | Flying Start  | 30/09/2017 | 05/09/2017     | No   |                       | £6,080,986         |                       |                       | Yes                     |
| 4                        | Families First                                      | 30/09/2017 | 05/09/2017     | No   |                       | £3,055,425         |                       |                       | Yes                     |
| 5                        | Section 33 NHS (Wales) Act 2006 Pooled budgets      | 28/04/2017 | 15/05/2017     | Yes  | Yes                   | £2,071,233         |                       |                       |                         |
| 6                        | NDR Non-Domestic Rates return                       | 26/05/2017 | 15/05/2017     | No   |                       | £74,566,809        |                       |                       | Yes                     |
| 7                        | Teachers' pensions return                           | 31/05/2017 | 15/05/2017     | No   |                       | £19,071,682        |                       |                       | Yes                     |
| 8                        | Communities First - New programme                   | 31/07/2017 | 05/07/2017     | No   | Yes                   | £2,318,445         |                       |                       |                         |
| 9                        | Social care workforce development programme (SCWDP) | 30/09/2017 | 14/09/2017     | No   | Yes                   | £819,153           |                       |                       |                         |
| 10                       | Local Transport Grant                               | 30/09/2017 | 26/09/2007     | No   |                       | £1,717,418         |                       |                       | Yes                     |
| 11                       | Free concessionary travel                           | 30/09/2017 | 04/10/2017     | Yes  | Yes                   | £6,216,968         |                       |                       |                         |
| 12                       | Bus Services Support Grant                          | 23/10/2017 | 06/11/2017     | Yes  |                       | £5,221,167         | (£16,945)             |                       | Yes                     |
| <b>Total Adjustments</b> |   |            |                |      |                       | <b>217,261,586</b> | <b>(£16,945)</b>      | <b>(£670)</b>         |                         |

11 This table summarises the key issues behind each of the adjustments, qualifications or issues that were identified.

| Ref | Summary observations   | Amendment |
|-----|--|-----------|
| 1   | <p><b>BEN01 Housing Benefits Subsidy (Amendment to claim)</b></p> <ul style="list-style-type: none"> <li>A small number of minor amendments were identified during the course of our certification of this claim. These amendments related to the processing of uncashed payments. The cumulative amendment of £ (670) was set out in detail on the CF2 certificate, which accompanied the certified claim. (<b>Recommendation 3</b>).</li> </ul>  | £(670)    |
| 2   | <p><b>EDU18 21<sup>st</sup> Century Schools (Qualification Letter and Certification Memo)</b></p> <ul style="list-style-type: none"> <li><b>For one contract, there was no evidence to demonstrate compliance with the Council's contract procedure rules.</b> For a sample of two new contracts, we tested adherence to the Council's contract procedure rules. Supporting documentation demonstrated adherence to the Council's procedure rules for one of the schemes. However, for the other scheme the Council was unable to provide evidence to support adherence to contract procedure rules by way of obtaining quotations or justification for a single tender approach relating to Gwyr Secondary School. The value tested was £92,611.90.</li> </ul> <p>During 2011, the Council received a report from PwC, the previous Auditors, following their review of a capital scheme at that time where they concluded that, 'the contract was awarded following a process compliant with CCS Contract Procedure rules and concluded that the CBPS (Council's internal Direct Labour Organisation) offered VFM for projects of similar size and complexity. However, the validity of extrapolating the results of any such tender exercises over future contracts should be kept under review in order to identify any significant changes in market conditions and should be refreshed over a period of not exceeding 3 years, in accordance with best practice'.</p> <p>Since the PwC review in 2011, the Council have continued with the single tender approach for internally awarded contracts as the Gwyr Business Case dated January 2016 places reliance on the previously approved approach. The Council has not provided any evidence to demonstrate they</p> | -         |

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| Ref | Summary observations   | Amendment |
|-----|--|-----------|
|     | <p>have reviewed the external market within the 3 year timescale as advised by PwC. <b>(Recommendation 2).</b></p> <ul style="list-style-type: none"> <li>• <b>The claim included £423 of expenditure relating to 2017-18 financial year.</b> We tested five transactions that either had a processing date of 31 March 2017 or their description indicated that it did not relate to the claim period, 2016-17. We identified that two of these transactions related to services received in 2017-18. As the Welsh Government requires us to seek claim amendments (or issue a qualification letter) only when errors amount to £10,000 or more this issue was not sufficient for the claim form to need such amendment or qualification. <b>(Recommendation 3).</b></li> </ul>   |           |
| 5   | <p><b>HLG01 Pooled Budgets (Qualification Letter)</b></p> <ul style="list-style-type: none"> <li>• <b>Apportionment of staff costs</b> – The staff costs for a number of employees are paid directly out of the pooled fund. We identified that the method used to apportion these costs is not formally documented. The apportionment of these costs is based on management judgement and is not supported by timesheets or contract documentation. We recommend that the methodology used to calculate apportionments is formally documented and supported by appropriate evidence. This issue was raised in 2015-16.<b>(Recommendation 1).</b></li> <li>• <b>Review of the Equipment Catalogue</b> – The Pool Budget’s catalogue for equipment has not been subject to systematic review for some time. In 2016-17, £1,352,704 was spent on community equipment. The service cannot demonstrate that the items of community equipment purchased from the catalogue are competitively priced and provide value for money. As a result we are uncertain as to whether the Council obtained value for money. This issue was raised in 2015-16. <b>(Recommendation 5).</b></li> </ul> |           |
| 7   | <p><b>PEN05 Teachers’ Pensions (Certification Memo)</b></p> <ul style="list-style-type: none"> <li>• CI test 2 requires us to confirm that all relevant parts of the return have been properly completed and that it bears the signature of the responsible finance officer. Incorrect figures were inserted in to</li> </ul>  |           |

| Ref | Summary observations  | Amendment |
|-----|---|-----------|
|     | <p>boxes 2d and 2e on the initial EOYC return, with contributions paid in year (2d) being disclosed as nil, and the overall balance (2e) being disclosed as £19,071,682.42. The return was amended to correct these errors. <b>(Recommendation 3)</b>.</p> <ul style="list-style-type: none"> <li>In addition, the responsible finance officer did not formally sign the return until 6 November 2017, after the deadline date of 31 May 2017. <b>(Recommendation 3)</b>.</li> </ul>  |           |
| 8   | <p><b>RG03 Communities First (Qualification Letter and Certification Memo)</b></p> <ul style="list-style-type: none"> <li><b>Third Party Monitoring</b> – We are required to verify in respect of a sample of third party balances whether the supporting evidence provides assurance that third party expenditure was actually incurred during the statement period and then only for the purposes for which the grants was given. Insufficient evidence was available to confirm that third party expenditure had been actively monitored during 2016-17. There was no evidence to support that monitoring visits had taken place or what invoices/supporting documentation had been checked during these visits. We also confirmed that no contracts or service level agreements had been put in place between the council and the third party providers. The total value of unsupported third party expenditure included in the claim form was £163,159 (includes £80,783 of salary costs). <b>(Recommendation 4)</b>.</li> <li><b>Third Party Salaries</b> – No evidence was provided in relation to two staff members employed by Spark Blaenymaes Limited, a Swansea based charity that runs a number of projects for children and young people living in poverty. The total expenditure in relation to these two employees was £42,869. No documentation had been obtained from the charity to support this expenditure, a result of inadequate third party monitoring. We were informed that the charity had closed down and as a result, it was not possible to retrospectively obtain supporting documentation or information. We therefore concluded that this issue would apply to all employees of the charity. The total expenditure in relation to these employees in 2016-17 was £80,783.<b>(Recommendation 4)</b>.</li> </ul> | -         |

| Ref | Summary observations  | Amendment |
|-----|---|-----------|
|     | <ul style="list-style-type: none"> <li>• <b>Poor Quality working papers</b> – the working paper provided by the council did not include a full reconciliation to the financial ledger in relation to salary costs. The salary costs were analysed by employee, the totals were included in the claim, but this analysis was not then agreed to the ledger. . <b>(Recommendation 1)</b>.</li> <li>• <b>Ledger reconciliation</b> – Central staff salaries (cc 40031) were not fully reconciled between the ledger and the claim. As a result, £23.79 was under-claimed against the grant funding. . <b>(Recommendation 1)</b>.</li> <li>• <b>Grants claim checklist</b> – As required by the Council’s grant claim procedures, a grants claim checklist had been completed and reviewed on 4 September 2017. However this was after the claim form had been signed on 4 July 2017. The checklist should be completed and reviewed prior to the claim being signed and submitted for audit. . <b>(Recommendation 3)</b>.</li> </ul> |           |
| 9   | <p><b>SOC07 Social Care Workforce Development Programme (Qualification Letter)</b></p> <ul style="list-style-type: none"> <li>• <b>For one contract, there was no evidence to demonstrate compliance with the Council’s contract procedure rules</b> – we reviewed four new training contracts let during 2016-17. Supporting documentation demonstrated adherence to the Council’s procedure rules for three of the schemes. However, for one scheme totalling £9,000, the Council was unable to provide evidence to support adherence to contract procedure rules by providing an authorised Contract Procurement Rule 20 form (CPR 20) which is an internal dispensation or waiver for a single tender supplier. The Council should ensure documentation required to support approval for use of a single tender is fully completed and supporting documentation is retained to demonstrate adherence to the contract procedure rules. <b>(Recommendation 2)</b>.</li> </ul>   | -         |
| 10  | <b>TRA15 Local Transport Fund (Certification Memo).</b>   |           |

| Ref | Summary observations   | Amendment    |
|-----|--|--------------|
|     | <ul style="list-style-type: none"> <li>In completing our sample testing, we identified a discrepancy between an invoice for increased salary costs for an employee on secondment at NPTCBC and the underlying timesheet. The invoice reflected the increase in the hourly rate of £1.16 (from £29.92/hr to £31.09/hr) and was based on the individual working 777 hours in the period; total invoice value was £901.32 (777 hours at £1.16/hr). We reviewed the supporting timesheet information and identified that only 672.5 hours should have been charged in the period, an over claim of £121.22 (104.5hrs at £1.16/hr). <b>(Recommendation 3).</b></li> </ul>   |              |
| 11  | <p><b>TRA23 Free Concessionary Travel (Qualification Letter)</b></p> <ul style="list-style-type: none"> <li>The total operator costs of the four quarterly claim forms was £7,550,909. We compared this against the grant claim form submitted for audit certification, which detailed a figure £7,519,931. A difference of £30,977.</li> </ul> <p>The difference has arisen as a direct result of the Council's decision to withhold payment from the bus operator, First Cymru, due to serious concerns being raised over the accuracy of the concessionary fares journeys being submitted by the operator following a monitoring visit by the Council. The Council is therefore not claiming the £30,977 from the 2016-17 concessionary fares grant. <b>(Recommendation 7).</b></p> |              |
| 12  | <p><b>TRA27 Bus Services Support Grant (Amendment to claim)</b></p> <ul style="list-style-type: none"> <li>The Council included £10,000 in expenditure for audit fees – these are not eligible and were not incurred prior to 31 March 2017 therefore the claim was amended. <b>(Recommendation 3).</b></li> <li>Reimbursement due to Lewis Coaches £16,945 deemed to be ineligible as the bus operator ceased trading within the financial year and as the company is insolvent the monies owed will not be repaid to the company and thus this expenditure should not be claimed within the eligible spend rather it should be repaid to Welsh Government. The claim was amended. <b>(Recommendation 3).</b></li> </ul>  | (£16,945.26) |

# Recommendations

- 12 We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

| Priority 1   | Priority 2  | Priority 3  |
|--|---|---|
| Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk. | Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. | Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. |

