



## City and County of Swansea

### Notice of Meeting

You are invited to attend a Meeting of the

## Audit Committee

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

**On:** Tuesday, 10 April 2018

**Time:** 2.00 pm

**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

Lay Member: P O'Connor

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### Agenda

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- |           |   |                |
|-----------|---|----------------|
| <b>1</b>  | <b>Election of Chair for the Remainder of the 2017/2018 Municipal Year.</b>   |                |
| <b>2</b>  | <b>Apologies for Absence.</b>   |                |
| <b>3</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>4</b>  | <b>Minutes.</b><br>To approve & sign the Minutes of the previous meeting(s) as a correct record.  | <b>1 - 7</b>   |
| <b>5</b>  | <b>Work of Policy Development &amp; Delivery Committees. (Verbal)</b>   |                |
| <b>6</b>  | <b>Head of Service Update for Moderate Assurance Reports. (Verbal)</b>  |                |
| <b>7</b>  | <b>PSIAS Peer Review Report. (For Information)</b>  | <b>8 - 15</b>  |
| <b>8</b>  | <b>Internal Audit Charter 2018/19.</b>  | <b>16 - 25</b> |
| <b>9</b>  | <b>Internal Audit Annual Plan 2018/19.</b>  | <b>26 - 40</b> |
| <b>10</b> | <b>Internal Audit Section - Fraud Function Anti-Fraud Plan for 2018/2019.</b>   | <b>41 - 63</b> |
| <b>11</b> | <b>Audit Committee Action Tracker Report. (For Information)</b>   | <b>64 - 73</b> |

**Next Meeting:** Tuesday 12 June 2018 – 2pm

*Huw Evans*

**Huw Evans**  
**Head of Democratic Services**  
**Tuesday, 3 April 2018**  

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**Contact: Democratic Services: - 636923**



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5 - Guildhall, Swansea

Thursday, 8 March 2018 at 10.00 am

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

**Councillor(s)**

C Anderson  
J W Jones  
T M White

**Councillor(s)**

L James  
S Pritchard

**Councillor(s)**

P K Jones  
L V Walton

**Lay Member**

P O'Connor

**Officer(s)**

Simon Cockings  
Huw Evans  
Jeremy Parkhouse  
Sandie Richards  
Richard Rowlands  
Ben Smith

Chief Auditor  
Head of Democratic Services  
Democratic Services Officer  
Principal Lawyer  
Strategic Delivery & Performance Manager.  
Head of Financial Services & Service Centre and Section  
151 Officer

**Also Present: -**

Geraint Norman      Wales Audit Office  
David Williams      Wales Audit Office

**60 Welcome - New Lay Member of Audit Committee.**

The Vice-Chair, on behalf of the Committee, welcomed Paula O'Connor, the newly appointed Lay Member of the Audit Committee to her first meeting.

**61 Disclosures of Personal and Prejudicial Interests.**

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

Councillor L James – Minute No.67 - Internal Audit Monitoring Report Quarter 3 2017/18 – L A Governor at Pennard Primary and Bishopston Comprehensive Schools – personal.

Councillor J W Jones – Minute No.63 - Wales Audit Office Grants Report 2016/17 and Minute No.64 - Wales Audit Office Audit Plan 2017/18 for City and County of Swansea and the Pension Fund – Member of Swansea Port Health Authority – personal.

Councillor T M White – Minute No. 64 - Wales Audit Office Audit Plan 2017/18 for City and County of Swansea and the Pension Fund and Minute No.67 - Internal Audit Monitoring Report Quarter 3 2017/18 – Member of the Local Pension Board, benefactor of the Local Government Pension Fund, Member of the Association of British Ports Authority and School Governor – personal.

Paula O'Connor – Agenda as a whole - Employee of Velindre NHS Trust – NWSSP – Providing Internal Audit Service as Head of Internal Audit to Abertawe Bro Morgannwg University Health Board – personal.

**62 Minutes.**

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

**63 Wales Audit Office Grants Report 2016/17.**

David Williams, Wales Audit Office (WAO) presented the Grants Report 2016/17.

It was summarised that the Authority had generally adequate arrangements in place for the production and submission of its 2016-2017 grants claims. It was added that there was scope for improvement and it was recognised that the co-ordination and management of the submission / audit process was well managed by the grant co-ordinator, Finance. The conclusion for 2016-17 was based on the following overall findings: -

- the Council worked closely with WAO to ensure that an accurate and up-to-date schedule of 2016-17 grants was in place throughout the year; and
- there was some scope to improve the Council's arrangements for managing grants in some service areas.

For 2016-17, WAO certified 12 grant claims, with a total value of £217,261,586. This was five claims less than in 2015-16 (£295,761,884). The Council submitted 75% of its 2016-17 grant claims on time. WAO confirmed that they had certified all of the claims, at a total audit cost of £53,985. Overall, the 2016-17 audits resulted in a reduction of £17,616 being claimable by the Council. Five of the Council's claims were qualified; which was in line with the Council's performance last year and in line with the national average.

The report provided details on timely receipt of claims, certification results, audit adjustments, the Authority's arrangements, WAO fees and a summary of the findings.

The Committee asked questions of the Wales Audit Office representatives, which were responded to accordingly. Discussions centred around the following: -

- 75% of claims received by the required deadline and room for improvement in the submission process;
- Data produced by First Cymru buses;

- Confidence in the Authority's control process to avoid potential significant issues in the future;
- Grants becoming available very late in the financial year and clawback;
- Management of Communities First funds and providing an audit trail;
- Potential increased risk due to the decrease in staff;
- Significant reduction in the Audit fee.

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

**64 Wales Audit Office Audit Plan 2017/18 for City and County of Swansea and the Pension Fund.**

Geraint Norman, Wales Audit Office (WAO) presented the 2018 Audit Plan which provided the proposed audit work, when it would be undertaken, how much it would cost and who would undertake it.

Appendix 1 set out the responsibilities of the Auditor in full and Exhibit 1 provided the three phases of the audit approach. The risks of material misstatements were provided at Exhibit 2, the performance work in last year's audit outline still in progress were set out in Appendix 2 and the proposed audit fee for this work was set out in Exhibit 6. Exhibit 5 summarised the more significant and/or recurring issues identified when undertaking grant certification work in 2016-17. The components of the performance audit work were shown in Exhibit 4 and the timetable of the proposed audits was provided at Exhibit 8.

An update on the progress of the Plan would be reported to the Committee.

The Committee discussed the following: -

- Management of data and potential areas of risk;
- Financial / Contract Procedure Rules;
- Management of Council General Reserves / amount of Reserves held by schools;
- The impact of possible Local Government Re-organisation in Wales;
- Delivery of the Well-being of Future Generations Act;
- Corporate Safeguarding Arrangements;
- Bring forward Assurance and Risk Assessment in the performance programme;
- Tackling Poverty Strategy;
- Role of the Public Service Board.

Geraint Norman, WAO also presented the 2018 Audit Plan for the City and County of Swansea Pension Fund.

The responsibilities of the Auditors, along with those of management and those charged with governance, were set out in Appendix 1. The audit approach consisted of three phases as set out in Exhibit 1. The risks of material misstatement which required audit consideration and the work plan was shown at Exhibit 2. The

estimated fee was provided at Exhibit 3 and was a reduced fee due to the efficiencies of the Council.

In addition to including the Pension Fund's financial statements in their main financial statements, administering authorities were required to publish a Pension Fund annual report, which must include the Pension Fund financial statements.

The Auditors were also required to read the Pension Fund annual report and consider whether the information it contained was consistent with the audited Pension Fund financial statements included in the Council's main financial statements.

The Auditors were also required to issue an audit statement confirming the consistency of the financial statements included in the annual report with the audited Pension Fund financial statements. The timetable of works was provided at Exhibit 5.

The Committee discussed the following: -

- Auditors seeking absolute assurance;
- Scrutiny role of the Local Pension Board;
- Well-being of Future Generations Act, the ethical use of investment and the sustainability of the Pension Fund going forward.

Resolved that the Audit Plan 2017/18 and the City & County of Swansea Pension Fund be noted.

## **65 Overview of the Status of Risk Quarter 3 2017/18 and Update on Risk Register Access.**

The Strategic Delivery and Performance Manager presented a report which provided an overview of the status of risk in the Council. This provided assurance to the Committee on the effectiveness of the risk management policy and framework and its operation within the Council.

The report covered the Quarter 3 2017/18 period and compared a snapshot of the Council's risk registers taken at 03/10/17 with another snapshot taken on 28/12/17. Details were provided at Appendix A.

It was added that a review of risk and the Council's risk registers was underway following the approval of a new risk policy and framework by Cabinet on 17 August 2017 and the publication of the Corporate Plan 2017/22. It was also confirmed that following the meeting, Committee Members would also have direct access to the Corporate Risk Register.

The Committee discussed the following: -

- The delay in Committee Members having direct access to the Risk Register;
- The need to establish / improve / record audit trails / reasons for making changes to risks;

- Regularly reviewing and managing risks;
- The impact of the risks being made available to Committee Members and considerations / protocols when discussing risks at committee.

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

## **66 Internal Audit Annual Plan Methodology Report 2018/19.**

The Chief Auditor presented the report which provided 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 April 2018.

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

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

The Committee highlighted the reduction in Audit Section staff members and questioned their capacity to deal with potential high volume areas of work. The Chief Auditor explained that work would be prioritised accordingly, dependent upon the risk and new methods of working would be introduced such as providing questionnaires.