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| Issue  | Recommendation  | Priority | Comment   | Responsible officer and target date  |
|--|---|----------|---|--|
| Lack of supporting evidence to support the claim | R1 The Council should put in place systems and controls to ensure that claims are fully supported by source documentation such as ledger prints/invoices/calculation of apportionments. | 2        | <p><b><u>Pooled Budgets</u></b><br/>The introduction of timesheets amongst a supported workforce is not felt to be practical.</p> <p>For all other staff, the basis for their apportionment will be documented and regularly reviewed.</p> <p><b><u>Communities First</u></b><br/>Communities First have implemented a revised and simplified process for the reconciliation of the ledger to the claim. There is a new finance support staffing structure in place to support this approach.</p> | <p>Chris Davies<br/>(Principal Finance Partner) 2017-18</p> <p>Amy Hawkins<br/>(Communities First)<br/>2017-18</p> |

| Issue   | Recommendation   | Priority | Comment   | Responsible officer and target date   |
|---|--|----------|---|---|
| Contracts not awarded in accordance with procurement procedures | R2 We understand that work is underway to resolve instances where there are current contracts in operation which were not let in accordance with standing orders; however, we would recommend that the Council should consider if training is required for those officers having responsibility within their departments for letting contracts to ensure that they are aware of the correct procedures to be followed. | 2        | <p><b><u>21st Century Schools Grant</u></b></p> <p>Council officers are working closely with colleagues in corporate procurement, to ensure that all future grant funded schemes are delivered in line with current CPR's and specific grant criteria, as indicated in relevant WG contracts.</p> <p>This will also now be monitored through the QEd Delivery Group. However there are mitigating circumstances for the approach adopted which was agreed by previous auditors and demonstrates market testing</p> <p><b><u>Social Care Workforce Development Prog.</u></b></p> <p>Training has been completed with all staff within the Social Services Training and Development unit to address recommendation 23/2/17 due to issues found prior to the Audit. Ongoing evaluation of existing contract is taking place.</p> <p>The transaction that did not have a CPR20 was a long standing arrangement for the delivery for Social Work qualification and has now been subject to a waiver.</p> | <p>Andrew Shaw &amp; Louise Herbert-Evans – throughout 2017-18</p> <p>Andrew Francis – throughout 2017-18</p> |

| Issue                        | Recommendation   | Priority | Comment  | Responsible officer and target date   |
|------------------------------|--|----------|--|---|
| Claim not prepared correctly | R3 In order to confirm that claims forms are completed in accordance with the guidance, all completed forms should be independently checked to supporting documentation to minimise the risk that an error will remain undetected. | 1        | <p>Agreed by officers and already implementing checks for 2017-18.</p> <p>The payment of £16,945.26, the Authority was unable to make to a bus operator who ceased trading during the financial year has been returned to WG. Along with the £10,000 claimed in respect of audit fees.</p> <p>Communities First have implemented a revised and simplified process for the reconciliation of the ledger to the claim and a new finance support staffing structure is in place to support this approach. The grant claim checklist will be completed and</p> | <p>Karen Williams (Housing Benefit Subsidy) – 2017-18</p> <p>Louise Herbert-Evans (21st Century Schools) – 2017-18</p> <p>Joanne James (Teachers Pensions) 2017-18</p> <p>David Hughes (Local Transport Fund) – 2017-18</p> <p>Barrie Gilbert (Bus Services Support Grant) – 2017-18</p> <p>Amy Hawkins (Communities First)</p> |

| Issue                                      | Recommendation   | Priority | Comment   | Responsible officer and target date                   |
|--|--|----------|---|---|
|  |  |          | reviewed prior to the claim being signed and submitted for audit.   |   |
| Lack of monitoring of third parties        | R4 The Council needs to ensure that it has adequate procedures in place to satisfy itself, its auditor and the grant-paying body that only eligible expenditure incurred by third parties is included in the claim. Such procedures may include obtaining independently certified statements from third parties, a payment monitoring system or a system of spot checks performed by the Council on the third party. | 1        | We have subsequently revised our finance and monitoring structure to support the monitoring of all activity and ensuring compliant delivery and expenditure. Monitoring visits are in place for 2017-18 and third party SLAs are in place for 2017-18.<br>To confirm, we no longer contract to SPARK. | Anthony Richards<br>(Communities First)<br>2017-18    |
| Pricing review of Pooled Budgets catalogue | R5 The Council should subject the Pooled Budget's catalogue to systematic review to ensure products purchased are  | 3        | The Council's procurement service is undertaking a full review of procedures at the Community Equipment Store to ensure compliance with corporate regulation.   | Chris Davies<br>(Principal Finance Partner) – 2017-18 |

| Issue                            | Recommendation   | Priority | Comment   | Responsible officer and target date |
|----------------------------------|--|----------|---|-------------------------------------|
|                                  | competitively priced and provide value for money.  |          |   |                                     |
| Deadlines not met                | R6 Claim forms should be submitted on a timely basis to allow claims to be certified within the deadline set.                                | 3        | Agreed all grant officers have been informed.<br><br>However in respect of the Pooled Budgets the deadline for the claim is before our accounts closure. Early closure in Local Government will improve this situation but issuing a final account before final closure runs the risk of error. . | Grant Co-ordinator<br>Sept 2017     |
| Ongoing dispute with First Cymru | R7 The ongoing dispute with First Cymru to be resolved, and any payments due to or from the Council be reflected in the 2017-18 grant claim. | 1        | The ongoing dispute with Cymru has been resolved.<br><br>As a result, the sum that was withheld in 2016/17 has now been paid to the company and has been claimed in our Q3 2017-18 claim  | Barrie Gilbert – Dec 2017           |

# Fees

13 Our overall fee for the certification of grants and returns is broadly in line with our expectations and the budget set out in the Audit Plan.

| <b>Breakdown of fee by grant/return</b>                         | <b>2016-17</b> | <b>2015-16</b> |
|---|----------------|----------------|
| BEN01 Housing Benefit Subsidy                                   | £12,790        | £22,768        |
| EDU18 Transitional SBIG T3 and 21 <sup>st</sup> Century Schools | £3,332         | £4,238         |
| EYC01 Flying Start  | £2,959         | £5,163         |
| EYC02 Flying Start Capital                                      | -              | £3,714         |
| EYC14 Families First  | £2,352         | £2,909         |
| HLG01 Section 33 NHS (Wales) Act 2006 Pooled Budgets            | £2,682         | £1,831         |
| LA01 NDR Non-Domestic Rates Return                              | £2,596         | £4,761         |
| PEN05 Teacher' Pension Return                                   | £2,332         | £2,335         |
| RG03 Communities First – West                                   | -              | £2,389         |
| RG03 Communities First - East                                   | -              | £2,389         |
| RG03 Communities First – South                                  | -              | £2,390         |
| RG03 Communities First – North East Swansea                     | -              | £2,390         |
| RG03 Communities First – North West Swansea                     | -              | £2,390         |
| RG03 Communities First (New)                                    | £6,986         | -              |

| <b>Breakdown of fee by grant/return</b>           | <b>2016-17</b> | <b>2015-16</b> |
|---|----------------|----------------|
| SOC07 Social Care Workforce Development Programme | £2,605         | £2,614         |
| TRA15 Local Transport Grant                       | £2,687         | £2,744         |
| TRA23 Free Concessionary Travel                   | £2,688         | £2,379         |
| TRA 27 Bus Services Support Grant                 | £2,743         | £2,120         |
| Grant Planning, supervision and review            | £7,233         | £6,073         |
| <b>Total fee</b>                                  | <b>£53,985</b> | <b>£75,597</b> |





Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## 2018 Audit Plan – **City and County of Swansea**

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This document was produced by John Herniman, Geraint Norman, Colin Davies and David Williams.

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# 2018 Audit Plan

## Summary

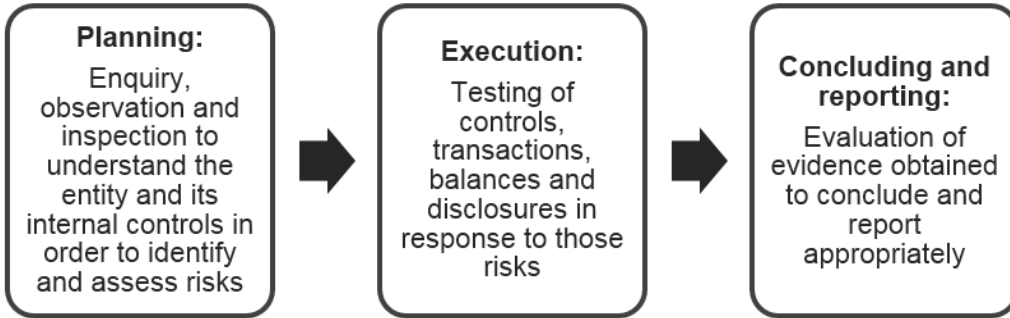
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are 'true and fair';
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether you have discharged the duties and met requirements of the Measure; and
  - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of the financial statements

- 4 It is my responsibility to issue a certificate and report on the financial statements, which includes an opinion on their 'truth and fairness'. This provides assurance that the financial statements:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- 5 I also consider whether or not the City and County of Swansea has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
- 6 [Appendix 1](#) sets out my responsibilities in full.
- 7 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach, which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

**Exhibit 1: my audit approach**

My audit approach involves three key stages: planning, execution and finally concluding and reporting.



8 The risks of material misstatement identified at the planning stage which therefore require audit consideration are set out in **Exhibit 2** along with the work I intend to undertake to address them.

**Exhibit 2: risks of material misstatement**

This table summarises the risks of material misstatement identified at the planning stage of the audit

| Risks of material misstatement  | Proposed audit response   |
|---|---|
| The risk of <b>management override</b> of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33]. | My audit team will: <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business; and</li> <li>• incorporate an element of 'unpredictable audit work', which varies each year.</li> </ul> |
| There is a risk of material misstatement due to fraud in <b>revenue recognition</b> and as such is treated as a significant risk [ISA 240.26-27].   | My audit team will: <ul style="list-style-type: none"> <li>• test the appropriateness of a sample of journals processed to income and non-pay expenditure ledger codes during the year;</li> <li>• review the application of relevant accounting policies to ensure that they are in compliance with accounting standards; and</li> </ul>   |

| Risks of material misstatement  | Proposed audit response   |
|---|---|
|   | <ul style="list-style-type: none"> <li>analyse the various income streams and perform substantive procedures on a sample basis to ensure that income has been appropriately accounted for in the correct period.</li> </ul>   |
| <p>The Council is required to ensure that for <b>Property, Plant and Equipment (PPE) and Investment Properties</b> held on the balance sheet that the carrying amount is not materially different from the fair value of these assets at the year-end.</p> <p>The valuation process and the underlying assumptions adopted are subject to a number judgements and changes in approach in 2017-18.</p>   | <p>My audit team will:</p> <ul style="list-style-type: none"> <li>consider the appropriateness of the Council's proposed approach to the valuation of PPE and Investment Properties; and</li> <li>test the valuation of such assets on a sample basis using internal valuation specialists as appropriate.</li> </ul>   |
| <p>The Council's 2016-17 financial statements included a number of <b>material provisions</b>. These provisions will again be required in 2017-18 and by their nature; they are uncertain and require a high degree of estimation. These include provisions for the future maintenance of landfill sites and employee related expenses.</p>   | <p>My audit team will:</p> <ul style="list-style-type: none"> <li>review the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information, including progress; and</li> <li>review all material provisions to ensure that they are fairly stated.</li> </ul>   |
| <p>There are a number of risks relating to the <b>preparation of the financial statements</b>:</p> <ul style="list-style-type: none"> <li>risk of material misstatement as the Council is bringing forward it financial statements closure process to meet the 31 May deadline in 2020-21;</li> <li>risk of material misstatement arising from changes to CIPFA's Code of Practice on Local Authority Accounting; and</li> <li>the Council has an interest in eight companies. There is a risk that the Council's share of assets and liabilities are not reflected in the financial statements in accordance with the requirements of group accounting.</li> </ul> | <p>My audit team will:</p> <ul style="list-style-type: none"> <li>review the new reporting requirements to ensure that the financial statement comply, in all material respects, with the CIPFA Code of Practice on Local Authority Accounting;</li> <li>undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements; and</li> <li>review the accounting treatment and disclosure of group operations to ensure that they accurately and appropriately reflected in the financial statements.</li> </ul> |
| <p>The financial statements include a number of disclosures as being <b>material by nature</b>. These include the disclosure of Related Parties, exit packages and the Remuneration note.</p>   | <p>My team will undertake testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p>   |

| Financial audit risk  | Proposed audit response   |
|---|---|
| <p>The Swansea Bay City Deal (the City Deal) involves four local authorities. The City Deal was ratified by all participating authorities on 20 March 2017 however, at the time of writing, the Joint Committee has not yet been established pending agreement by all four councils of the governance arrangements.</p> <p>This significant City Deal programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address including potential consolidation of joint committee financial statements.</p> | <p>Liaising closely with the external auditors of the other Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the Region's governance arrangements.</p> |

- 9 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the financial statements being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee and Council prior to completion of the audit.
- 10 For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- 11 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 12 In addition to my responsibilities in respect of the audit of City and County of Swansea's statutory financial statements set out above, I am also required to certify a return to the Welsh Government, which provides information about City and County of Swansea to support preparation of Whole of Government Accounts.
- 13 I am also responsible for the audit of the City and County of Swansea Pension Fund financial statements. A separate Audit Plan and fee will be agreed for this work.



## Statutory audit functions

- 14 In addition to the audit of the financial statements, I have statutory responsibilities to receive questions and objections to the financial statements from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
  - Section 31 Right to make objections at audit.
- 15 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Other financial audit work

- 17 In addition to my responsibilities in respect of the audit of the statutory financial statements set out above, I am also responsible for the audit of Swansea Bay Port Health Authority. My team will undertake the audit of these financial statements on my behalf in accordance with the timescales agreed with City and County of Swansea and Swansea Bay Port Health Authority.
- 18 My audit fee for this work is set out in [Exhibit 6](#).

## Performance audit

- 19 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities I will continue to seek to strike the most appropriate balance and add value by:
- providing assurance on the governance and stewardship of public money and assets;
  - offering insight on the extent to which resources are used wisely in meeting people's needs; and
  - identifying and promoting ways by which the provision of public services may be improved.
- 20 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will minimise work that focuses on the process of improvement planning.
- 21 In recent years I have placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future I will be unable to rely on my work under the Measure, in 2018-19, and subsequent years, the focus of my local performance audit programmes will be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.

- 22 In 2017-18 I undertook my first work under the Wellbeing of Future Generations (Wales) Act 2015, the Year One Commentary. This work sought to identify how public bodies are beginning to respond to the Act and share emerging practice. My 2018-19 programme will include the first examinations to be carried out under the Act. These examinations will assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives.
- 23 The Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 3** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.
- 24 In the Spring of 2018 I will also be consulting on my forward programme of studies across all sectors and I would welcome views on the areas I should focus my national reviews on when the consultation is launched.

### Exhibit 3: local government studies

In 2016-17 I published three national reports related to local government and will undertake fieldwork for a further three reports during the summer and autumn of 2018

| Study   | Status                                    |
|---|---|
| <b>2016-17 studies</b>                          |   |
| How local government manages demand             | Published January 2018.                   |
| Strategic commissioning                         | Publish in February 2018.                 |
| Improving wellbeing through housing adaptations | Publish in March 2018.                    |
| <b>2017-18 studies</b>                          |   |
| Services to rural communities                   | Fieldwork – Publish Summer/Autumn 2018.   |
| Use of data                                     | Fieldwork – Publish Summer/Autumn 2018.   |
| Integrated care fund                            | Fieldwork February – Publish Autumn 2018. |

- 25 Taking all these factors into consideration, my 2018-19 programme of work will comprise:

Exhibit 4: performance audit programme

My 2018 performance audit programme will include local projects and national studies

| Performance audit programme  | Brief description   |
|--|---|
| Improvement audit and assessment work including improvement planning and reporting audit | Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.   |
| Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations                 | Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet the following wellbeing objective:<br><b>Tackling Poverty</b> – so that every person in Swansea can achieve his or her potential. |
| Assurance and Risk Assessment  | Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.                                  |
| Leisure Services   | Review of the arrangements the council has put in place to deliver leisure services building on the 'study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.   |
| Corporate Safeguarding Arrangements  | Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.   |
| Sustainable Swansea  | Ongoing review and monitoring of the Council's change programme, providing real time challenge during the year.   |
| <b>2018-19 Local Government Studies</b>  | Funded by the Welsh Government.   |

| Performance audit programme   | Brief description   |
|---|---|
| Implementation of the Social Services and Well-being Act                                      | <p>The Social Services and Well-being (Wales) Act 2014 focuses on reforming and simplifying the law relating to social services. The Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review progress by authorities in delivering their new duties under the Act and help to identify opportunities for improving current management and delivery arrangements. Further information can be found in our call for evidence report published in August 2017.</p> |
| Implementation of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 | <p>The Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 aims to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventive, protective and supportive mechanisms in the delivery of services. Our review will focus on the effectiveness of arrangements to improve support for people affected by such abuse and violence. Further information can be found in our <a href="#">call for evidence report</a> published in August 2017.</p>     |

| Performance audit programme          | Brief description   |
|--------------------------------------|---|
| Value for Money of Planning Services | <p>The Planning (Wales) Act 2015 (the Act) gained Royal Assent on 6 July 2015. The Act sets out a series of legislative changes to deliver reform of the planning system in Wales, to ensure that it is fair, resilient and enables development. An effective planning service will be at the front of shaping the character, development and prosperity of a local authority or national park. Given the requirements of the Act, it is important that planning authorities ensure that their services are fit for the future to ensure they meet both their statutory responsibilities but also support the delivery of corporate, regional and national priorities. Our review will consider the effectiveness and impact of planning services on local communities in Wales. Further information can be found in our <a href="#">call for evidence report</a> published in August 2017.</p> |

- 26 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

## Certification of grant claims and returns

- 27 I have been requested to undertake certification work on City and County of Swansea's grant claims and returns. It is my expectation that the Welsh Government will streamline its assurance arrangements in 2017-18. This means that there should only be a small number of claims and returns, which remain to be certified in the 'traditional' way.
- 28 My estimated audit fee for this work is set out in [Exhibit 6](#).

## Overall issues identified

- 29 [Exhibit 5](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2016-17.

## Exhibit 5: overall issues relating to grant claim and return certification

This table sets out common themes identified from my grant claim certification work carried out in 2016-17

| Qualified grant claims and returns qualified in 2016-17   |
|---|
| <p>In 2016-17, we audited 12 claims and returns of which five were qualified. The key issues resulting in qualification were:</p> <ul style="list-style-type: none"><li>• apportionment rates not supported by robust evidence;</li><li>• procurement issues due to non-compliance with contract procedure rules;</li><li>• lack of pricing review of pooled budgets catalogue;</li><li>• lack of monitoring of grants paid to third parties; and</li><li>• an ongoing dispute with a bus operator over passenger numbers.</li></ul>  |
| Effectiveness of grant co-ordination arrangements   |
| <p>The Council has improved its overall arrangements for the preparation and certification of claims in recent years. Grants checklists have been introduced to improve quality assurance arrangements and the coordination and management of the submission / audit process was well managed by the grants coordinator. Further steps should be taken to ensure that:</p> <ul style="list-style-type: none"><li>• standing orders are complied with including contract procedure rules; and</li><li>• there is monitoring to give the council and the grant paying body sufficient assurance over expenditure made by third parties.</li></ul> |

## Fee, audit team and timetable

### Fee

- 30 Your estimated fee for 2018 is set out in [Exhibit 6](#). This figure represents a 12% decrease compared to the fee set out in the 2017 audit plan. This reduction mainly reflects changes in the audit regime for grant claims but also a reduction of £5,000 in relation to the audit of your financial statements.
- 31 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than 1%) which we have looked to offset by a reduction in audit days.

## Exhibit 6: audit fee

The total audit fee will be £413,137, made up of £257,000 for the audit of the financial statements, £99,537 for performance audit work, £55,000 for certification of grant claims and returns and £1,600 for other financial audit work

| Audit area                                 | Proposed fee for 2018 (£) <sup>1</sup> | Actual fee for 2017 (£) | Proposed fee for 2017 (£) |
|--|--|-------------------------|---------------------------|
| Audit of financial statements <sup>2</sup> | 257,000                                | 257,000                 | 262,000                   |
| Performance audit work <sup>3</sup>        | 99,537                                 | 99,537                  | 99,537                    |
| Grant certification work <sup>4</sup>      | 55,000                                 | 53,985                  | 100,000                   |
| Other financial audit work <sup>5</sup>    | 1,600                                  | 1,600                   | 1,600                     |
| <b>Total fee</b>                           | <b>413,137</b>                         | <b>412,122</b>          | <b>463,167</b>            |

### Notes:

<sup>1</sup> The fees shown in this document are exclusive of VAT, which is no longer charged to you.

<sup>2</sup> Payable November 2017 to October 2018.

<sup>3</sup> Payable April 2018 to March 2019.

<sup>4</sup> Payable as work is undertaken.

<sup>5</sup> Independent examination of Swansea Bay Port Health Authority.

- 32 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Audit Committee.
- 33 Further information on my **fee scales and fee setting** can be found on the Wales Audit Office website.

## Audit team

- 34 The main members of my team, together with their contact details, are summarised in **Exhibit 7**.

## Exhibit 7: my team

This table provides contact details for the audit team

| Name              | Role  | Contact number | E-mail address   |
|-------------------|---|----------------|--|
| John Herniman     | Engagement Director and Engagement Lead – Financial Audit | 02920 320500   | <a href="mailto:john.herniman@audit.wales">john.herniman@audit.wales</a>         |
| Huw Rees          | Engagement Lead – Performance Audit                       | 02920 320599   | <a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>                   |
| Geraint Norman    | Financial Audit Manager                                   | 07810 056683   | <a href="mailto:geraint.norman@audit.wales">geraint.norman@audit.wales</a>       |
| David Williams    | Financial Audit Team Leader                               | 07812 670234   | <a href="mailto:david.williams@audit.wales">david.williams@audit.wales</a>       |
| Colin Davies      | Performance Audit Manager                                 | 02920 320666   | <a href="mailto:colin.davies@audit.wales">colin.davies@audit.wales</a>           |
| Samantha Clements | Performance Audit Lead                                    | 07879 848672   | <a href="mailto:samantha.clements@audit.wales">samantha.clements@audit.wales</a> |

- 35 There is one independence issue to report to you. The Financial Audit Manager's spouse is employed as a Primary School Head Teacher by the Council and is an active member of the Teacher's Pension Scheme. I will ensure additional audit controls are put in place for the audit of the Education and Payroll Services. With this one exception, I can confirm that my team members are all independent of the Council and your officers and I am not aware of any further potential conflicts of interest that I need to bring to your attention

## Timetable

- 36 I will provide reports, or other outputs as agreed, to City and County of Swansea covering the areas of work identified in this document. My key milestones are set out in [Exhibit 8](#).

### Exhibit 8: timetable

This table sets out my proposed timetable for completion and reporting of my audit work at the Council.

| Planned output                  | Work undertaken               | Report finalised |
|---------------------------------|-------------------------------|------------------|
| <b>2018 Audit Plan</b>          | December 2017 to January 2018 | March 2018       |
| <b>Financial accounts work:</b> |                               | September 2018   |



| Planned output  | Work undertaken   | Report finalised   |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> <li>• Financial Accounts Memorandum</li> </ul>  | February to September 2018  | September 2018<br>October 2018   |
| <b>Performance work:</b> <ul style="list-style-type: none"> <li>• Improvement Plan Audit</li> <li>• Assessment of Performance Audit</li> <li>• Assurance and Risk Assessment</li> <li>• WFG Act Examinations</li> <li>• Leisure</li> <li>• Corporate safeguarding</li> <li>• Sustainable Swansea</li> </ul> | May – June 2018<br>September – November 2018<br>April – November 2018<br>September 2018 – February 2019<br>September – November 2018<br>June 2018 – July 2018<br>April 2018 – March 2019<br>(Estimated) | June 2018<br>November 2018<br>December 2018<br>April 2019<br>January 2019<br>September 2018<br>Ongoing throughout the year<br>(Estimated)* |
| Annual Improvement Report   | April 2019 – May 2019   | June 2019  |
| 2019 Audit Plan   | October to December 2018  | March 2019   |

\* Subject to timely clearance of draft findings with City and County of Swansea.

## Future developments to my audit work

- 37 Details of future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 3](#).
- 38 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- **Sustainable Procurement.** Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act
  - **Measuring Outcomes.** Supporting the WFG Act, 44 bodies shift their focus from outputs to outcomes and impact

- **Adverse Childhood Experiences.** In partnership with ACE's Hub at Public Health Wales and the Future Generations Office
- **Digital Seminar,** taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab
- **Building Resilient Communities.** Focussing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales
- **Partnership working between Voluntary bodies and Public Sector Bodies.** Will also include the launch of the Good Practice Guide to Grants Management.
- **Financial Audit – Early Closure of Local Government Accounts.** Focussing on cultural and behaviour changes
- **Alternative Service Delivery Models.** In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation, and Good Practice Wales
- **Cybersecurity.** Focusing on governance arrangements
- **Preventing Hospital Admissions.** Jointly with NHS, Social Care, Housing and partners from the Third Sector
- **Youth.** Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning

# Appendix 1

## Respective responsibilities

### Audit of the financial statements

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements, which includes an opinion on:

- their 'truth and fairness', providing assurance that they:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with the statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- the consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the City and County of Swansea has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- City and County of Swansea's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect City and County of Swansea's financial statements and related documents, to ask me, as the Appointed Auditor questions about the financial statements and, where appropriate, to challenge items in the financial statements. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within City and County of Swansea from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

## Performance audit

The Public Audit (Wales) Act 2004 requires me, by examination of the financial statements or otherwise, to satisfy myself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting well-being objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period, I must report on the results of those examinations to the National Assembly.