The Section 151 Officer stated that the Council had agreed the budget for 2018-2019 and significant cuts were expected within the Resources Department. Internal Audit were part of the Department and some very difficult decisions had to be made. He added that any reductions had to be reasonable and balanced.

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

## **67 Internal Audit Monitoring Report Quarter 3 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 October 2017 to 31 December 2017.

It was reported that the Internal Audit Section had 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 stood at 117 days against a projected annual budget of 80 days.

A total of 34 audits were finalised during Quarter 3. The audits finalised were provided at Appendix 1, which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. 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%. It was noted that there were 6 moderate reports and some included repeat offenders.

Details of classifications and grants audited were also provided.

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

Details of additional work done by Internal Audit and follow-ups completed between 1 October 2017 to 31 December 2017 were also provided.

The Committee discussed the following: -

- Dealing with repeat offenders and comparing what happens in other organisations;
- Taxi framework contracts;
- Computer audits.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The Head of Service / Manager be instructed to attend the following Audit Committee when moderate level audits are reported;
- 3) The Chief Auditor informs all Heads of Service and Directors of the change in procedures;
- 4) The appropriate Cabinet Member be informed when a moderate level audit report is issued.
- 5) An e-mail be forwarded to all Committee members confirming the change in procedure following publication of the Minutes.

## **68 Audit Committee Action Tracker Report. (For Information)**

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

The Chief Auditor stated that the Contract Procedure Rules (CPR) were currently being reviewed by Procurement. The review would be finalised in April 2018 and the amended version would be available for schools to use from September 2018.

Members requested that the amended CPR be forwarded to all school governing bodies to make them aware of the changes.

**Resolved** that: -

- 1) The amended Contract Procedure Rules be forwarded to all school governing bodies in order to make them aware of the changes;



- 2) It be requested that the amended Contract Procedure Rules be placed on the agendas of school Finance & Building / Property Committee's.

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

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

The meeting ended at 12.35 pm

**Chair**



## Report of the Chief Auditor

Audit Committee – 10 April 2018

### Audit Committee – PSIAS Peer Review Report

<b>Purpose:</b>	This report details the outcome of the peer review that has recently been completed to assess Internal Audit's compliance with the Public Sector Internal Audit Standards.
<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
<b>For Information</b>	

#### 1. Introduction

- 1.1 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity. This is intended to assist in raising standards across the public sector.
- 1.2 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 1.3 As previously reported to Audit Committee, the preferred method adopted in Swansea for the external assessment was a self-assessment review subject to an external validation using the peer review group established by the Welsh Chief Auditors Group.
- 1.4 As part of the peer group allocation process, the Cardiff Council was tasked with undertaking the City and County of Swansea's external validation. In

order to facilitate the external review, the Principal Auditor from Cardiff Council was provided with all of the self-assessment information and associated documents/evidence in quarter 3 of 2017/18 with the external validation visits being completed in quarter 4.

- 1.5 The results of the peer review assessment and external validation process can be found in Appendix 1 in the form of the final assessment report that has been prepared by the visiting Principal Auditor from Cardiff Council.
- 1.6 In summary, the peer review has concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS and Cipfa Application Note with no significant deviations from the Standards being noted.
- 1.7 Whilst no significant deviations from the Standards were noted, some areas for improvement were highlighted as part of the review. These take the form of recommendations R1 to R6 in the report in Appendix 1. The Management Action Plan in Appendix 2 provides details of how these recommendations will be addressed.

## **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 Provision of an adequate and effective internal audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2005 as amended. For local government in Wales, the PSIAS is mandatory for all principal local authorities. An effective internal audit service also ensures that the Well-being goals within the Well-being of Future Generations Act Wales (2015) are being met.

**Background Papers:** None

**Appendix 1 – PSIAS Compliance Review Report (Cardiff Council)**

**Appendix 2 – PSIAS Peer Review Action Plan 2017/18**

<b>AUDIT TITLE:</b>	<b>PSIAS COMPLIANCE REVIEW – CITY AND COUNTY OF SWANSEA</b>
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**1. INTRODUCTION**

1.1 An effective, objective and independent internal audit service (IAS) is the cornerstone of good governance in all public sector bodies. Internal audit plays a pivotal role in providing assurance to officers and members that the system of internal control within their organisation is operating effectively and to recommend how that system of internal control can be strengthened.

**2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

2.1 From 1 April 2013, a new set of internal audit standards for the public sector, the 'Public Sector Internal Audit Standards' (PSIAS) have been in effect. The PSIAS adopt the principle requirements of the Institute of Internal Auditors Professional Practices Framework and adapt these to ensure they are relevant and appropriate for the UK public sector. The PSIAS were updated and re-issued in 2017.

2.2 The overall objective of the PSIAS is to provide a high-level, overarching framework applicable to all of the public sector. In summary, the Standards:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

**3. LOCAL GOVERNMENT APPLICATION NOTE**

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recognised the potential significance of the changes resulting from the adoption of the PSIAS and has provided guidance to internal auditors in the form of an Application Note. The Application Note and PSIAS combined constitute 'proper practices' in internal control as set out in the Accounts and Audit Regulations.

**4. EXTERNAL ASSESSMENT**

4.1 The PSIAS and Application Note require that every local government Internal Audit Service be subject to an external assessment of its work against the requirements of the standards, regardless of whether the Internal Audit Service is provided by an in-house or external team. This assessment is required to be carried out at least once every five years. Swansea Council has opted to take part in a peer review process whereby the Chief Audit Executive has undertaken a self-assessment in accordance with the PSIAS and submitted it, together with supporting evidence, to the Head of Finance at Cardiff Council for validation.

4.2 The review of these documents by Cardiff Council was undertaken in December 2017. Meetings were also held with various officers within Swansea Council.

**5. CONCLUSION**

5.1 The self-assessment undertaken by the Chief Audit Executive is considered to be comprehensive, with detailed notes and comments. All documentary evidence requested was provided, and the details within these documents correlated to the comments made within the self-assessment.

- 5.2 The review of the self-assessment, documentary evidence and discussions with officers within Internal Audit have identified some additional points that should be considered further; none are considered to be significant deviations from the PSIAS. Therefore, the overall conclusion of the review is that the Internal Audit Service of Swansea Council is broadly compliant with the requirements of the PSIAS and CIPFA Application Note, with some areas for improvement. There are no significant deviations from the Standards.
- 5.3 The issues that need to be addressed to ensure full compliance with the PSIAS and Application Note are set out in the paragraphs below and the action plan attached in Appendix A. In respect of the issues identified in the self-assessment and action plan, the Chief Audit Executive has agreed to present the findings and action plan to Audit Committee for consideration.

## FINDINGS

1. A self-assessment review of conformance against the requirements of the PSIAS and CIPFA Application Note was undertaken by the service in 2017/18. Of the 334 best practice lines in the self-assessment, 315 were considered to be fully in place (94%). The improvement actions for partial / non-compliance have been reported to Audit Committee. The Chief Audit Executive considers that none of these areas is of a high priority and a significant deviation from the Standards, and this interpretation is agreed.
2. From examination of the Audit Committee minutes for 14.03.17, the audit plan for 2017/18 was developed using information from a number of sources:
  - Corporate plan and One Swansea plan;
  - Reports to Cabinet, Scrutiny and Council;
  - Risk registers;
  - Other sources of assurance from both internal and external sources;
  - Any recent or proposed significant changes to the Council's systems or operations; and
  - Previous audit results and Internal Audit's cumulative knowledge of systems and procedures across the Council.
3. The report also specifies that an Audit Needs Assessment is completed utilising the risk assessment undertaken for each audit, using categories such as materiality, control environment, management concerns and sensitivity. The outcome of this is a risk index, which is used to determine the frequency of audit visits.
4. Conflicts of interest would prejudice an auditor's ability to perform his or her duties objectively. The self-assessment indicates that all staff sign an annual declaration confirming that they have read, and will comply with, the PSIAS Code of Ethics. Examination of the Charter for 2017/18 indicated that it does not explicitly document arrangements for declaration of interests, although it does state (at para. 5.6) that *"All Internal Audit staff are required to declare any conflicts of interest, of whatever kind, which may impair their ability to demonstrate an impartial, unbiased and objective approach to their work."*
5. Should a potential conflict of interest be reported by a member of the Internal Audit Section, then the Audit Charter should provide detail in respect of how this will be managed. The Audit Charter does not currently document the arrangements in place.

6. An integral part of the Quality Assurance and Improvement Programme is the internal assessment of Internal Audit. The QAIP for 2016/17 was reviewed, and it shows that a number of systems and procedures have been established to support the internal assessment. These include a comprehensive set of performance indicators. Discussions with the Principal Auditor showed that the performance of the team is monitored and performance indicators shared with team members on an individual basis. However, it is clear from the answers to the self-assessment and discussions with officers that personal reviews are not carried out regularly.
7. Discussions with the Chief Audit Executive regarding the running of the Council's Audit Committee identified that he provides secretarial support for the Audit Committee. At the moment, it would appear that he undertakes much of the support that would normally be expected to be provided by the Council's Democratic Services officers.
8. In addition, the Chief Audit Executive is responsible for the compilation of the entire Annual Governance Statement, rather than providing information to aid in its compilation.