## Appendix 2

### Performance work in last year's audit outline still in progress

#### Exhibit 9: performance work in last year's audit outline still in progress

Three pieces of performance audit work included in last year's audit plan remain outstanding.

| Performance audit project             | Status  | Comment   |
|---------------------------------------|---------|---|
| Welsh Housing Quality Standard review | Ongoing | Fieldwork due to take place April 2018.   |
| Service user perspective review       | Ongoing | This work will focus on the Council's housing tenants and will supplement our review of the Welsh Housing Quality Standard. |
| Digital risk diagnostic               | Ongoing | Fieldwork scheduled for beginning of March 2018.  |

# Appendix 3

## Other future developments

### Forthcoming key IFRS changes

#### Exhibit 11: forthcoming key IFRS changes

There are three key changes to accounting rules that will impact on the authority over the next three years.

| Standard   | Effective date | Further details   |
|--|----------------|---|
| <b>IFRS 9<br/>Financial instruments</b>                  | 2018-19        | IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.   |
| <b>IFRS 15<br/>Revenue from contracts with customers</b> | 2018-19        | IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.  |
| <b>IFRS 16 Leases</b>                                    | 2019-20        | IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting. |

## General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

## Wales Pension Partnership

The administering authorities for the eight Local Government Pension Scheme (LGPS) funds in Wales have established a pension investment pool in line with government requirements. The Wales Pension Partnership Joint Governance Committee will, from April 2018 onwards, oversee the pooling of some £15 billion of investments from the eight LGPS funds in Wales.

The relevant authorities need to be fully engaged in this process to ensure that appropriate arrangements are put in place that meet their requirements and to achieve the benefits of pooling which include economies of scale and reduced costs.

## Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

### Exhibit 12: Planned forthcoming GPX webinars and Seminars.

My planned GPX programme includes 11 subject areas

| Date       | Format  | Topic   |
|------------|---------|---|
| April 2018 | Webinar | <b>Sustainable Procurement.</b> Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act. |
| May 2018   | Webinar | <b>Measuring Outcomes.</b> Supporting the WFG Act 44 bodies shift their focus from outputs to outcomes and impact                       |



| Date           | Format  | Topic   |
|----------------|---------|---|
| June 2018      | Seminar | <b>Adverse Childhood Experiences.</b> In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.   |
| June 2018      | Seminar | <b>Digital.</b> Seminar, taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.       |
| July 2018      | Seminar | <b>Building Resilient Communities.</b> Focussing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.                                |
| September 2018 | Seminar | <b>Partnership working between Voluntary bodies and Public Sector Bodies.</b> Will also include the launch of the Good Practice Guide to Grants Management.                         |
| October 2018   | Webinar | <b>Financial Audit – Early Closure of Local Government Accounts.</b> Focussing on cultural and behaviour changes.   |
| December 2018  | Seminar | <b>Alternative Service Delivery Models.</b> In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation and Good Practice Wales.                               |
| January 2019   | Webinar | <b>Cybersecurity.</b> Focusing on governance arrangements.  |
| February 2019  | Seminar | <b>Preventing Hospital Admissions.</b> Jointly with NHS, Social Care, Housing and partners from the Third Sector.   |
| March 2019     | Seminar | <b>Youth.</b> Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning. |

# Appendix 4

## National value-for-money studies

The Council may also be interested in the national value-for-money examinations that I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

**Exhibit 13** covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work, follow-up work, or based on the findings of other reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

### Exhibit 13: national value-for-money studies

| Topic   | Anticipated publication |
|---|-------------------------|
| Primary care services <sup>2</sup>  | February/March 2018     |
| Access to public services with the support of specialist interpretation and translation   | March/April 2018        |
| Waste management (waste prevention)<br>Waste management (municipal recycling)<br>Waste management (procurement of infrastructure) | March/May 2018          |
| Early intervention and public behaviour change <sup>3</sup>   | March/April 2018        |
| GP out-of-hours services – national summary report  | April/May 2018          |
| Rural Development Programme 2014-2020   | April/May 2018          |
| Business finance  | May 2018                |

<sup>2</sup> An initial data rich report presenting a 'picture of primary care' in advance of further local audit work.

<sup>3</sup> Following on from some good practice work, we are planning to produce a short summary paper to highlight some of the issues raised and evidence gathered through that work, supported by a series of podcasts.

| Topic  | Anticipated publication |
|--|-------------------------|
| NHS agency staffing costs <sup>4</sup>                     | Summer 2018             |
| EU Structural Funds programmes 2014-2020                   | Summer 2018             |
| Improving the wellbeing of young people                    | Autumn 2018             |
| Radiology services – national summary                      | To be confirmed         |
| Integrated Care Fund                                       | To be confirmed         |
| Care experienced by children and young people <sup>5</sup> | To be confirmed         |

<sup>4</sup> Work has recently commenced on gathering data from across the health services of the UK to support a paper on the various approaches being taken to address the increasing costs of employing agency medical and nursing staff within the NHS. The precise format for this output is still to be determined.

<sup>5</sup> The PAC has now set out its initial plans for some ongoing inquiry work on this topic. I will be supporting this work, although the precise nature of, and timescale for, any additional audit-related outputs is still to be determined.



Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2018 Audit Plan – City and County of Swansea Pension Fund

Audit year: 2017-18

Date issued: March 2018

Document reference: 436A2018-19

This document has been prepared for the internal use of City and County of Swansea Pension Fund as part of work performed/to be performed in accordance with statutory functions.

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In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document was produced by John Herniman, Geraint Norman and David Williams.

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## 2018 Audit Plan

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# 2018 Audit Plan

## Summary

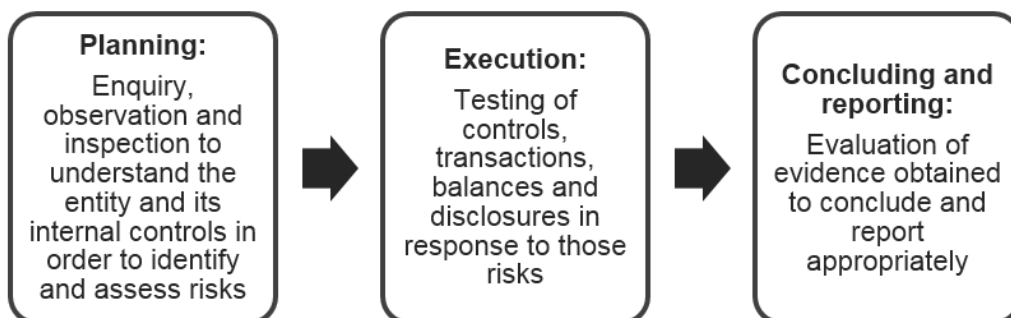
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether City and County of Swansea Pension Fund (the Pension Fund) financial statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of the Pension Fund financial statements

- 5 It is my responsibility to issue a report on the financial statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.

[Appendix 1](#) sets out my responsibilities in full.
- 6 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund's financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

### Exhibit 1: my audit approach



- 7 The risks of material misstatement which require audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: risks of material misstatement

| Risks of material misstatement   | Proposed audit response   |
|--|---|
| <p>The risk of <b>management override</b> of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>   | <p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>   |
| <p>The systems and records of the investment managers generate account entries made to the Pension Fund Account and Net Assets Statement. The investment managers provide <b>internal control reports</b> on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls, eg valuation of the investment portfolio held.</p> <p>There is a risk that the internal control reports will not be available, or not provide sufficient assurance for audit purposes.</p> | <p>My audit team will:</p> <ul style="list-style-type: none"> <li>• assess the investment managers as a service organisation;</li> <li>• check that investments have been made in accordance with the Statement of Investment Principles;</li> <li>• obtain direct confirmation from the investment managers and custodian of year end investment balances and holdings; and</li> <li>• assess whether the investment managers internal control reports provide assurance over the relevant controls, including the valuation of investments held.</li> </ul> |
| <p>Year-end valuation of <b>private equity investments</b> are provided by investment managers which are based on forward looking estimates and judgements. As there is no quoted market price, there is a greater risk for the reasonableness or valuation base of these investments.</p>   | <p>My audit team will:</p> <ul style="list-style-type: none"> <li>• confirm the investment valuations to audited financial statements; and</li> <li>• seek additional assurance over the valuation basis from controls assurance reports where available.</li> </ul>  |
| <p>Welsh Government have issued <b>revised Accounts and Audit Regulations</b> for Wales. This revised legislation will apply to the 2017-18 financial year.</p> <p>One of the key changes included in this legislation is that Pension Fund financial statements are no longer to be incorporated into the administering authority financial statements and will need to be produced as a standalone document.</p> <p>There is a risk of none compliance with this legislative requirement.</p>  | <p>My audit team will ensure that the requirements of the revised Accounts and Audit Regulations are complied with.</p>   |

| Risks of material misstatement   | Proposed audit response  |
|--|--|
| <p>The 8 Pension Fund in Wales have created an 'all-Wales' <b>pooled investment vehicle</b> which will be overseen and reported on by a joint governance committee. An inter-authority agreement has been signed by the Welsh Pension Funds and the joint committee will be producing financial statements for the 2017-18 financial year. However no investments will be transferred to this new management arrangement until after 1 April 2018.</p> <p>Separate financial statements will need to be prepared for the joint committee which for 2017-18 are only expected to include administration costs of setting up the joint committee. However, individual Pension Funds will need to consider recognising a share of the 2017-18 joint committee financial statements in their financial statements.</p> | <p>My audit team will review progress on this arrangement and consider if there is an impact on the 2017-18 financial statements and what additional disclosures are required.</p> |
| <p>The Pension Fund was subject to a full <b>actuarial valuation</b> as at 31 March 2016. The new contribution rates come into effect on 1 April 2017. There is a risk that these new contribution rates are not fairly reflected in the Pension Fund's financial statements.</p>  | <p>My audit team will check that the revised contribution rates have been correctly calculated in the 2017-18 financial statements.</p>  |

- 8 I do not seek to obtain absolute assurance that the Pension Fund financial statements are true and fair, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the financial statements being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Fund Committee and the Audit Committee and to those charged with governance for City and County of Swansea (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
- 9 For reporting purposes, I will treat any misstatements below a trivial level (set at 5% of materiality as not requiring consideration by those charged with governance and therefore I will not report them.
- 10 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;

- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

## Statutory audit functions

- 11 In addition to the audit of the financial statements, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
  - Section 31 Right to make objections at audit.
- 12 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 13 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

### Fee

- 14 Your estimated fee for 2018 is set out in **Exhibit 3**. This figure represents a 10 per cent decrease compared to the fee set out in the 2017 audit plan.
- 15 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than one per cent) which we have looked to offset by a reduction in audit days and skill mix.

#### Exhibit 3: audit fee

| Audit area                                  | Proposed fee for 2018 (£) | Actual fee for 2017 (£) | Proposed fee for 2017 (£) |
|---|---------------------------|-------------------------|---------------------------|
| Audit of pension fund accounts <sup>1</sup> | 45,000                    | 45,000                  | 50,000                    |

<sup>1</sup> The fees shown in this document are exclusive of VAT, which is no longer charged to you.

- 16 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Audit Committee.

17 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

## Audit team

18 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

### Exhibit 4: my team

| Name           | Role                              | Contact number | E-mail address   |
|----------------|-----------------------------------|----------------|--|
| John Herniman  | Engagement Lead – Financial Audit | 02920 320500   | <a href="mailto:john.herniman@audit.wales">john.herniman@audit.wales</a>   |
| Geraint Norman | Financial Audit Manager           | 07810 056683   | <a href="mailto:geraint.norman@audit.wales">geraint.norman@audit.wales</a> |
| David Williams | Financial Audit Team Leader       | 07812 670234   | <a href="mailto:david.williams@audit.wales">david.williams@audit.wales</a> |

19 I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

## Timetable

20 I will provide reports, or other outputs as agreed, to the Pension Fund Committee, the Audit Committee and Council, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

### Exhibit 5: timetable

| Planned output   | Work undertaken                | Report finalised                                 |
|--|--------------------------------|--|
| <b>2018 Audit Plan</b>   | December 2017 to February 2018 | March 2018                                       |
| <b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> <li>• Financial Accounts Memorandum</li> </ul> | February to September 2018     | September 2018<br>September 2018<br>October 2018 |
| <b>2019 Audit Plan</b>   | October to December 2018       | January 2019                                     |

## Future developments

### Well-being of Future Generations (Wales) Act 2015

- 21 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report every five years to the National Assembly on how public bodies apply the sustainability principles. During 2016 I consulted on my options for reshaping public audit in Wales and this year have been working collaboratively with a small number of public bodies to develop an audit approach which is rigorous, meaningful and proportionate. I have also undertaken my first audit work relating to the Act, the Year One Commentary. I will publish a report on my findings in Spring 2018 and will share those findings at a national stakeholder event in May 2018.

### Other

- 22 Details of other future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 2](#).
- 23 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates.

# Appendix 1

## Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund financial statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

# Appendix 2

## Other future developments

### Forthcoming IFRS changes

Exhibit 6: forthcoming IFRS changes

| Standard                                      | Effective date | Further details   |
|---|----------------|---|
| IFRS 9 financial instruments                  | 2018-19        | IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.   |
| IFRS 15 revenue from contracts with customers | 2018-19        | IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.  |
| IFRS 16 leases                                | 2019-20        | IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a right of use principle with a corresponding liability for future rentals. This is a significant change in lessee accounting. |



## General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

## Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online.