- R1 A risk-based approach in the form of an assurance mapping exercise should be carried out to inform the planning process and identify other sources of assurance.**
- R2 The Audit Charter should be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually.**
- R3 The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff i.e. they are taken into account when allocating individual workloads to auditors.**
- R4 Regular (in line with Council appraisal policy) performance reviews of the Chief Audit Executive and auditors must be carried out in order to assess skills and competencies and identify any training needs.**
- R5 In order to avoid any perceived lack of independence in the running of the Audit Committee, all secretarial services should be provided by officers from Democratic Services, albeit with the Chief Audit Executive inputting relevant experience, knowledge and advice, and attending to present reports on the Internal Audit function.**
- R6 For the avoidance of any perceived conflicts of interest or lack of independence, responsibility for the preparation of the Annual Governance Statement should lie with an officer outside Internal Audit with overall responsibility for performance, risk and governance.**

**CITY AND COUNTY OF SWANSEA  
MANAGEMENT ACTION PLAN  
PSIAS PEER REVIEW RECOMMENDATIONS 2017/18**

<b>REPORT REF</b>	<b>RECOMMENDATION</b>	<b>CLASS (HR; MR; LR; GP)</b>	<b>AGREED ACTION/ COMMENTS</b>	<b>RESPONSIBILITY FOR IMPLEMENTATION</b>	<b>IMPLEMENTATION DATE</b>
R1	A risk-based approach in the form of an assurance mapping exercise should be carried out to inform the planning process and identify other sources of assurance.	GP	Agreed. However, due to the timing of the peer review report, we were unable to undertake an assurance mapping exercise to inform the 2018/19 planning process. This exercise will therefore be undertaken when considering the plan for 2019/20.	Chief Audit Executive	31/12/18
R2	The Audit Charter should be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually.	GP	Agreed. The Audit Charter for 2018/19 has been updated to reflect this.	Chief Audit Executive	Implemented
R3	The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff i.e. they are taken into account when allocating individual workloads to auditors.	GP	Agreed. The Audit Charter for 2018/19 has been updated to reflect this.	Chief Audit Executive	Implemented

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
R4	Regular (in line with Council appraisal policy) performance reviews of the Chief Audit Executive and auditors must be carried out in order to assess skills and competencies and identify any training needs.	LR	Agreed. Appraisals will be carried out in line with the Council's appraisal policy as required in order to address any competency issues and to identify any training/development opportunities.	Head of Financial Services & Service Centre, Chief Audit Executive and Principal Auditor.	30/09/18
Page 14 R5	In order to avoid any perceived lack of independence in the running of the Audit Committee, all secretarial services should be provided by officers from Democratic Services, albeit with the Chief Audit Executive inputting relevant experience, knowledge and advice, and attending to present reports on the Internal Audit function.	LR	Agreed. All secretarial services will be provided by the Democratic Services Team going forward, subject to experience, knowledge and advice being provided by the Chief Audit Executive, who will primarily attend Audit Committee to present relevant reports.	Chief Audit Executive, Democratic Services Manager.	01/04/18



REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
R6	For the avoidance of any perceived conflicts of interest or lack of independence, responsibility for the preparation of the Annual Governance Statement should lie with an officer outside Internal Audit with overall responsibility for performance, risk and governance.	LR	Agreed. As agreed by the Corporate Management Team on 14/03/18, the Annual Governance Statement will no longer be compiled by the Chief Audit Executive. The Chief Auditors Annual Opinion will continue to form part of the Governance Statement as required.	Senior Officer of the Authority as decided by the Director of Resources and wider CMT.	01/04/18



## Report of the Chief Auditor

Audit Committee – 10 April 2018

### Internal Audit Charter 2018/19

<b>Purpose:</b>	This report outlines the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1 <sup>st</sup> April 2013 and presents an Internal Audit Charter for approval by the Committee.
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	There is a requirement under the PSIAS for every internal audit provider to have an Internal Audit Charter which must be approved by the Audit Committee
<b>Consultation:</b>	Corporate Management Team, Legal, Finance, Access to Services
<b>Recommendation(s):</b>	It is recommended that the Committee approve the Internal Audit Charter 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) came into force on 1<sup>st</sup> April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government.

- 1.2 The PSIAS were developed by CIPFA and the Chartered Institute of Internal Auditors (CIIA) and are mandatory for all providers of internal audit services in the public sector.
- 1.3 The standards are based on the mandatory elements of the global CIIA's International Professional Performance Framework with additional requirements to reflect the UK public sector.
- 1.4 The objective of the PSIAS are to:
  - Define the nature of internal auditing within the UK public sector
  - Set basic principles for carrying out internal audit in the UK public sector
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations
  - Establish the basis for the evaluation of internal audit performance and to drive improvement planning
- 1.5 The PSIAS were reviewed in 2015 and now consist of the following
  - Mission of Internal Audit
  - Definition of Internal Audit
  - Core Principles for the Professional Practice of Internal Auditing
  - Code of Ethics
  - International Standards for the Professional Practice of Internal Auditing

## **2. Internal Audit Charter**

- 2.1 One of the requirements of the PSIAS is that every internal audit provider in the UK public sector whether in-house, shared service or outsourced must have an Internal Audit Charter.
- 2.2 The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The guidance produced by CIPFA on implementing the PSIAS states that the Charter should:
  - Recognise the mandatory nature of the PSIAS (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing)
  - Define the scope of internal audit activities
  - Establish the responsibilities and objectives of internal audit
  - Recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls
  - Define the terms 'board' and 'senior management' for the purposes of the internal audit activity

- Establish the organisational independence of internal audit
- Establish the accountability, reporting lines and relationships between the chief audit executive (Chief Auditor) and
  - The board (Audit Committee)
  - Those to whom the Chief Auditor must report functionally
  - Those to whom the Chief Auditor may report administratively
- Set out the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of the paid service) with regards to internal audit.
- Define the role of internal audit in any fraud-related work
- Set out the arrangements that exist within the organisation's anti-fraud and anti-corruption policies, requiring the Chief Auditor to be notified of all suspected or detected fraud, corruption or impropriety, to inform his or her annual internal audit opinion and the risk-based plan
- Establish internal audit's right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities
- Cover the arrangements for appropriate resourcing
- Include arrangement for avoiding conflicts of interest if internal audit undertakes non-audit activities.

2.3 The Chief Auditor is required to review the Internal Audit Charter periodically and present it to the Corporate Management Team and Audit Committee for approval. The PSIAS state that final approval of the Internal Audit Charter resides with the Audit Committee.

2.4 The Internal Audit Charter for the City and County of Swansea's Internal Audit Section has been reviewed with the changes shown as tracked changes in Appendix 1.

2.5 The Charter was approved by the Executive Board on the 14<sup>th</sup> March 2018 and is now reported to the Audit Committee for approval.

### **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 Provision of an adequate and effective internal audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2005 as amended. For local government in Wales, the PSIAS is mandatory for all principal local authorities. An effective internal audit service also ensures that the Well-being Goals within the Well-being of Future Generations Act Wales (2015) are being met.

**Background Papers:** None

**Appendices:** Appendix 1 City and County of Swansea – Internal Audit Charter 2018/19

**CITY AND COUNTY OF SWANSEA**

**INTERNAL AUDIT CHARTER**

**2018/19**

**1. Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into force on 1<sup>st</sup> April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government.
- 1.2 The PSIAS were adopted by the Relevant Internal Audit Standard Setters which is made up of 7 organisations including CIPFA and the Welsh Government.
- 1.3 The PSIAS were developed by CIPFA and the Chartered Institute of Internal Auditors (CIIA) and are mandatory for all providers of internal audit services in the public sector.
- 1.4 The PSIAS consist of the following:
  - Mission of Internal Audit.
  - Definition of Internal Audit.
  - Core Principles for the Professional Practice of Internal Audit
  - Code of Ethics.
  - International Standards for the Professional Practice of Internal Auditing.
- 1.5 One of the requirements of the PSIAS is that each internal audit provider must have an Internal Audit Charter which is a formal document that:
  - Defines the purpose, authority and responsibility for internal audit.
  - Establishes the internal audit activity's position within the organisation.
  - Authorises access to records, personnel and physical assets.
  - Defines the scope of internal audit activities.
  - Defines the nature of assurance and consulting activities.
- 1.6 The Internal Audit Charter must be reviewed periodically by the Chief Auditor and presented to the Corporate Management Team and Audit Committee for approval. Responsibility for the final approval of the Internal Audit Charter lies with the Audit Committee.

## 2. Definition of Internal Audit

2.1 The statutory nature of Internal Audit is established by the following legislation:

- Section 151 of the Local Government Act 1972 which states that local authorities are required to make arrangements for the proper administration of its financial affairs and shall ensure that one of its officers has responsibility for the administration of those affairs. In Swansea, the Section 151 Officer is the Head of Financial Services & Service Centre.
- The Accounts and Audit (Wales) Regulations 2014 state that '*a larger relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*'. The 2014 Regulations also say that '*a larger relevant body must, at least once a year, conduct a review of the effectiveness of its internal audit*'.

2.2 Against this statutory background, the PSIAS provides the following definition of internal audit:

- '*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.*
- '*It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*'.

2.3 The Mission of Internal Audit as outlined in the latest version of the Standards is as follows:

*'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'*.

2.4 The Core Principles of Internal Auditing are as shown below. The Standards state that failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission.

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives and the risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive and future-focused.
- Promotes organisational improvement.