The focus of GPX events include financial management, public sector staff and governance. Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).



Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



## Report of the Head of Financial Services & Service Centre

Audit Committee – 8<sup>th</sup> March 2017

### Overview of the Overall Status of Risk Quarter 3 2017/18

**Purpose:** The report presents an overview of the status of risk in the Council to provide assurance to the Committee on the effectiveness of the risk management policy and framework and its operation within the Council.

**Report Author:** Richard Rowlands

**Finance Officer:** Paul Roach

**Legal Officer:** Debbie Smith

**Access to Services Officer:** Sherill Hopkins

#### For Information

#### 1. Background

1.1 The Audit Committee requested on the 11<sup>th</sup> July an overview every quarter on the overall status of risk in the Council to give assurance that the risk management process is being followed.

1.2 This report covers the Quarter 3 2017/18 period and compares a snapshot of the Council's risk registers taken at 03/10/17 with another snapshot taken on 28/12/17.

#### 2. Review of Risks

2.1 A review of risk and the Council's risk registers is underway following the approval of a new risk policy and framework by Cabinet on 17<sup>th</sup> August 2017 and the publication of the Corporate Plan 2017/22.

#### 3. Equality and Engagement Implications

3.1 There are no direct equality and engagement implications from this report.

**4. Legal Implications**

4.1 There are no legal implications.

**5. Financial Implications**

5.1 There are no financial implications.

**For Information**

**Background papers:** *None*

**Appendices:** Appendix A - Summary of the overall status of risk within the Council Quarter 3 2017/18.

## Audit Committee – 8<sup>th</sup> March 18

### Summary of the overall status of risk within the Council – Quarter 3 2017/18

The following report summarises the overall status of risk within Swansea Council.

The report compares a snapshot of the Council’s risk registers at Quarter 3 2017/18 taken at 03/10/17 with another snapshot taken on 28/12/17.

A review of risk and the Council’s risk registers is underway in readiness for 2018/22 following the approval of a new risk policy and framework by Cabinet on 17<sup>th</sup> August 2017 and the publication of the Corporate Plan 2017/22.

### Overall Risk Status – Quarter 3 2017/18

The table below illustrates overall risk status as at 03/10/17 and 28/12/17

|            | Low Risk | Medium Risk | High Risk |
|------------|----------|-------------|-----------|
| 03/10/17   | 15       | 122         | 30        |
| 28/12/17   | 16       | 126         | 31        |
| + - change | +1       | +4          | +1        |

### Summary – changes to the registers during Quarter 3 2017/18

- 84 out of 173 (49%) risks were reviewed.



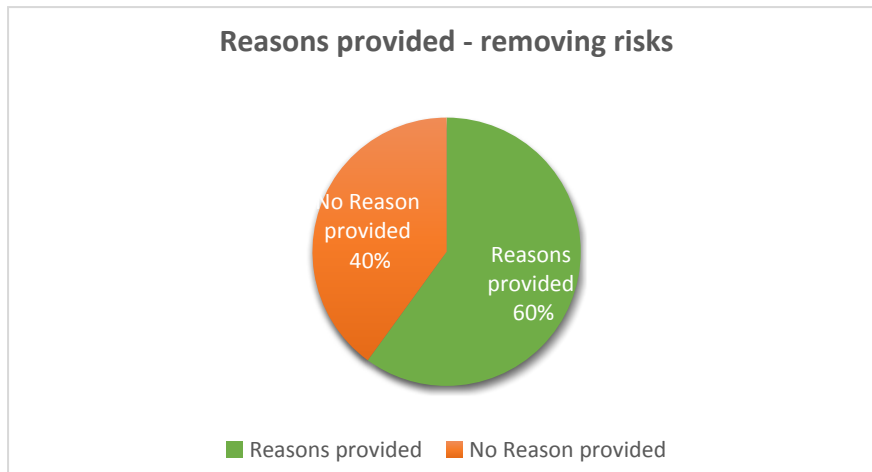
- 21 new risks were added.

| Low Risk | Medium Risk | High Risk |
|----------|-------------|-----------|
| 0        | 12          | 9         |

- 15 risks were closed.

| Low Risk | Medium Risk | High Risk |
|----------|-------------|-----------|
| 1        | 11          | 3         |

- 9 out of the 15 (60%) risks that were closed had reasons for doing so recorded.



- 11 risks were escalated.
- The overall RAG status of 10 risks were changed. 3 out of 10 (30%) had reasons for doing so recorded.

### Other observations

- Controls and actions are in place for all risks on the registers.
- The majority of actions and controls to mitigate risks are current.
- The status of the Risk Registers was reviewed again in January to see what progress had been made since Quarter 3. There were 147 risks on the risk registers as at 19/01/18. Out of these, 106 (72%) have been reviewed since 02/10/17, which is a significant increase on the third quarter.

### Developments

- A review of the Corporate Risks following the production of the Corporate Plan 2017-22 is nearing completion.
- A review of Directorate and Service level risks is taking place in line with directorate and service planning.
- Audit Committee will have access to the Corporate Risk Register directly following the meeting on 8<sup>th</sup> March 2018.

## Appendix 1 – Summary of Corporate Risk Register as at 28/12/18

http://staffnet02/RiskRegister/default.aspx Risk Register - Risk List

**Risk Register**  
Corporate Risks

richard rowlands Add Risk Back to Home Page

Filter by... Category: All Responsible Officer: All  Archived Risks Filter Save Reports

| Previous | Next | Risk Id | Risk Title  | Category                  | View                 | Edit                 | Responsible Officer | Date Last Updated | Updated By            | Overall RAG | Audit                        |
|----------|------|---------|---|---------------------------|----------------------|----------------------|---------------------|-------------------|-----------------------|-------------|------------------------------|
|          |      | CR 42   | Asset Disposal Targets  | Corporate Finance         | <a href="#">View</a> | <a href="#">Edit</a> | martin nicholls     | 16/10/2017        | CCOS\MARTIN.NICHOLLS  | A           | <a href="#">View History</a> |
|          |      | CR 43   | Workforce Planning  | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | sarah caulkin       | 20/12/2017        | CCOS\SARAH.CAULKIN    | A           | <a href="#">View History</a> |
|          |      | CR 44   | Poverty   | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | chris sivers        | 27/10/2017        | CCOS\CHRIS.SIVERS     | A           | <a href="#">View History</a> |
|          |      | CR 45   | Safeguarding  | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | chris sivers        | 27/10/2017        | CCOS\CHRIS.SIVERS     | R           | <a href="#">View History</a> |
|          |      | CR 46   | Sustainable Swansea   | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | sarah caulkin       | 20/12/2017        | CCOS\SARAH.CAULKIN    | R           | <a href="#">View History</a> |
|          |      | CR 47   | Financial Control   | Corporate Finance         | <a href="#">View</a> | <a href="#">Edit</a> | ben smith           | 20/12/2017        | CCOS\BEN.SMITH        | R           | <a href="#">View History</a> |
|          |      | CR 48   | Resilience  | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | martin nicholls     | 16/10/2017        | CCOS\MARTIN.NICHOLLS  | A           | <a href="#">View History</a> |
|          |      | CR 50   | Health & Safety Strategy  | Corporate Governance      | <a href="#">View</a> | <a href="#">Edit</a> | martin nicholls     | 16/10/2017        | CCOS\MARTIN.NICHOLLS  | A           | <a href="#">View History</a> |
|          |      | CR 58   | Failure to deliver City Centre Regeneration   | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | phillip holmes      | 21/11/2017        | CCOS\PHILLIP.HOLMES   | G           | <a href="#">View History</a> |
|          |      | CR 59   | Pupil attainment standards fall as a consequence of increasing demands and reducing resources in schools. | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | chris sivers        | 27/10/2017        | CCOS\CHRIS.SIVERS     | A           | <a href="#">View History</a> |
|          |      | CR 62   | Impact of new Legislation   | Corporate Governance      | <a href="#">View</a> | <a href="#">Edit</a> | tracey meredith     | 30/08/2017        | CCOS\RICHARD.ROWLANDS | A           | <a href="#">View History</a> |
|          |      | CR 63   | Prevention and Wellbeing  | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | chris sivers        | 27/10/2017        | CCOS\CHRIS.SIVERS     | A           | <a href="#">View History</a> |
|          |      | CR 64   | Risks arising from BREXIT decision  | Corporate Plan Priorities | <a href="#">View</a> | <a href="#">Edit</a> | ben smith           | 20/12/2017        | CCOS\BEN.SMITH        | R           | <a href="#">View History</a> |
|          |      | CR 66   | Preparing for the General Data Protection Regulation (GDPR)   | Corporate Governance      | <a href="#">View</a> | <a href="#">Edit</a> | sarah caulkin       | 20/12/2017        | CCOS\SARAH.CAULKIN    | A           | <a href="#">View History</a> |

11:18 28/12/2017





## Report of the Chief Auditor

Audit Committee – 8 March 2018

### Internal Audit Annual Plan – Methodology

|                                    |   |
|------------------------------------|---|
| <b>Purpose:</b>                    | This report provides a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2018/19 being reported to the Committee for approval on 10 <sup>th</sup> April 2018. |
| <b>Policy Framework:</b>           | None  |
| <b>Reason for Decision:</b>        | To brief the Audit Committee of the process of preparing the Internal Audit Annual Plan.  |
| <b>Consultation:</b>               | Legal, Finance, Access to Services  |
| <b>Recommendation(s):</b>          | It is recommended that: the Committee note the methodology for preparing the Internal Audit Annual Plan 2018/19   |
| <b>Report Author:</b>              | Simon Cockings  |
| <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 Public Sector Internal Audit Standards (PSIAS) provide a framework for the delivery of a professional, independent and objective internal audit service and are mandatory for all internal audit providers in the public sector in the UK.
- 1.2 One of the requirements of the PSIAS is that an annual risk-based Internal Audit Plan must be prepared to determine the priorities of

Internal Audit and to ensure they are consistent with the Council's goals. The Plan must allow sufficient audit coverage across the whole Council for the Chief Auditor to be able to provide an annual opinion to Council via the Section 151 Officer and Audit Committee on the control environment covering corporate governance, risk management and internal control.

- 1.3 The Audit Plan should ensure that resources are targeted at the areas of the Council's work where it can provide most benefit by providing assurance over key risks and controls.
- 1.4 The Standards state that the Internal Audit Annual Plan must be discussed with senior management which in the Internal Audit Charter is defined as the Corporate Management Team before being reported to the Audit Committee for approval.
- 1.5 This report provides a briefing on the methodology used to prepare the Annual Plan in advance of the Plan for 2018/19 being reported to the Committee for approval at the next meeting.

## **2. Internal Audit Plan Methodology**

- 2.1 The requirement to produce an Internal Audit Annual Plan is included in the Public Sector Internal Audit Standards (PSIAS) which are mandatory for all internal audit providers in the UK public sector.
- 2.2 An extract of the PSIAS requirements regarding internal audit planning is attached in Appendix 1.
- 2.3 The starting point for a risk-based audit approach is gaining an understanding of the Council's objectives and goals as well as the current key risks faced by the Council as recorded in the Risk Registers.
- 2.4 Information is gathered from a number of sources prior to the preparation of the detailed Audit Plan including
  - The Corporate Plan, One Swansea Plan and the Well-Being Statement.
  - Reports to Cabinet, Council and Scrutiny.
  - Risk Registers.
  - Areas of concern or request for audit coverage from management or the Audit Committee.
  - Other sources of assurance available both from internal and external sources.
  - Any recent or proposed significant changes to the Council's systems or operations.
  - Previous audit results and Internal Audit's cumulative knowledge of systems and procedures across the Council.

2.5 Following the gathering of relevant information, an Audit Needs Assessment is completed utilising the risk assessment undertaken for each audit. The risk assessment takes account of a wide range of factors which are grouped into the following categories:

- Materiality e.g. income, expenditure.
- Control Environment/Vulnerability e.g. previous frauds, staff turnover.
- Management Concerns e.g. direct request for help, potential for embarrassment.
- Sensitivity e.g. impact on service, effect on Council's welfare.

2.6 A copy of the Risk Assessment form used is attached in Appendix 2.

2.7 The outcome of the risk assessment is a risk index which is then used to determine the frequency of audit visits as shown in the following table. The frequency of audit visit for medium/low and low risk audits was increased in 2015/16 as one of the changes reported to the Audit Committee at the time which were designed to free up audit resources which could then be used on higher risk audits and added value work.

| <b>Risk Index</b> | <b>Risk Factor</b> | <b>Frequency of Visit</b> |
|-------------------|--------------------|---------------------------|
| 0 – 19            | Low                | 5 years                   |
| 20 – 25           | Medium/Low         | 4/5 years                 |
| 26 – 40           | Medium             | 3 years                   |
| 41 – 49           | Medium/High        | 2/3 years                 |
| 50 +              | High               | 1/2 years                 |

2.8 In addition to the risk assessment process, a number of systems have traditionally been identified, in consultation with our external auditors as fundamental e.g. Payroll, Accounts Receivable, Main Accounting, Council Tax. All fundamental systems are audited either annually or every 2 years which recognises the significance of the system to the achievement of the Council's objectives.