- 2.5 The PSIAS also includes a Code of Ethics which all internal audit staff are required to comply with. The principles which underpin the Code of Ethics are integrity, objectivity, confidentiality and competency.
- 2.6 Internal auditors are also expected to adhere to the requirements of any professional body that they are members of as well as the Council's Officers' Code of Conduct.
- 2.7 A number of generic terms are used throughout the PSIAS which must be defined in the Internal Audit Charter. The terms and how they are interpreted in Swansea are shown in the following table

<b>PSIAS</b>	<b>City &amp; County Swansea</b>
Chief Audit Executive	Chief Auditor
Senior Management	Corporate Management Team
Board	Audit Committee

### **3. Role and Function of Internal Audit**

- 3.1 A professional, independent and objective Internal Audit service is one of the key elements of good governance in local government with the foundation of an effective Internal Audit service being compliance with standards and proper practices.
- 3.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives.
- 3.3 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.4 It is management's responsibility to establish and maintain a sound control environment including risk management, internal control processes, accounting records and governance arrangements.
- 3.5 It is Internal Audit's role to review the established systems and advise management that suitable arrangements are in place and are operating properly. It is particularly important that the work of Internal Audit adds value to the services under review.
- 3.6 Internal Audit will work with management to improve the control environment and assist the Council in achieving its objectives.
- 3.7 The role undertaken by Internal Audit and the annual opinion on the control environment provided by the Chief Auditor which also informs the Council's Annual Governance Statement provides a vital assurance function over the Council's activities.



#### **4. Scope of Internal Audit**

- 4.1 The definition of Internal Audit established by the PSIAS covers the control environment of the Council as a whole.
- 4.2 This means that the scope of Internal Audit similarly covers the Council's operations as a whole and is not limited to the review of financial systems.
- 4.3 Financial Procedure Rule 12 – Internal Audit states that the Chief Auditor will maintain an adequate and effective Internal Audit service and provides authority to:
- Enter at all reasonable times on any Council premises or land.
  - Have access to, and removal if necessary into custody of, all records, documents and correspondence relating to any financial or other transaction of the Council.
  - Require and receive such explanations as are necessary concerning any matter under examination.
  - Require any employee of the Council to produce on demand cash, stores or any other Council property under his/her control.

#### **5 Independence of Internal Audit**

- 5.1 It is essential that Internal Audit is independent of the services it reviews and reports upon. Internal Audit must be seen to be independent and all staff must be free of any restrictions which prevent them acting in an independent and objective manner.
- 5.2 The Internal Audit Section is part of the Corporate Services Directorate reporting to the Head of Financial Services & Service Centre.
- 5.3 The Chief Auditor has no other management responsibilities which restrict the independence of Internal Audit.
- 5.4 The Chief Auditor also has unrestricted access to the Chief Executive, Directors, Chief Officers and Heads of Service and may report to any level of management if this is considered necessary. Regular meetings are also held with the Council's external auditor.
- 5.5 The Chief Auditor reports functionally to the Audit Committee in his own name and has unrestricted access to the Chair of the Audit Committee and elected members. The Chief Auditor attends all Audit Committee meetings and contributes to the agenda.
- 5.6 All Internal Audit staff are required to declare any conflicts of interest, of whatever kind, which may impair their ability to demonstrate an impartial, unbiased and objective approach to their work.

## **6 Consultancy Role of Internal Audit**

- 6.1 In addition to the assurance function provided by Internal Audit, there are also occasions where it may also provide a consultancy or advisory role e.g. providing training or advice on controls for systems under development.
- 6.2 On such occasions, Internal Audit is providing advice and guidance and is not giving assurance. Where this occurs, Internal Audit always retains the right to review the service at a later date and make further recommendations.
- 6.3 Should a request be received for consultancy work of a significant nature which is not included in the annual plan, the work will not be accepted if it will restrict the ability to complete the required assurance work and deliver the annual internal audit opinion.

## **7 Fraud, Bribery and Corruption Role of Internal Audit**

- 7.1 The establishment of systems and controls to prevent fraud, bribery and corruption is the responsibility of management.
- 7.2 Internal Audit will be aware of the risk of loss by fraud, bribery or corruption in all audit reviews undertaken and will report any exposure to the risk of loss.
- 7.3 Financial Procedure Rule 12 – Internal Audit requires any responsible officer who suspects financial irregularity to inform the Head of Financial Services & Service Centre immediately and to provide facilities for investigation in accordance with the Council's Anti-Fraud and Corruption Policy.
- 7.4 The details of any suspected or detected frauds will be considered when preparing the risk based Internal Audit Plan and will also inform the Chief Auditor's annual internal audit opinion.
- 7.5 The Council established a Corporate Fraud function with effect from 1<sup>st</sup> June 2015 based in the Internal Audit Section.
- 7.6 The function is responsible for raising the profile of fraud awareness and promoting an anti-fraud and corruption culture across the Council. Where appropriate the Corporate Fraud Investigators undertake or assist management in the investigation of suspected cases of fraud, corruption or bribery.

## **8 Internal Audit Resources**

- 8.1 Internal Audit should be appropriately resourced to meet its objectives in terms of the number of staff, grades, qualifications, personal attributes and experience.

- 8.2 The PSIAS require the Chief Auditor to be professionally qualified and suitably experienced.
- 8.3 Risk assessment methodology is used to identify the level of audit coverage required to provide the annual internal audit opinion on the control environment.
- 8.4 A risk based annual Internal Audit Plan is produced which matches the required audit coverage to the available resources. The plan is approved by the Audit Committee and the Chief Auditor is required to bring to the attention of the Committee the potential consequences of any shortfall in resources which may impact on the provision of the annual opinion.
- 8.5 The annual plan will be constantly reviewed during the year in response to any changes e.g. vacancies, new risks, frauds and special investigations.
- 8.6 Quarterly reports showing progress made against the annual plan and identifying any required changes to the plan will be presented to the Audit Committee.

## **9 Quality Assurance and Improvement Programme**

- 9.1 To ensure compliance with the PSIAS, the Chief Auditor must put in place a Quality Assurance and Improvement Programme (QAIP).
- 9.2 The QAIP must include both internal and external assessments of Internal Audit.
- 9.3 The internal assessment includes the ongoing supervision and review of work produced by Internal Audit staff as well as performance against targets and client feedback for each audit completed.
- 9.4 A periodic, internal self-assessment must also be undertaken to confirm compliance with the PSIAS.
- 9.5 The PSIAS also require an external assessment at least once every 5 years. The external assessment may either be a full assessment by a suitably qualified external assessor or a self-assessment with independent external validation.
- 9.6 The results of the QAIP must be included in the Chief Auditor's annual report to the Audit Committee. The report must highlight any areas of non-conformance with any significant areas of non-conformance being included in the Annual Governance Statement.



## Report of the Chief Auditor

Audit Committee – 10 April 2018

### Internal Audit Annual Plan 2018/19

<b>Purpose:</b>	This report presents the Internal Audit Annual Plan and Internal Audit Strategy for 2018/19 to the Audit Committee for approval.
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss and approve the Internal Audit Annual Plan and Strategy for 2018/19.
<b>Consultation:</b>	Corporate Management Team, Legal, Finance, Access to Services.
<b>Recommendation(s):</b>	It is recommended that the Audit Committee approves the Internal Audit Plan and Strategy for 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) require a risk-based Internal Audit Plan is prepared each year to determine the priorities of Internal Audit and ensure they are consistent with the Council's goals and objectives
- 1.2 The Audit Plan must provide sufficient coverage across the whole of the Council's activities to allow the Chief Auditor to be able to give an

opinion on the control environment including governance, risk management and internal control. The annual Internal Audit opinion which is delivered to the Section 151 Officer and the Audit Committee is a key input into the Council's Annual Governance Statement.

- 1.3 The PSIAS also require the Audit Plan to be linked to a high-level Audit Strategy which shows how the internal audit service will be delivered, how it will be developed in accordance with the Internal Audit Charter and how it links to the Council's objectives and priorities
- 1.4 The methodology used to prepare the Audit Plan was reported to the Committee at the meeting on 8<sup>th</sup> March 2018.
- 1.5 This report presents the Internal Audit Annual Plan and Strategy 2018/19 to Committee for approval.

## **2. Internal Audit Annual Plan 2018/19**

- 2.1 A risk-based Internal Audit Annual Plan is produced each year which is used to guide the work of the Internal Audit Section and ensure sufficient coverage of the Council to allow the Chief Auditor to deliver the annual opinion on the internal control environment as well as providing assurance to management, the Section 151 Officer and the Audit Committee.
- 2.2 The Internal Audit Annual Plan must incorporate or be linked to a strategic or high-level statement of how the work of Internal Audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the Council's goals and objectives. The Internal Audit Strategy 2018/19 is attached in Appendix 1.
- 2.3 For 2018/19, the Internal Audit Section is made up of 9.1 full time equivalents plus the Chief Auditor which is a reduction of 0.4 of a post compared to 2017/18. This gives a total number of available days of 2,366 i.e. a reduction of 104 days.
- 2.4 The reduction of 0.4 of a post has arisen as a result of one of the Auditors being granted flexible retirement in early 2017/18 by the then Section 151 Officer (Director). It should also be noted that the Internal Audit Section was subject to a restructure in 2016/17 as a result of the previous Chief Auditor being granted early retirement. This resulted in the Group Auditor being appointed as the Chief Auditor, with the Group Auditor post being deleted to create a saving of 1 post, resulting in the loss of 260 days in 2016/17. To allow for the day to day management of the Section, a Principal Auditor post was created, with one of the Senior Auditors being appointed in late 2016/17.
- 2.5 A summary of the Internal Audit Plan 2018/19 is shown in Appendix 2 and a list of audits planned for the year is shown in Appendix 3 along

with the number of days planned for each audit as well as the perceived risk of each audit arising from the risk assessment process.