2.9 A number of audits are undertaken on an annual basis rather than by the determination of risk e.g. grant certification audits where the work is required under the terms and conditions of the grant, the review of debts written off prior to authorisation, services where significant amounts of cash are handled, etc.

2.10 The use of the risk assessment process provides every audit in the Council's audit universe with a year when the next audit visit is due which is used to develop the Audit Plan.

2.11 Each year, a Consultation Exercise is held with all Heads of Service giving them the opportunity to comment on the audit coverage in their area and to ensure that all risks within their services have been identified. Heads of Service may also request specific reviews or

pieces of work by the Internal Audit Section which will add value to their service. All requests are considered in light of the total Internal Audit resources available.

- 2.12 The Consultation Exercise for the 2018/19 Audit Plan commenced in September 2017.
- 2.13 A review of the Corporate and Directorate Risk Registers also takes place to ensure that where necessary, Internal Audit resources are targeted at the areas considered to be the highest risk.
- 2.14 The ongoing review of the current year's Annual Plan also informs the planning process e.g. by identifying any emerging risks, new systems, developments or special investigations which may have a wider impact.
- 2.15 The Audit Needs Assessment i.e. the risk assessment process, consultation exercise and review of the risk registers will provide the total number of audit days required in the Audit Plan for 2018/19 which then has to be matched against the audit resources available.
- 2.16 The audit resources available in 2018/19 is 9.1 full time equivalents excluding the Chief Auditor. This was reduced from 9.5 full time equivalents in 2016/17 as a result of one member of the team being granted flexible retirement and a reduction in hours to a 3 day week in early 2017/18.
- 2.17 The audit resources available have to allow for things such as annual leave, public holidays, training, administration, planning, sickness and a contingency to allow for unplanned work. This provides the productive audit days available to deliver the required audit coverage obtained from the Audit Needs Assessment.
- 2.18 Inevitably, the required audit coverage will exceed the available audit resources leading to a further review of the required audit coverage. This review will again be risk based to ensure that the areas of greatest perceived risk are prioritised. The audits which are deferred to reconcile the audit days required to the available audit resources will be low risk or medium/low risk or will have received a high level of assurance at the last audit which indicates good systems and controls are in place.
- 2.19 The Internal Audit Annual Plan is reported to the Corporate Management Team and Audit Committee at the start of each year for approval. However, the Annual Plan must remain a flexible document that reacts to changing risks and priorities over the course of the year.

**3. Equality and Engagement Implications**

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

**4. Financial Implications**

4.1 There are no financial implications associated with this report.

**5. Legal Implications**

5.1 There are no legal implications associated with this report

**Background Papers:** None

**Appendices:** Appendix 1 – Extract from Public Sector Internal Audit Standards  
Appendix 2 – Risk Assessment Sheet

## Extract from Public Sector Internal Audit Standards

### 2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

#### *Interpretation:*

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

#### **Public sector requirement**

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

#### **2010.A1**

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

#### **2010.A2**

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

#### **2010.C1**

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

### 2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

## **2030 Resource Management**

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

### *Interpretation:*

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

### **Public sector requirement**

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

# City and County of Swansea - Risk Assessment Sheet - Internal Audit Section

Establishment/Site/System: \_\_\_\_\_  
 \_\_\_\_\_

File Ref: \_\_\_\_\_

Completed By: \_\_\_\_\_ Date: \_\_\_\_\_ Approved (and copied to PFile/RAFile.) By: \_\_\_\_\_ Date: \_\_\_\_\_

Tick each factor that applies and score 1 point (except A) - maximum 5 points per category

| A. Materiality   | B. Control Environment / Vulnerability  | C. Management Concerns | D Sensitivity |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
|--|---|------------------------|---------------|---|------------------|---|--------------------|---|----------------|---|-----------|---|--------|---|--|---|---|
| Value of funds that pass through the system and/or direct expenditure <u>plus</u> income<br><br>= £ _____<br><br>Page 86<br><table style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 70%; text-align: left;"><u>Annual Value (£)</u></th> <th style="width: 30%; text-align: center;"><u>Score</u></th> </tr> <tr> <td>• &lt; 1,000</td> <td style="text-align: center;">0</td> </tr> <tr> <td>• 1,000 - 10,000</td> <td style="text-align: center;">1</td> </tr> <tr> <td>• 10,001 - 100,000</td> <td style="text-align: center;">2</td> </tr> <tr> <td>• 100,001 - 1m</td> <td style="text-align: center;">3</td> </tr> <tr> <td>• 1m - 5m</td> <td style="text-align: center;">4</td> </tr> <tr> <td>• &gt; 5m</td> <td style="text-align: center;">5</td> </tr> </table> | <u>Annual Value (£)</u>   | <u>Score</u>           | • < 1,000     | 0 | • 1,000 - 10,000 | 1 | • 10,001 - 100,000 | 2 | • 100,001 - 1m | 3 | • 1m - 5m | 4 | • > 5m | 5 | <ul style="list-style-type: none"> <li>• Previous frauds if &lt; 5 years</li> <li>• Opinion rating less than 'satisfactory'</li> <li>• Last audit review &gt; 3 years ago (date _____)</li> <li>• High staff turnover</li> <li>• New system(s) operating</li> <li>• High degree of devolution</li> <li>• Complex system(s) operating</li> <li>• Critical reports from outside bodies etc.</li> </ul> | <ul style="list-style-type: none"> <li>• Direct requests for help</li> <li>• Potential for embarrassment</li> <li>• Specific problem areas</li> <li>• Control weaknesses</li> <li>• Assets at risk</li> <li>• Significant cash income (e.g.: &gt; £10K p.a.)</li> </ul> | <ul style="list-style-type: none"> <li>• Political sensitivity of activity</li> <li>• Large no. of sub-systems, interlinked or dependent systems</li> <li>• Effect on Authority's welfare</li> <li>• Unwelcome disclosure</li> <li>• Impact on service</li> <li>• Impact on other depts.</li> </ul> |
| <u>Annual Value (£)</u>  | <u>Score</u>  |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| • < 1,000  | 0   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| • 1,000 - 10,000   | 1   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| • 10,001 - 100,000   | 2   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| • 100,001 - 1m   | 3   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| • 1m - 5m  | 4   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| • > 5m   | 5   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| Total Score (max 5)  |   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| Weighting  | 5   | 8                      | 4             |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| Weighted Scores  |   |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |
| Total WS =risk index   | <b>Low 0 to 19, Medium/Low 20 to 25, Medium 26 to 40, Medium/High 41 to 49, High 50 and above</b> |                        |               |   |                  |   |                    |   |                |   |           |   |        |   |  |   |   |







## Report of the Chief Auditor

Audit Committee – 8 March 2018

### Internal Audit Annual Plan 2017/18 Monitoring Report for the Period 1 October 2017 to 31 December 2017

|                                    |  |
|------------------------------------|--|
| <b>Purpose:</b>                    | This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2017 to 31 December 2017. |
| <b>Policy Framework:</b>           | None.  |
| <b>Reason for Decision:</b>        | To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2017/18.   |
| <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>              | Sandie Richards  |
| <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 1<sup>st</sup> October 2017 to 31<sup>st</sup> December 2017.

**2. Audits Finalised 1 October 2017 to 31 December 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 seen a significant reduction in the levels of sickness in the 3<sup>rd</sup> quarter of 2017/18 compared with previous quarters, with a total of 8 days sickness absence. However, cumulative sickness absence to date stands at 117 days against a projected annual budget of 80 days.

2.3 A total of 34 audits were finalised during Quarter 3. 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 3<sup>rd</sup> Quarter is shown in the following table.

| Assurance Level | High | Substantial | Moderate | Limited |
|-----------------|------|-------------|----------|---------|
| Number          | 10   | 18          | 6        | 0       |

2.5 A total of 275 audit recommendations were made and management agreed to implement all of the recommendations i.e. 100% against a target of 95%.

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 2 is shown in the following table

| High Risk | Medium Risk | Low Risk | Good Practice | Total |
|-----------|-------------|----------|---------------|-------|
| 1         | 50          | 174      | 50            | 275   |

2.7 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.

| Grant                                     | Amount<br>£ |
|---|-------------|
| Pupil Deprivation Grant                   | 6,926,454   |
| Supporting People Programme Grant 2016/17 | 13,817,121  |

2.8 It was found that in all cases, the grant had been spent in accordance with the agreed purpose and that only eligible expenditure was included.

2.9 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 31 December 2017.

2.10 The following table shows brief details of the significant issues which led to the moderate ratings issued in the quarter.

| Audit               | Assurance Level | Reasons  |
|---------------------|-----------------|--|
| Concessionary Fares | Moderate        | <ul style="list-style-type: none"> <li>• Data from contracted bus operator – sample testing of data from the Pontardawe Depot (closed April 2015) revealed that the number of tickets claimed from the Council consistently exceeded the numbers evidenced on reports run from the company's computer system.</li> <li>• Extrapolating the over-claim over the whole of 2014/15 resulted in the calculation of an estimated overpayment of £65,000.</li> <li>• Senior staff within the contracted bus operator were advised of our findings in August 2016 and were asked to re-examine the data and give an explanation for the variance found. At the time of finalising the audit, no satisfactory response had been received.</li> <li>• As a result, we requested that £65,000 should be withheld from</li> </ul> |

|                               |          |   |
|-------------------------------|----------|---|
|                               |          | <p>monthly payments made to the contracted bus operator.</p> <ul style="list-style-type: none"> <li>• (Note that since finalising the report, revised data has been received to substantiate the variance and the withheld amount has since been paid).</li> </ul>  |
| Specialist Park Services      | Moderate | <ul style="list-style-type: none"> <li>• Cheque Income – Receipts were not being issued or recorded for cheque income, making it impossible to verify if all cheques received had been banked.</li> <li>• VAT on Income – the incorrect VAT code was being used when banking income from online sales. It transpires that the incorrect code had been used for a number of years, which has resulted in an underpayment of VAT.</li> <li>• (Note that action had been taken by the department to address the issues identified at the time of finalising the report).</li> </ul>  |
| Independent Agency Placements | Moderate | <ul style="list-style-type: none"> <li>• Placement Contracts – sample testing of placement contracts revealed that there were variable periods ranging from two months to three and a half years between the placement start date and the date the contract was signed by the provider.</li> <li>• Placement Invoices – sample testing comparing invoice amounts to the Placement Contract and Permanency Unit data showed variances in 8 out of 20 cases. Placement agreement prices were also found to be incorrect on a number of occasions.</li> <li>• Extended sample testing of placement invoices revealed two underpayments and one overpayment.</li> <li>• Placement Internal Notifications</li> </ul> |

|                       |          |   |
|-----------------------|----------|---|
|                       |          | <p>(IN's) – one instance was noted where an additional charge was incorrectly included on one of the IN's reviewed.</p> <ul style="list-style-type: none"> <li>• Continuation Orders – continuation orders were not being closed down on Oracle after a placement had ended to prevent any additional invoices being receipted in error.</li> </ul>   |
| Fleet Maintenance     | Moderate | <ul style="list-style-type: none"> <li>• Routine Safety Inspections/ Services – a review of the Stores issuing procedures revealed that vehicle fitters can sign stores requisition notes but there is no review to ensure the parts requisitioned have been fitted to vehicles. It was also noted that there was no monitoring of the oil used by fitters. It was agreed following the previous audit that a system of spot checks would be introduced, but this had not been implemented. (Repeated from previous audit).</li> <li>• Fitting of Tyres – it was agreed following the previous audit that tyres fitted off site by the external contractor would be inspected by CTU staff. However, this control was not introduced. (Repeated from previous audit).</li> <li>• Purchase of Goods/Services – testing revealed that apart from tyre purchases, the majority of expenditure tested did not comply with the Councils Contract Procedure Rules as there was no evidence of quotations or tenders being obtained for the suppliers selected. (Repeated from previous audit).</li> </ul> |
| Penlan Leisure Centre | Moderate | <ul style="list-style-type: none"> <li>• DBS – it was noted that a number of staff had worked on site with lapsed DBS's (repeated from previous audit).</li> <li>• Event Bookings – sample testing</li> </ul>   |

|                          |          |  |
|--------------------------|----------|--|
|                          |          | <p>of event bookings showed that on occasion, when bookings are made via e-mail copies of the e-mail are not kept to support unsigned booking forms.</p> <ul style="list-style-type: none"> <li>• Club Bookings - sample testing of club bookings showed that none of the clubs in the sample tested had provided proof of public liability insurance (repeated from previous audit).</li> <li>• Personnel – verification of those staff listed on Oracle as working on site revealed that a number of relief staff were still listed. In addition, the previous Leisure Centre Manager was still listed as being employed on site, despite moving to a different role in March 2017.</li> <li>• Cashing-up procedure – of the thirty-one cashing up records tested: <ul style="list-style-type: none"> <li>○ Seven cashier till reconciliations had not been retained.</li> <li>○ One paying in books stub did not record the correct amount banked.</li> <li>○ Eleven control sheets had not been signed by an authorised signatory.</li> <li>○ Three had not been signed by the cashier.</li> <li>○ On a number of occasions the G4S bank bag serial number had not been recorded on the control sheets.</li> </ul> </li> </ul> |
| Taxi Framework Contracts | Moderate | <ul style="list-style-type: none"> <li>• Ten of the paid invoices selected as part of the expenditure testing were related to contracts that had expired and had not been retendered. Of the ten: <ul style="list-style-type: none"> <li>○ Six had been agreed with the contractor at the end of the contract period.</li> <li>○ Two were for specialist vehicles which were outside</li> </ul> </li> </ul>  |

|  |  |   |
|--|--|---|
|  |  | <p>of the scope of the Framework.</p> <ul style="list-style-type: none"> <li>○ Two had no evidence available on file to explain why payments were still being paid.</li> <li>• There are no procedures in place to offer extensions to expired contracts on the terms stipulated in the Taxi Framework Contract.</li> <li>• Two instances were noted where continuity orders set up on Oracle were not 'closed' following the end of the contract.</li> </ul> |
|--|--|---|

2.11 An analysis of the details in Appendix 2 shows that by the end of December 2017, approximately 65% of the Audit Plan was either completed or in progress.

2.12 The Internal Audit Section was also involved in the following work during Quarter 3:

- Continuation of work on the National Fraud Initiative 2016.
- Completion of the Recommendation Tracker Exercise for the 2016/17 Fundamental Audits.
- One off review of compliance with the Pay Policy and staff on Grade 10-12 at the request of the Section 151 Officer.
- Ad-hoc reviews of Petty Cash Account discrepancies at the request of the Cashiers Section.

### **3. Follow Ups Completed 1 October 2017 to 31 December 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 Head of Financial Services and Service Centre (Section 151 Officer).

3.3 A Follow-up audit was completed for the Western Bay Youth Justice & Early Intervention Service. It was found that substantial progress had been made in implementing the recommendations made, with all of the recommendations being fully implemented.



3.4 A follow-up audit was also completed of the Service User Assessments of Care audit within Adult Services. The results of the follow up showed that two low risk and one medium risk recommendation had not been implemented. The issues identified were escalated to the Chief Social Services Officer and the recommendations were discussed at the PFM meeting in November. Internal Audit met with the Head of Adult Services to discuss the implementation of the outstanding recommendations on the 23/01/18. As explained by the Head of Adult Services and the Chief Social Services Officer, there has been a change of Principal Officers in the Service since the action plan had been agreed. As a result the previously agreed action plan was no longer fit for purpose as the approach the department was taking to address the issues identified had changed. Service Users Assessment of Care is due to be audited in full in early 2018/19 and the issues identified during the previous audit will be revisited at that time.

#### **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 2017/18

**Appendices:** Appendix 1 Internal Audit – Monitoring Report Quarter 3 2017/18  
Appendix 2 Internal Audit Plan 2017/18 – Progress to 31/12/17

## INTERNAL AUDIT - MONITORING REPORT QUARTER 3 2017/18

| Head of Service                                    | Audit                              | Date     | Assurance Level | Recommendations |        |            |
|--|------------------------------------|----------|-----------------|-----------------|--------|------------|
|  |                                    |          |                 | Made            | Agreed | Not Agreed |
| Financial Services & Service Centre                | Pension Fund Investments           | 21/11/17 | High            | 0               | 0      | 0          |
| Cultural Services                                  | Spot Checks                        | 03/11/17 | High            | 0               | 0      | 0          |
| Legal, Democratic Services & Business Intelligence | Scrutiny                           | 23/10/17 | High            | 0               | 0      | 0          |
| Housing & Public Protection                        | Renewal Areas                      | 13/10/17 | High            | 0               | 0      | 0          |
| Child & Family Services                            | Western Bay Adoption Service       | 11/12/17 | High            | 4               | 4      | 0          |
| Education Planning & Resources                     | Craigcefnparc Primary              | 19/12/17 | High            | 1               | 1      | 0          |
| Education Planning & Resources                     | Glais Primary                      | 18/12/17 | High            | 1               | 1      | 0          |
| Education Planning & Resources                     | Capital Planning and Delivery Unit | 20/12/17 | High            | 1               | 1      | 0          |
| Financial Services & Service Centre                | Teachers Pensions 17/18            | 27/10/17 | High            | 2               | 2      | 0          |
| Planning & City Regeneration                       | Planning - AONB                    | 16/10/17 | High            | 2               | 2      | 0          |
| Cultural Services                                  | Brangwyn Hall                      | 18/10/17 | Substantial     | 26              | 26     | 0          |
| Cultural Services                                  | Morrison Leisure Centre            | 08/11/17 | Substantial     | 19              | 19     | 0          |
| Waste Management & Parks                           | Parks Buildings                    | 29/11/17 | Substantial     | 3               | 3      | 0          |
| Corporate Building Service                         | Corporate Energy Unit              | 14/11/17 | Substantial     | 11              | 11     | 0          |
| Adult Services                                     | CREST                              | 10/10/17 | Substantial     | 9               | 9      | 0          |
| Education Planning & Resources                     | Brynmill Primary                   | 24/10/17 | Substantial     | 12              | 12     | 0          |
| Education Planning & Resources                     | Plasmarl Primary                   | 20/11/17 | Substantial     | 6               | 6      | 0          |
| Education Planning & Resources                     | Parkland Primary                   | 23/11/17 | Substantial     | 8               | 8      | 0          |
| Education Planning & Resources                     | Clase Primary                      | 27/10/17 | Substantial     | 8               | 8      | 0          |
| Education Planning & Resources                     | Gendros Primary                    | 17/10/17 | Substantial     | 6               | 6      | 0          |
| Education Planning & Resources                     | Gorseinon Primary                  | 07/12/17 | Substantial     | 10              | 10     | 0          |
| Education Planning & Resources                     | Llangyfelach Primary               | 17/10/17 | Substantial     | 13              | 13     | 0          |
| Education Planning & Resources                     | Penllergaer Primary                | 11/12/17 | Substantial     | 5               | 5      | 0          |
| Education Planning & Resources                     | Craigfelen Primary                 | 04/12/17 | Substantial     | 13              | 13     | 0          |
| Education Planning & Resources                     | Ynystawe Primary                   | 19/12/17 | Substantial     | 12              | 12     | 0          |
| Education Planning & Resources                     | YGG Tan-y-Lan                      | 14/12/17 | Substantial     | 20              | 20     | 0          |
| Highways & Transportation                          | Home to School Transport           | 18/12/17 | Substantial     | 14              | 14     | 0          |
| Education Learner Support Service                  | EOTAS Pathways                     | 28/11/17 | Substantial     | 7               | 7      | 0          |
| Highways & Transportation                          | Concessionary Bus Fares            | 30/11/17 | Moderate        | 2               | 2      | 0          |
| Cultural Services                                  | Penlan Leisure Centre              | 10/11/17 | Moderate        | 26              | 26     | 0          |
| Waste Management & Parks                           | Specialist Park Services           | 29/11/17 | Moderate        | 8               | 8      | 0          |
| Child & Family Services                            | Independent Agency Placements      | 05/10/17 | Moderate        | 12              | 12     | 0          |

## INTERNAL AUDIT - MONITORING REPORT QUARTER 3 2017/18

|                           |                          |          |          |            |            |          |
|---------------------------|--------------------------|----------|----------|------------|------------|----------|
| Highways & Transportation | Fleet Maintenance        | 24/10/17 | Moderate | 9          | 9          | 0        |
| Highways & Transportation | Taxi Framework Contracts | 19/10/17 | Moderate | 5          | 5          | 0        |
| <b>Total</b>              |                          |          |          | <b>275</b> | <b>275</b> | <b>0</b> |

## INTERNAL AUDIT ANNUAL PLAN 2017/18

| Head of Service                                   | Risk Rating | Progress as at 31/12/17 |
|---|-------------|-------------------------|
| <b>Head of Education Planning &amp; Resources</b> |             |                         |
| Brynmill Primary School                           | Medium      | Final Issued            |
| Casllwchwr Primary School                         | Medium      | Final Issued            |
| Craigcefnparc Primary School                      | Medium      | Final Issued            |
| Glais Primary School                              | Medium      | Final Issued            |
| Llangyfelach Primary School                       | Medium      | Final Issued            |
| YGG Gellionnen                                    | Medium      | Final Issued            |
| St Illtyds RC Primary School                      | Medium      | Draft Issued            |
| Clase Primary School                              | Medium/High | Final Issued            |
| Gendros Primary School                            | Medium      | Final Issued            |
| Gorseinon Primary School                          | Medium/High | Final Issued            |
| Pentre'r Graig Primary School                     | Medium      | In Progress             |
| Craigfelen Primary School                         | Medium      | Final Issued            |
| Cwmrhydyceirw Primary School                      | Medium      | In Progress             |
| Llanridian Primary School                         | Medium      | In Progress             |
| Oystermouth Primary School                        | Medium      | In Progress             |
| Parkland Primary School                           | Medium      | Final Issued            |
| Penllergaer Primary School                        | Medium      | Final Issued            |
| Tre Uchaf Primary School                          | Medium      | In Progress             |
| Whitestone Primary School                         | Medium      | Draft Issued            |
| Ynystawe Primary School                           | Medium      | Final Issued            |
| Ysgol Cymraeg y Cwm                               | Medium      | In Progress             |
| YGG Llwynderw                                     | Medium      | In Progress             |
| YGG Lon Las                                       | Medium      | In Progress             |
| YGG Pontybrenin                                   | Medium      | Final Issued            |
| YGG Tirdeunaw                                     | Medium      | In Progress             |
| YGG Tan-y-Lan                                     | Medium      | Final Issued            |
| Bishopston Comprehensive School                   | Medium      | Final Issued            |
| Cefn Hengoed Comprehensive School                 | Medium      | In Progress             |
| Pontardullais Comprehensive School                | Medium      | Draft Issued            |
| Ysgol Gyfun Bryn Tawe                             | Medium      | Planned                 |
| Ysgol Crug Glas                                   | Medium      | Draft Issued            |
| School Funding & Information                      | Medium/High | Planned                 |
| Capital Planning & Delivery Unit                  | Medium      | Final Issued            |
| <b>Head of Education Improvement</b>              |             |                         |
| Challenge Advisers                                | Medium      | Draft Issued            |
| <b>Head of Education Learner Support Service</b>  |             |                         |
| EOTAS Pathways                                    | Medium      | Final Issued            |
| Home Tuition Service                              | Medium      | In Progress             |
| LAC Co-ordinator                                  | New         | In Progress             |
| Ethnic Minority Achievement Unit                  | Medium      | Planned                 |
| School Kitchens                                   | Medium      | Planned                 |
| Catering Service Headquarters                     | High        | Final Issued            |
| Music Service                                     | Medium      | In Progress             |

## INTERNAL AUDIT ANNUAL PLAN 2017/18

| Head of Service   | Risk Rating | Progress as at 31/12/17 |
|---|-------------|-------------------------|
| <b>Education - Other</b>                                  |             |                         |
| School Uniform Grant                                      | N/A         | Final Issued            |
| Education Improvement Grant                               | N/A         | Final Issued            |
| Pupil Deprivation Grant                                   | N/A         | Final Issued            |
| Schools Annual Report                                     | N/A         | Final Issued            |
| <b>Head of Child &amp; Family Services</b>                |             |                         |
| Independent Agency Payments                               | High        | Final Issued            |
| Nant-y-Felin Children's Home                              | Medium      | Final Issued            |
| Adoption Allowances                                       | Medium      | Draft Issued            |
| Foster Swansea  | Medium      | Planned                 |
| <b>Head of Adult Services</b>                             |             |                         |
| Home Care   | Medium/High | Planned                 |
| Supporting People Team                                    | Medium      | Final Issued            |
| Supporting People Grant                                   | N/A         | Final Issued            |
| Live Kilometre Support Grant                              | N/A         | Final Issued            |
| Cyrenians - Lessons Learned                               | N/A         | Final Issued            |
| Deprivation of Liberty Safeguards                         | N/A         | Final Issued            |
| Emergency Placements                                      | New         | Planned                 |
| CREST   | Medium      | Final Issued            |
| <b>Directorate Services</b>                               |             |                         |
| Client Property and Finance                               | Medium      | In Progress             |
| Staff Development and Training Section                    | Medium      | In Progress             |
| <b>Head of Poverty &amp; Prevention</b>                   |             |                         |
| Partnerships, Performance & Commissioning                 | New         | Planned                 |
| Play Team   | Low         | Final Issued            |
| <b>Head of Corporate Building &amp; Property Services</b> |             |                         |
| Heol y Gors - Estimating                                  | Medium      | Final Issued            |
| Enjergy Management  | Medium/Low  | Final Issued            |
| <b>Head of Waste Management</b>                           |             |                         |
| Waste Enforcement   | New         | In Progress             |
| Specilaist Parks Services                                 | Medium      | Final Issued            |
| Parks Buildings   | Medium      | Final Issued            |
| <b>Head of Highways &amp; Transportation</b>              |             |                         |
| Home to School Transport                                  | Medium      | Final Issued            |
| Concessionary Bus Fares                                   | N/A         | Final Issued            |
| 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/Low  | Final Issued            |
| Voids Team / Homes Preparation Unit                       | Medium      | Final Issued            |
| Renewal Areas   | Medium      | Final Issued            |
| <b>Head of Cultural Services</b>                          |             |                         |