- 2.6 The reduction in the total number of days available due to the reduction of 0.4 of a post can be seen in Appendix 2.
- 2.7 The Internal Audit Plan 2018/19 accommodates any audits which were deferred from the 2017/18 Plan where the risk justifies their inclusion.
- 2.8 The Plan includes time for all fundamental audits due in the year i.e. those systems that are so significant to the achievement of the Council's objectives that they are audited annually or every 2 years e.g. Payroll, Accounts Receivable, Pensions.
- 2.9 The Audit Plan has been reconciled to the available resources of 2,366 days by deferring around 600 days of audits due in 2018/19. The basis for deciding which audits to defer has been risk based with audits being classed as low risk and audits which received a high level of assurance at the last audit being deferred.
- 2.10 There are no low risk audits in the Audit Plan for 2018/19, as was the case in 2017/18, and going forward it is felt that one of the ways of balancing reducing resources with ever increasing demand is not to audit any services where the risk assessment has scored them as low risk. However, there would need to be an annual review of the low risk audits to ensure that nothing had happened to change the risk assessment outcome and increase the low risk status.
- 2.11 Continued use of self-assessment questionnaires is proposed in 2018/19. A self-assessment questionnaire was successfully implemented for the audit of primary schools in 2016/17 which has led to a reduction in the time required for each audit. This approach was also extended to the audit of branch libraries and school kitchens in 2017/18.
- 2.12 As in previous years, progress made by the Internal Audit Section in achieving the Audit Plan will be reported to the Audit Committee on a quarterly basis.
- 2.13 It is the view of the Chief Auditor that the proposed Internal Audit Plan 2018/19 will provide sufficient audit coverage for the annual opinion on the control environment to be delivered to Council via the Section 151 Officer and Audit Committee.

### **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 Provision of an adequate and effective internal audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2005 as amended. For local government in Wales, the PSIAS is mandatory for all principal local authorities. An effective internal audit service also ensures that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are being met.

**Background Papers:** Internal Audit Plan 2018/19

**Appendices:** Appendix 1 Internal Audit Strategy 2018/19  
Appendix 2 Internal Audit Annual Plan 2018/19 – Summary  
Appendix 3 Internal Audit Annual Plan 2018/19

## City and County of Swansea

### Internal Audit Strategy 2018/19

#### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirements for the Chief Auditor to prepare a risk-based Audit Plan to determine the priorities of Internal Audit, consistent with the Council's goals and objectives.
- 1.2 The Chief Auditor must review and adjust the Plan, as necessary, in response to changes in the Council's business, risks, operations and priorities.
- 1.3 The Audit Plan must incorporate or be linked to a strategic or high-level statement of how Internal Audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the Council's objectives and priorities. This Internal Audit Strategy provides the strategic, high-level statement.
- 1.4 The Internal Audit Strategy must be reviewed and updated on an annual basis as part of the audit planning process. The purpose of the Internal Audit Strategy and Plan is to:
  - Provide independent and objective overall assurance to the Council and senior management on the adequacy and effectiveness of the control environment including internal control, risk management and governance and to make appropriate recommendations for improvement.
  - Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of audit resources.
  - Add value and support senior management in providing effective control and identifying opportunities for improving value for money.
  - Support the Section 151 Officer in fulfilling the statutory financial responsibilities.
  - Deliver an Internal Audit service that meets the requirements of the Accounts and Audit Regulations and complies with the PSIAS.
  - Optimise the use of audit resources available and provide an effective service.

#### 2. Internal Audit Objectives

- 2.1 The PSIAS provides the following definition of internal audit

*'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.'*



*It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*

- 2.2 The primary purpose of the Internal Audit Section is to provide assurance services which requires the Chief Auditor to provide an annual internal audit opinion based on an objective assessment of the control environment comprising governance, risk management and internal control.
- 2.3 Internal Audit also provides advisory or consulting services which are generally performed at the specific request of management with the aim of improving the control environment and providing advice on proposed changes and improvements.
- 2.4 Collectively the assurance and consultancy work undertaken by the Internal Audit Section must provide added value and improve the operations of the Council to comply with the definition of internal audit.

### **3. Internal Audit Resources 2018/19**

- 3.1 The Internal Audit Section will contain 9.1 full time equivalents in 2018/19 plus the Chief Auditor which is a reduction of 0.4 FTE compared to 2017/18 as a contribution to the overall savings requirement of the Corporate Services Directorate.
- 3.2 The total number of days available is 2,366 and after allowing for non-productive days such as holidays, management and sickness gives 1,516 productive days available which includes contingency of 64 days.
- 3.3 It is the Chief Auditor's view that there are sufficient skills, expertise and experience within the Section to provide the full range of audit reviews included in the Internal Audit Annual Plan 2018/19.
- 3.4 The Corporate Fraud Function is also managed by the Chief Auditor and includes two members of staff who are subject to a separate Corporate Fraud Plan. Inevitably there are many links and cross overs between the work of Internal Audit and Corporate Fraud.

### **4. Assurance Services**

- 4.1 A risk-based Internal Audit Plan is prepared annually and is subject to continual review throughout the year. The Plan will be adjusted as necessary in response to changes in the Council's business, risks, operations, programmes, systems and controls.
- 4.2 The Internal Audit Plan will be discussed with the Corporate Management Team and approved by the Audit Committee. Any significant changes to the annual plan identified during the year will be reported to the Audit Committee for approval.

- 4.3 The Audit Plan details the specific services, systems or establishments to be reviewed in the year. All audits will be performed with the aim of reviewing and evaluating the risk management, internal control and governance arrangements in place, in particular how those elements help achieve the Council's objectives.
- 4.4 A lead auditor is appointed for each audit review in the Plan to assist in developing the scope of the audit and ensure there is appropriate focus on the key perceived risks, providing assurance and maximising added value. An Audit Brief is prepared for each audit and agreed with management to ensure that the scope, objectives and approach are understood and agreed.
- 4.5 A draft report in a standard format is issued to the appropriate level of management to give them the opportunity to confirm the factual accuracy of the audit findings. The primary purpose of the audit report is to provide an independent and objective opinion on the framework of internal control, risk management and governance in operation and to stimulate improvement.
- 4.6 Each audit will be given a Level of Assurance based on the findings of the audit. The Level of Assurance will be High, Substantial, Moderate or Limited.
- 4.7 The draft report will also include Management Action Plan containing recommendations to overcome any control weaknesses or areas of concern. Each recommendation will be classified according to risk and will be High, Medium, Low or Good Practice.
- 4.8 Service management will complete the Action Plan showing their response to each recommendation including the officer responsible for implementing the recommendation and the agreed implementation date.
- 4.9 Following the agreement of the draft report, a final report is issued to the service management and copied to the Head of Service. In the case of schools, the final report is issued to the Chief Education Officer, Headteacher and Chair of the Governing Body with a request that the full report is presented to the next meeting of the full Governing Body.
- 4.10 Where there has been a disagreement over the audits findings or the perceived risk of the recommendation, this will be recorded in the Action Plan to bring it to the attention of the Head of Service. If the Chief Auditor feels that the risk arising from not implementing the recommendation is significant then this will be brought to the attention of the Section 151 Officer and the Audit Committee.
- 4.11 Any audit that receives a Moderate or Limited Level of Assurance is reported to the appropriate Directorate Performance and Financial Monitoring (PFM) meeting to ensure that the Corporate Director and

Head of Service can monitor progress in implementing the agreed recommendations. A summary of the issues which led to the Moderate or Limited Level of Assurance is also reported to the Audit Committee in the quarterly Monitoring Reports.

4.12 The outcome of each audit, in particular the Level of Assurance is used by the Chief Auditor in preparing the annual opinion on the control environment which is reported to the Section 151 Officer and Audit Committee in the Internal Audit Annual Report. The annual opinion provides significant input into the Council's Annual Governance Statement.

## **5. Consultancy Services**

5.1 In addition to assurances services, the Internal Audit Section also provides a range of consultancy services including:

- Advice and guidance to management in respect of a range of issues including system implementation, compliance with polices, regulations and procedures and internal control requirements.
- Training.
- Special investigations including fraud work undertaken by the Corporate Fraud Function.

5.2 Internal Audit operates in a consultancy role in advising management in relation to issues within its remit such as the implementation of appropriate controls for new projects, developments and systems.

5.3 As the level of consultancy work is unknown at the start of the year, a contingency item is included in the Annual Audit Plan to cover this work.

5.4 Any advice or recommendations made in the consultancy role is always made on the basis that they may be reviewed and amended in future as result of an assurance assignment.

## **6. Internal Audit Service Delivery**

6.1 The provision of the Internal Audit service is through a directly employed in-house Internal Audit Team.

6.2 Given the range and complexity of areas to be reviewed, it is important that the Internal Audit Section includes suitably qualified, experienced and trained staff. To comply with the PSIAS, the Chief Auditor must be a CCAB qualified accountant and be suitably experienced.

6.3 The training needs of Internal Audit staff are identified as part of the annual appraisal and on an ongoing basis throughout the year. Staff are encouraged to undertake appropriate training including in-house courses and external courses, in particular those provided by the South Wales

Chief Auditors Group, to ensure that their audit skills are enhanced and developed.

- 6.4 All Internal Audit staff are required to conform to the Code of Ethics included in the PSIAS and also any other codes published by any professional bodies of which they are members. An annual declaration of compliance with the PSIAS Code of Ethics is signed by all staff.
- 6.5 Internal Auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life i.e. the Nolan Principles.
- 6.6 The Internal Audit Section is independent and has no other management responsibilities which may impact on its independence. All Internal Audit staff are required to complete an annual Declaration of Interests which identifies any conflicts of interest which may impair their impartiality. Any declarations made are used when preparing the quarterly operational plans to prevent any impairment to independence arising.