## INTERNAL AUDIT ANNUAL PLAN 2017/18

| Head of Service   | Risk Rating | Progress as at 31/12/17 |
|---|-------------|-------------------------|
| Morrison Leisure Centre                                 | Medium      | Final Issued            |
| Penlan Leisure Centre                                   | Medium      | Final Issued            |
| Penyrheol Leisure Centre                                | Medium/High | Final Issued            |
| Penyrheol Theatre                                       | Medium/High | Final Issued            |
| Glynn Vivian Art Gallery                                | Medium      | Final Issued            |
| Archives  | Medium/Low  | Final Issued            |
| Spot Checks   | Medium      | Final Issued            |
| Brangwyn Hall and Guildhall Catering                    | Medium      | Final Issued            |
| <b>Head of Planning &amp; City Regeneration</b>         |             |                         |
| Development Projects and Joint Ventures                 | Medium      | In Progress             |
| Planning & Enforcement                                  | New         | Planned                 |
| Planning - AONB   | Medium      | Final Issued            |
| <b>Head of Communications &amp; Customer Engagement</b> |             |                         |
| Scrutiny  | Medium      | Final Issued            |
| <b>Head of Finance &amp; Delivery</b>                   |             |                         |
| Cashiers Office   | Medium/High | In Progress             |
| Write-off Requests by Departments                       | N/A         | Planned                 |
| Cashiers Write Offs                                     | N/A         | Planned                 |
| Car Loans   | Low         | Final Issued            |
| Risk Management   | High        | Planned                 |
| Private Residential Care Charges                        | Medium/High | Planned                 |
| Funded Nursing Care                                     | Medium      | Planned                 |
| Short Term Care   | Medium      | Planned                 |
| Abacus Income Collection                                | N/A         | Final Issued            |
| 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                                   | High        | Final Issued            |
| <b>Head of Human Resources</b>                          |             |                         |
| Officers Expenses                                       | Medium      | Final Issued            |
| Emergency Planning and Civil Contingencies              | Medium      | Planned                 |
| <b>Head of Information &amp; Business Change</b>        |             |                         |
| Project Management Methodology                          | New         | Planned                 |
| Strategic Projects - Administration                     | N/A         | Final Issued            |
| <b>Head of Commercial Services</b>                      |             |                         |
| No planned audits                                       |             | Final Issued            |
| <b>Fundamental Systems</b>                              |             |                         |
| Payroll   | High        | Planned                 |
| Pensions Administration                                 | High        | In Progress             |
| Teachers Pensions                                       | Medium      | Final Issued            |
| Accounts Receivable                                     | High        | In Progress             |
| Business Rates  | Medium      | Planned                 |
| Pension Fund Investments                                | Medium/High | Final Issued            |

## INTERNAL AUDIT ANNUAL PLAN 2017/18

| Head of Service                                   | Risk Rating | Progress as at 31/12/17 |
|---|-------------|-------------------------|
| Housing Rents                                     | Medium      | Draft Issued            |
| 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/High | Final Issued            |
| <b>Corporate Building Services</b>                |             |                         |
| Tendering   | Medium/High | Final Issued            |
| 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      | In Progress             |
| 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                         | Medium/High | Final Issued            |
| Added Value Work                                  | N/A         | Final Issued            |
| Delegated Decision Making                         | New         | Planned                 |
| Ethics & Values                                   | New         | Planned                 |
| Review of Senior Management Assurance Statements  | New         | Planned                 |
| Officer's Code of Conduct                         | New         | Final Issued            |
| Whistleblowing Policy                             | New         | Planned                 |
| <b>Miscellaneous Audits</b>                       |             |                         |
| Swansea Bay Port Health Authority                 | Medium      | Final Issued            |

## INTERNAL AUDIT ANNUAL PLAN 2017/18

| Head of Service                            | Risk Rating | Progress as at 31/12/17 |
|--|-------------|-------------------------|
| <b>Projects and Special Investigations</b> |             |                         |
| Unpresented Cheques > £2,000               | N/A         | Planned                 |
| Galileo Audit Management System            | N/A         | Final Issued            |
| Annual Plan & Annual Report                | N/A         | Planned                 |
| Health & Safety Group                      | N/A         | Planned                 |
| Recommendations Tracker                    | N/A         | Final Issued            |
| Follow Ups                                 | N/A         | Final Issued            |
| Development of Audit Programmes            | N/A         | Final Issued            |
| Compliance with Pay Policy                 | N/A         | Final Issued            |
| P Card Review of Purchases                 | N/A         | Planned                 |
| PSIAS External Assessment                  | N/A         | Planned                 |





## Report of the Chief Auditor

Audit Committee – 8 March 2018

### 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>              | Sandie Richards  |
| <b>Access to Services Officer:</b> | Sherill Hopkins  |

#### For Information

#### 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>12/12/17 Min 53 – Good Governance When Determining Significant Service Changes</b>  |   |
| The impact of the proposed cuts included in the 2018-19 budget and the potential impact upon the Internal Audit Section was discussed. It was resolved that the Chair, on behalf of the Audit Committee, writes to the Chief Executive highlighting concern regarding the potential impact of the proposed cuts on the Internal Audit Section. | Letter was sent to the Chief Executive on 20/12/17 as requested. Letter and response presented to Committee on 08/03/18 for information. - CLOSED   |
| <b>12/12/17 Min 56 – Internal Audit Monitoring Report Q2 17/18</b>   |   |
| The appropriate Head(s) of Service are requested to attend the next scheduled meeting in order to update the Committee regarding the progress in respect of their moderate audit ratings.  | Due to the departure of the previous chair and additional agenda items for the postponed meeting, the relevant Head(s) of Service will be invited to attend the next meeting on the 10 April with the new Chair in post.                        |
| <b>26/09/17 – Procurement in Schools</b>   |   |
| A meeting to be arranged with Procurement and Education representatives do discuss procurement issues at schools as identified in the Annual Report of School Audits. An update on Procurement is to be provided in the February meeting.  | Meeting was held with representatives from Education, Procurement and Audit on 18/01/18. Feedback from the meeting provided to Audit Committee on 08/03/18. CLOSED  |
| <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.  | Due to the departure of the previous Chair, no action has been taken to date. This and other development actions will be picked up as part of the next Performance Review initially scheduled for June 2018 with the new Chair in post. -CLOSED |
| <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.  | Section 151 Officer is due to attend the December meeting to provide an update on the review of reserves and overall budget monitoring/control. - CLOSED  |
| <b>20/06/17 Min 5 – Work Programme</b>   |   |
| A description to accompany items within the Work Programme be provided in future.  | Standard agenda items have been highlighted in bold in the workplan. CLOSED   |

## 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.   | Contract Procedure Rules are currently being revised.  |
| <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  | The presentation was circulated on   |

|   |   |
|---|---|
| Committee   | 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 employment with the Authority | When an employee leaves, the line manager is required to complete an exit interview checklist. One of the items on the checklist is to re-cover the employee's flexi card and return it to HR for cancellation - CLOSED   |
| <b>21/07/16 Min 18 – Internal Audit Monitoring Report Quarter 4 2015/16</b>   |   |

|  |   |
|--|---|
| The Chair writes to the Head of Service where an audit has received a moderate level of assurance for a second audit to express the Committee's concern that there has been no improvement in the controls in operation. | Letters sent 05/08/16 and copies reported to Audit Committee on 30/08/16 for information - CLOSED   |
| <b>28/06/16 Min 8 – Corporate Governance Review Report</b>   |   |
| The recommendations contained within the report be regularly monitored and where appropriate feedback be provided by the Deputy Head of Legal and Democratic Services  | 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 Head of Legal Democratic Services & Business Intelligence. Update to be provided at the November meeting - CLOSED |
| <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. Access to Risk Register now in place – CLOSED. |
| <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 March 2018

### 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>              | Sandie Richards  |
| <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><br>Audit Committee Initial Training<br><b>Audit Committee Training Programme</b><br>Wales Audit Office Update Report<br>WAO Financial Resilience Final Report<br><b>Internal Audit Monitoring Report Quarter 4 2016/17</b><br><b>Final Audit Committee Annual Report 2016/17</b><br>Audit Committee Performance Review 2016/17 -<br>Action Plan<br>Audit Committee Action Tracker Report |
| 11 July 2017 –<br>Special   | Financial Management & Accounting Training<br><b>Draft Statement of Accounts 2016/17</b><br><b>Draft Annual Governance Statement 2016/17</b><br>Risk Management Policy and Framework - Update<br>Audit Committee Action Tracker Report   |
| 8 August 2017   | Internal Audit Training<br>Governance Training<br>Wales Audit Office Update Report<br><b>Internal Audit Annual Report 2016/17</b><br><b>Corporate Fraud Annual Report 2016/17</b><br><b>Internal Audit Monitoring Report Quarter 1 2017/18</b><br>Audit Committee Action Tracker Report  |
| 26 September 2017 -<br>Special                                    | External Audit Training<br><b>Wales Audit Office ISA 260 Report 2016/17 – City<br/>and County of Swansea</b><br><b>Wales Audit Office ISA 260 Report 2016/17 –<br/>Pension Fund</b><br><b>Annual Report of School Audits 2016/17</b><br><b>Chief Education Officer Response to Annual<br/>Report of School Audits 2016/17</b><br>Audit Committee Action Tracker Report   |
| 9 November 2017<br><i>(note changed from<br/>10 October 2017)</i> | Counter Fraud Training<br><b>Chair of Scrutiny Programme Committee</b><br>Corporate Governance Review - Progress Update<br>Risk Management Half-Yearly Review 2017/18<br>Risk/Performance/Governance Update<br>Wales Audit Office Update Report<br>Audit Committee Performance Review Action Plan<br>2016/17 - Update<br>Audit Committee Action Tracker Report   |

| Date of Meeting                                   | Reports  |
|---|--|
| 12 December 2017                                  | <p><b>Wales Audit Office – Annual Audit Letter 2016/17</b><br/> Wales Audit Office Update Report<br/> <b>Internal Audit Monitoring Report Quarter 2 2017/18</b><br/> <b>Recommendations Tracker Report 2016/17</b><br/> Review of Reserves Report<br/> Treasury Management &amp; Budgetary Control Update<br/> Audit Committee Performance Review Action Plan<br/> 2016/17 – Update on Proposals<br/> Audit Committee Action Tracker Report</p>  |
| 8 March 2018 (note changed from 13 February 2018) | <p>Wales Audit Office Update Report<br/> <b>Wales Audit Office Grants Report 2016/17</b><br/> <b>Wales Audit Office Annual Audit Plan 2017/18 CCS &amp; Pension Fund</b><br/> Overview of the Status of Risk Q3 2017/18 &amp; Update on Risk Register<br/> <b>Internal Audit Annual Plan Methodology 2018/19</b><br/> <b>Internal Audit Monitoring Report Quarter 3 2017/18</b><br/> Audit Committee Action Tracker Report</p>   |
| 10 April 2018                                     | <p><b>Election of Chair &amp; Vice Chair</b><br/> Policy Development &amp; Delivery Committee Update - Leader<br/> Wales Audit Office Update Report<br/> Risk/Performance/Governance Update<br/> <b>Internal Audit Charter 2018/19</b><br/> <b>Internal Audit Annual Plan 2018/19</b><br/> <b>Corporate Fraud Annual Plan 2018/19</b><br/> <b>Audit Committee Review of Performance 2017/18 (deferred to June 2018 meeting)</b><br/> <b>Draft Audit Committee Annual Report 2017/18 (deferred to July 2018 meeting)</b><br/> Audit Committee Action Tracker Report</p> |

*Note: Agenda items in **Bold** are standard agenda items that occur at set times throughout the financial year.*