## **7. Follow Up Audits**

- 7.1 It is important that action is taken to ensure that agreed recommendations have been implemented within the agreed timescale. The Internal Audit Section has a risk-based follow up policy which dictates the type of follow up audit undertaken.
- 7.2 For all fundamental audits, a check is made during the year to ensure that all recommendations have been implemented within the agreed timescale. The results of this check are reported to the Audit Committee in the annual Recommendations Tracker Report.
- 7.3 Any audits that received a Moderate or Limited Level of Assurance are subject to a formal follow up visit within 6 months of the issue of the final report. Testing will take place to confirm that any High or Medium Risk recommendations have been implemented and confirmation will be sought from management that any Low Risk or Good Practice recommendations have been implemented.
- 7.4 The results of the follow up visit will be reported to the service management, Head of Service (or Chair of the Governing Body) and the Audit Committee.
- 7.5 Where an audit has received a High or Substantial Level of Assurance, no follow up audit is arranged but management are asked to confirm in writing that the recommendations have been implemented.

## **8. Reporting of Internal Audit Activity**

- 8.1 An Internal Audit Monitoring Report is prepared on a quarterly basis and presented to the Section 151 Officer and the Audit Committee. The report

shows the audits finalised in the quarter and the level of assurance given as well as the number of recommendations made and agreed.

- 8.2 The report will also include brief details of the audit findings for any audits which received a Moderate or Limited Level of Assurance. Any other work completed in the quarter and details of any follow up audits completed are also included in the report.
- 8.3 The Chief Auditor also produces an Annual Internal Audit Report which will include the annual opinion on the control environment. The Annual Report is presented to the Section 151 Officer and the Audit Committee.
- 8.4 The Annual Report will follow the requirements of the PSIAS and will include:
  - An opinion of the overall adequacy and effectiveness of the framework of governance, risk management and internal control.
  - Disclosure of any qualifications to the opinion together with the reasons for the qualification.
  - A summary of the Internal Audit work completed from which the opinion is derived including any reliance placed on the work of other assurance providers.
  - Any issues considered by the Chief Auditor to be particularly relevant to the Annual Governance Statement.
  - A comparison of the work undertaken with the planned work, a summary of audit performance for the year including any performance indicators maintained and comments on compliance with the PSIAS and the Quality Assurance and Improvement Programme.

## Internal Audit Annual Plan 2018/19 – Summary

Categories of Audit Work	Plan 2017/18	Plan 2018/19	
	Days	Days	%
People	441	298	12.6
Place	294	357	15.1
Corporate Services	180	315	13.3
Fundamental Audits	224	218	9.2
Contract Audit Systems	70	30	1.4
Computer Audits	89	117	4.9
Contract Audits	8	8	0.3
Cross Cutting Audits	155	50	2.1
Miscellaneous Audits	10	0	0
Projects & Special Investigations	138	123	5.2
<b>Productive Days</b>	<b>1609</b>	<b>1516</b>	<b>64.1</b>
Staff Training	76	76	3.2
Holidays, Sick & Special Leave	490	475	20.0
Admin, Planning, Control, Clerical Support etc.	188	219	9.3
Contingencies	91	64	2.7
Vacancies	0	0	0
Performance Management - Appraisals	16	16	0.7
<b>Non Productive Days</b>	<b>861</b>	<b>850</b>	<b>35.9</b>
<b>Total Days</b>	<b>2470</b>	<b>2366</b>	<b>100.0</b>

## Internal Audit Annual Plan 2018/19

Head of Service	Risk Rating	Days 2018/19	Type of Work
<b>Education Planning &amp; Resources</b>			
Primary Schools	Medium	72	Assurance
Secondary Schools	Medium	40	Assurance
Arts in Education	Medium	5	Assurance
<b>Total</b>		<b>117</b>	
<b>Achievement &amp; Partnership Service</b>			
Welsh Service	New	10	Assurance
<b>Total</b>		<b>10</b>	
<b>Vulnerable Learner Service</b>			
Education Welfare Service	Medium	10	Assurance
Catering Service – Civic Centre	Medium	10	Assurance
Cleaning Service	Medium	15	Assurance
<b>Total</b>		<b>35</b>	
<b>Education – Other</b>			
School Uniform Grant	N/A	3	Grant Certification
Education Improvement Grant	N/A	15	Grant Certification
Pupil Deprivation Grant	N/A	10	Grant Certification
Schools Annual Report	N/A	3	Assurance
<b>Total</b>		<b>31</b>	
<b>Child &amp; Family Services</b>			
Grants & Contracts	Medium	10	Assurance
<b>Total</b>		<b>10</b>	
<b>Adult Services</b>			
Community Alarm Service	High	10	Assurance
Integrated Community Equipment & Suresprung	Medium/High	10	Assurance
Service Users Assessment of Care	Medium	20	Assurance
Supporting People Grant	N/A	10	Grant Certification
Suresprung – Supported Employees Claims	N/A	5	Grant Certification
Self Assessment Checklists	Medium/High	25	Assurance
<b>Total</b>		<b>80</b>	
<b>Social Services – Directorate Services</b>			
No audits planned		0	
<b>Total</b>		<b>0</b>	
<b>Poverty &amp; Prevention</b>			
Swansea Children's Centre & Mayhill Centre	Medium	10	Assurance
Early Intervention Services	New	5	Assurance
<b>Total</b>		<b>15</b>	
<b>Corporate Building Services</b>			
Admin & Finance	Medium	15	Assurance
<b>Total</b>		<b>15</b>	
<b>Corporate Property Services</b>			

Head of Service	Risk Rating	Days 2018/19	Type of Work
No audits planned		0	
<b>Total</b>		<b>0</b>	
<b>Waste Management &amp; Parks</b>			
Domestic Refuse Collection	Medium	10	Assurance
Grounds Maintenance	Medium	15	Assurance
<b>Total</b>		<b>25</b>	
<b>Highways &amp; Transportation</b>			
Concessionary Bus Fares	N/A	5	Assurance
Car Parks	Medium/High	20	Assurance
Clydach Depot – Fuel & Plant	Medium	10	Assurance
Streetworks	Medium	10	Assurance
CTU Fleet Hire / Spot Hire	Medium	10	Assurance
Traffic Orders	New	10	Assurance
Taxi Framework Contract – Adult Services	Medium/High	10	Assurance
Live Kilometre Support Grant	N/A	5	Grant Certification
<b>Total</b>		<b>80</b>	
<b>Housing &amp; Public Protection</b>			
Housing Options	Medium	20	Assurance
Eastside District Housing Office	Medium	10	Assurance
Morrison & Clase District Housing Offices	Medium	15	Assurance
Neighbourhood Support Unit	Medium	7	Assurance
Housing Loans and Grants	Medium	25	Assurance
Affordable Housing	New	10	Assurance
Building Regulations	Medium	15	Assurance
Trading Standards Division	Medium	10	Assurance
Rechargeable Works	Medium	15	Assurance
<b>Total</b>		<b>127</b>	
<b>Cultural Services</b>			
Outdoor Leisure	Medium	15	Assurance
St Helens Ground	Medium	5	Assurance
Plantasia	Medium	10	Assurance
Grand Theatre	Medium/High	25	Assurance
Central Library	Medium	15	Assurance
Record Management	New	10	Assurance
<b>Total</b>		<b>80</b>	
<b>Planning &amp; City Regeneration</b>			
Section 106 Agreements	High	10	Assurance
Landscape	New	10	Assurance
Nature Conservation	New	10	Assurance
<b>Total</b>		<b>30</b>	
<b>Communications &amp; Marketing</b>			
Civic Admin, Mayoral Services & Mansion House	Medium	10	Assurance
<b>Total</b>		<b>10</b>	
<b>Financial Services &amp; Service Centre</b>			
Cashiers Office	Medium/High	10	Assurance
Write Off Requests by Departments	N/A	15	Assurance
Cashiers Write Offs	N/A	5	Assurance
Bank Reconciliations	Medium	10	Assurance
School Bank Reconciliations	Medium	15	Assurance



Head of Service	Risk Rating	Days 2018/19	Type of Work
Petty Cash Accounts	Medium	5	Assurance
Grants Receivable	Medium/High	15	Assurance
Leasing	Medium	10	Assurance
Income Tax – Self Employed	Medium	5	Assurance
Construction Industry Tax Scheme	Medium	10	Assurance
Risk Management	High	10	Assurance
Blue Badges	Medium	5	Assurance
Budget Strategy & Management	New	10	Assurance
Performance Indicators	New	10	Assurance
Residential Contributions – Assessments	Medium	10	Assurance
Debt Recovery	High	20	Assurance
Fairer Charging	Medium	25	Assurance
Adult Family Placements	New	10	Assurance
Flexicard Machines and Security	Medium/High	20	Assurance
<b>Total</b>		<b>220</b>	
<b>Legal, Democratic Services &amp; Business Intel</b>			
Land Charges	Medium	10	Assurance
Electoral Services	Medium	10	Assurance
<b>Total</b>		<b>20</b>	
<b>Human Resources</b>			
Employment of Agency Staff	Medium/High	10	Assurance
Health & Safety	New	10	Assurance
Business Continuity	New	10	Assurance
<b>Total</b>		<b>30</b>	
<b>Digital &amp; Transformation</b>			
ICT Administration	Medium/High	15	Assurance
Oracle Authorisation Limits	Medium/High	10	Assurance
IT Assets	Medium	10	Assurance
Network Controls – Corporate Network	Medium	10	Assurance
Network Controls – Firewall Controls Corporate	Medium	5	Assurance
Virtual Server Environment	Medium	10	Assurance
Internet Controls – Corporate Network	Medium	10	Assurance
Payment Card Industry – Data Security	Medium	5	Assurance
E-Commerce Controls	Medium	7	Assurance
Business Continuity - IT	New	10	Assurance
Data Protection – Software Licences	Medium	5	Assurance
Application Controls – Flare System	Medium	5	Assurance
Application Controls – Fostercare System	Medium	5	Assurance
Change Control	Medium	5	Assurance
Digital Strategy	High	10	Assurance
Telephones (Civic & Guildhall)	Medium	5	Assurance
IDEA – Extraction of Data	N/A	5	Assurance
IDEA - Data Matching Exercise – NFI	N/A	10	Assurance
<b>Total</b>		<b>142</b>	
<b>Commercial Services</b>			
Supplier Contracts Review	New	10	Assurance
<b>Total</b>		<b>10</b>	
<b>Fundamental Systems</b>			
Payroll	High	30	Assurance
Pensions Administration	High	20	Assurance
Accounts Receivable	High	35	Assurance

Head of Service	Risk Rating	Days 2018/19	Type of Work
Treasury Management Borrowing & Investments	Medium	18	Assurance
Accounts Payable	Medium	35	Assurance
Cash	Medium/High	30	Assurance
Council Tax	Medium	30	Assurance
Main Accounting System	Medium	20	Assurance
<b>Total</b>		<b>218</b>	
<b>Contract Audits Systems</b>			
<b>Corporate Building &amp; Property Services</b>			
Construction Period Control of Contracts	Medium	15	Assurance
<b>Other Departments</b>			
Tendering, Letting and Monitoring	New	15	Assurance
<b>Total</b>		<b>30</b>	
<b>Contract Audits</b>			
Final Accounts	N/A	3	Assurance
Financial Appraisals of Contractors	N/A	5	Assurance
<b>Total</b>		<b>8</b>	
<b>Cross Cutting Audits</b>			
Gift & Hospitality Registers	Medium	15	Assurance
Workforce Planning	New	10	Assurance
General Data Protection Regulations	New	10	Assurance
Ethics & Values	New	15	Assurance
<b>Total</b>		<b>50</b>	
<b>Miscellaneous Audits</b>			
No planned audits		0	
<b>Total</b>		<b>0</b>	
<b>Projects &amp; Special Investigations</b>			
Unpresented Cheques >£2,000	N/A	5	Anti-Fraud
Development of Audit Programmes	N/A	20	Assurance
Galileo Audit Management System	N/A	15	Administration
Annual Plan & Annual Report	N/A	15	Administration
Health & Safety Group	N/A	3	Administration
Recommendations Tracker	N/A	5	Follow Ups
Follow Ups	N/A	40	Follow Ups
P Card Review of Purchases	N/A	20	Assurance
<b>Total</b>		<b>123</b>	
<b>Total Productive Days</b>		<b>1516</b>	
<b>Other Activities</b>			
Staff Training		76	
Administration, Planning & Control		179	
Clerical Support		20	
Time Recording & Outturn		20	
Contingencies		64	
Annual Leave		313	
Sick Leave		66	
Public Holidays		96	
Performance Management – Appraisals		16	
<b>Total Non-Productive Days</b>		<b>850</b>	
<b>Total Days</b>		<b>2366</b>	



## Report of the Chief Auditor

Audit Committee – 10 April 2018

### Internal Audit Section – Fraud Function Anti-Fraud Plan for 2018/2019

<b>Purpose:</b>	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2018/19 and is designed to provide a strategic view of the areas that will be subject to examination.
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to fulfil its role in monitoring the Fraud Function.
<b>Consultation:</b>	Legal, Finance, Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee review, discuss and approve the Anti-Fraud Plan for 2018/19.
<b>Report Author:</b>	Tal Davies
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Sherill Hopkins

## 1. Introduction

### 1.1 Obligation to combat fraud:

- S151 Local Government Act 1972 – *“Every Local Authority is under a statutory duty to secure the proper administration of its financial affairs”*, (i.e. to safeguard public funds).
- Council Constitution - The obligation set out in S151 is 'underlined' by the Financial Procedure Rules (FPR's) contained in the Council's Constitution. FPR's are the codification of the principles of sound financial management.

## 1.2 Principles of tackling fraud:

The aim of the Fraud Function is to adhere to the requirements set out in 1.1 by way of effective and appropriate actions in respect of combatting all fraud whether it is perpetrated from outside or inside the Council. The Fraud Function's approach will achieve this by focusing on three key themes:

- Acknowledge
- Prevent
- Pursue

## 1.3 Ensuring the counter fraud response is comprehensive and effective. Where possible, performance should be compared against each of the following six themes:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

## 1.4 The Council's existing Anti-Fraud and Corruption Policy summarises the Council's position, building on the content of a number of corporate policy statements, including:

- Anti-Fraud and Corruption Policy
- Codes of Conduct (members and employees)
- Corporate Risk Management Policy
- Disciplinary Policy
- Whistle-blowing Policy

## 1.5 Overarching the above policies is the fact that Council Members and Officers are expected to adopt the highest standards of propriety and to follow the '*Nolan principles*'<sup>7</sup> of public life which are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

## 2. The Aims of the Anti-Fraud Plan

### 2.1 The Anti-Fraud Plan (AFP) represents the broad areas that will be covered and sets out to provide a balance between proactive and reactive counter fraud activity. It covers the activities of the Council that the Chief Auditor considers to be the most likely to be subjected to fraud in some form, either from within the organisation or from external sources.

- 2.2 The AFP aims to build on activities and outcomes achieved since 1<sup>st</sup> June 2015, this being the date that Internal Audit's Fraud Function was implemented, and also aims to focus on 'high risk' areas where the most significant losses can occur.
- 

<sup>1</sup> The 'Nolan principles', which are the basis of the ethical standards expected of public office holders. The 7 principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, the courts and probation services, non-departmental public bodies, health, education, social and care services. The principles also apply to all those in other sectors that deliver public services. They were first set out by Lord Nolan in 1995 and they are included in the Ministerial Code – <https://www.gov.uk/government/publications/ministerial-code>

- 2.3 Some of the matters investigated by the Fraud Function will progress to criminal investigation and others will not, but in all cases appropriate action will be considered / taken, for example disciplinary proceedings in respect of Council employees.
- 2.4 Actions of the Fraud Function which overlap with Human Resources (HR) functions (and vice versa) will be subject to the '*Memorandum of understanding and expectations*', which aims to:
- To address the potential overlap between disciplinary and criminal investigations / offences.
  - To clarify the roles of HR and the Fraud Function, in particular the meaning, remit and purpose of the HR Investigating Officer and the Fraud Function's Investigation Officer.

### 3. Measuring the value of the Fraud Function

- 3.1 The value of the Fraud Function to the organisation can be measured via the following headings:

***Deterrent value:***

The deterrent value of having a Fraud Function, offering a confidential way to report concerns, acting on the concerns, taking appropriate sanctions, and publicising successes is immeasurable.

***Strengthening procedures:***

Some internal investigations may not yield immediate and / or quantifiable financial outcomes. However, they may result in changes in policies and procedures that ultimately reduce the potential for loss by fraud or error by enhancing the robustness of those policies and procedures.

***Quantifiable financial outcomes:***

Fraud Function activities may identify money and / or assets that have been claimed / misappropriated via fraud or error, which can then be targeted for recovery. For example:

- Overpayments of Housing Benefit / Council Tax Benefit / Council Tax Reduction.
- Council properties returned to stock.

- Money resulting from action taken under the Proceeds of Crime Act 2002.
- 3.2 In addition, Fraud Function activities may result in extra liability being created, for example via the removal of Council Tax discounts and exemptions.
- 3.3 Progress and Annual reports to the Audit Committee on the Fraud Function's activities are a key part of building up to the Annual Governance Statement which is published with the Annual Statement of Accounts.
- 3.4 The Fraud Function contributes to the Council's corporate vision and priorities by investigating allegations of fraud and corruption against the Authority, both from within the organisation and from external third parties.

#### **4. Focussing Fraud Function resources**

- 4.1 When considering where to focus the Fraud Function's resources due regard was given to:
- The Chartered Institute of Public Finance and Accountancy's (CIPFA's) '*Code of Practice on Managing the Risk of Fraud and Corruption*' and '*Fighting Fraud Locally*'.
  - '*Protecting the English Public Purse 2015*' published by The European Institute for Combatting Corruption And Fraud (TEICCAF).
  - '*The Annual Fraud Indicator 2016*' produced in partnership by Experian, PKF Littlejohn and the University of Portsmouth's Centre for Counter Fraud Studies.
  - '*Fighting Fraud & Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019*' supported by CIPFA Counter Fraud Centre.
  - '*CIPFA Fraud and Corruption Tracker (CFact) Results 2017*'  
The results of CIPFA's survey aim to provide a national picture of fraud, bribery and corruption in local government in England, Scotland and Wales.
  - The requirements of FPR's, external guidance, best practice and legislation.
  - The extent and scope of counter fraud activity in previous years, including the previous investigations, Internal Audit reports and recommendations made to strengthen controls or enhance systems.

#### **5. Summary**

- 5.1 The aim of this document is to demonstrate the Council's ongoing commitment to tackle fraud, promote the highest levels of integrity, minimise the potential for reputational damage, and ensure transparency by 'being seen to be getting its own house in order'.

#### **6. Equality and Engagement Implications**

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

## **7. Financial Implications**

7.1 There are no financial implications associated with this report.

## **8. Legal Implications**

8.1 In accordance with the provisions of Section 151 of the Local Government Act 1972 and section 5 of the Accounts and Audit (Wales) Regulations 2005, the 'Responsible Officer' is responsible for ensuring that the Council has control systems in place "to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records."

**Background Papers:** None.

### **Appendices:**

Appendix 1 - Anti-Fraud Risk Assessment Checklist 2018/19.

Appendix 2 - Anti-Fraud Statement 2018/19.

Appendix 3 - Anti-Fraud Plan 2018/19.

## Appendix 1 – Anti-Fraud Risk Assessment Checklist 2018/19

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This is explicitly set out within the Anti-Fraud and Corruption Policy. Where there is sufficient evidence, appropriate action, including criminal proceedings, will be taken. Internal and external web pages reinforce this stance.		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swansea Council has a full suite of appropriate policies in place, which are subject to regular review.		
3. Do we have dedicated counter-fraud staff?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Up to 31.05.15, the Council had a dedicated Housing Benefit Investigation Team. In Swansea, from 01.06.15 responsibility for investigating Housing Benefit transferred to the DWP's Counter Fraud Division. This provided the opportunity to set up a new Fraud Function within the Audit Section.		
4. Do counter-fraud staff review all the work of our organisation?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The Internal Audit Plan, which is approved annually by the Audit Committee, takes a risk-based approach in deciding which areas are selected. There are insufficient resources available to cover every single area in the Council. Internal Auditors will always be alerted for potential control weaknesses in our systems, and for any potentially fraudulent behaviour.		
5. Have we an Audit Committee with a portfolio for fighting fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One of the Audit Committee's terms of reference is to monitor the counter fraud strategy, actions and resources. The Committee meets at least bi-monthly.		
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The Audit Committee receive an annual Anti-Fraud and Corruption review report, plus on-going internal audit reports at every meeting where any fraud risks would be highlighted and management are required to respond promptly.		
7. Have we assessed our management of counter-fraud work against good practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We use Protecting The English Public Purse, Fighting Fraud Locally, Annual Fraud Indicators and CIPFA (Chartered Institute of Public Finance and Accountancy) resources including their Code of Practice 'Managing the Risk of Fraud and Corruption', and the results of their Fraud and Corruption Tracker survey.  The Council is a member of NAFN (National Anti-Fraud Network) and participates in the NFI (National Fraud Initiative).  This, coupled with other sources and affiliates, e.g. the Wales Audit Office, Welsh Chief Auditors Group, ensures we receive regular updates on best practice, legislation etc.  Officers undertaking the Fraud Function have attended relevant anti-fraud related events and are Accredited Counter Fraud Officers / Specialists.		



8. Do we raise awareness of fraud risks with:		
• New staff (including agency staff)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Fraud awareness material containing a meaningful introduction to the Fraud Function is included in Corporate Induction training. This includes making new staff fully aware of relevant policies including the Anti-Fraud and Corruption Policy.		
• Existing staff?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Fraud Function web pages were launched 1 April 2016 to raise awareness and act as a guide to all types of fraud and how to report them (in confidence). Presentations / guides have been be devised / issued to relevant staff as necessary.		
• Elected members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Information on fraud and corruption risks is included in the Members Induction programme. Presentations are regularly delivered to the Audit Committee, including reports on Fraud Function activities and ongoing training in respect of fraud awareness.		
• Contractors?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
There are suitable controls in Contract Procedure Rules to guide and protect officers, and various declarations that the contractors must sign such as an anti-collusion declaration, but it could be of benefit to include further awareness materials. Subject to available resources, the intention is to explore this further in the coming year.		
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Members of NAFN (National Anti-Fraud Network) Members of TFF (Tenancy Fraud Forum). Members of the Wales Fraud Officers Group. Members of the Local Organised Crime Group. Participates in NFI (National Fraud Initiative). Has links to CIPFA (Chartered Institute of Public Finance & Accountancy). Has dialogue with the WAO (Wales Audit Office). Attends the Welsh Chief Auditors Group.		
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Particularly through the National Fraud Initiative. Always responds promptly to information requests, e.g. from other Councils in relation to S29(3) Data Protection Act 1998 (prevention and detection of crime). Participated in a joint working pilot with DWP's Counter Fraud Division from November 2015 to November 2017. Due to the Government's intention to roll-out joint working nationally from 2018, following the cessation of the pilot, Internal Audit adopted joint working with DWP's Counter Fraud Division as a 'business as usual' function.		
11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal Audit carry out a number of pro-active audits that look to identify weaknesses in control. Any other audits consider the possibility of failure of control leading to fraud.		

12. Do we maximise the benefit of our participation in the National Fraud Initiative administered by the Cabinet Office, and receive reports on our outcomes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><u>General:</u> The Audit Section co-ordinates the collation of data for submission to NFI. Audit / Fraud Function also receive details of potential frauds and either investigate or distribute to relevant sections. Audit / Fraud Function monitors the progress of investigations via the NFI's on-line reporting facility.</p> <p><u>How matches have been dealt with from NFI 2016:</u> The DWP has received relevant matches directly from the Cabinet Office, thereby reducing the burden to Local Authorities. Audit / Fraud Function have coordinated the allocation/monitoring of matches to various stakeholders including Accounts Payable, Customer Services, Housing, Pensions, and Revenues &amp; Benefits. Audit / Fraud Function has also had responsibility for examining and/or investigating appropriate matches.</p>		
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The Council's suite of policies contains an Anti-Money Laundering Policy. All policies are readily available on staffnet. Specific web pages also highlight this issue.		
14. Do we have effective arrangements for:		
• Reporting fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
All financial irregularities should be reported to the Chief Auditor – this is stated in many policies and the FPR's. In addition there is a specific Whistleblowing Policy. Specific web pages were launched 1 April 2016 containing a stand-alone narrative on the types of fraud and how to report them.		
• Recording fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal Audit keep records of all fraud reported to them.		
15. Do we have effective whistle-blowing arrangements? In particular are staff:		
• Aware of our whistle-blowing arrangements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We have a policy in place, and it is available to all staff on the Council's intranet.		
• Confident in the confidentiality of those arrangements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
No evidence to suggest to the contrary.		
• Confident that any concerns raised will be addressed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
No evidence to suggest to the contrary.		
16. Do we have effective fidelity guarantee insurance arrangements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cover: Loss of money or goods belonging to the Authority because of fraud or dishonesty of employees. Limit of Indemnity: £20,000,000 any one person and in the aggregate any one period of insurance.		

<b>Fighting Fraud with reduced resources</b>			
17. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<p>An Audit based Fraud Function consisting of 3 officers was created on 01.06.15.</p> <p>However, due to significant ongoing Corporate pressures in respect of diminishing financial resources, it was with reluctance that the Fraud Function Managers post was deleted on 31.03.18 following an agreement to allow the post holder to leave the Council via early redundancy.</p> <p>Inevitably, this situation will necessitate a more robust approach to the evaluation of allegations and investigation into allegations of wrongdoing/fraud.</p> <p>Existing Audit staff have assisted Fraud Function staff as and when appropriate. Subject to available resources, this assistance will continue when needed.</p>			
<b>Current risks and issues</b>			
<b>Housing tenancy</b>			
18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Housing Department staff carry out checks prior to allocation of housing.			
19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<p>Checks are carried out by Housing Department staff responsible for appropriate 'estate management' action in instances where the 'lawful tenant' is not in occupation.</p> <p>According to the Annual Fraud Indicator 2016, this is a high-risk area accounting for an estimated loss of £1.75 billion. This risk is further underlined by the CIPFA Fraud and Corruption Tracker Results 2017. As a consequence:</p> <ul style="list-style-type: none"> <li>• Awareness sessions will continue to be delivered to relevant Housing Department staff as necessary.</li> <li>• A Key Amnesty exercise was undertaken in February &amp; March 2017. The intention is to consider undertaking another exercise in 2019.</li> <li>• From December 2016, the joint working pilot between 7 LA's (including Swansea) and DWP' Counter Fraud Division was extended to include Housing Tenancy Fraud related cases, where there is a clear link with Social Security fraud.</li> <li>• The Fraud Function is continuing to develop specific processes to aid identification, investigation, and prompt resolution of tenancy fraud cases utilising relevant legislation including: <ul style="list-style-type: none"> <li>• The Prevention of Social Housing Fraud Act 2013, and,</li> <li>• The Prevention of Social Housing Fraud (Detection of Fraud) (Wales) Regulations 2014.</li> </ul> </li> </ul>			
<b>Procurement</b>			
20. Are we satisfied our procurement controls are working as intended?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<p>Controls appear to be adequate - Contract Procedure Rules.</p> <p>According to the Annual Fraud Indicator 2016, this is a high-risk area with an estimated loss of £4.13 billion. This risk is further underlined by the CIPFA Fraud and Corruption Tracker Results 2017.</p> <p>Consequently, subject to available resources, the Fraud Function intends to develop proactive work in this area.</p>			

21. Have we reviewed our contract letting procedures in line with best practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Procedures appear to be adequate. There has been no credible criticism of the Council's procurement procedures, e.g. from unsuccessful bidders.		
<b>Recruitment</b>		
22. Are we satisfied our recruitment procedures that:		
• Prevent us employing people working under false identities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Resources impose rigorous controls of this nature for appointments.		
• Confirm employment references effectively?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources – References Policy.		
• Ensure applicants are eligible to work in the UK?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources.		
• Require agencies supplying us with staff to undertake the checks that we require?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources.		
<b>Personal Budgets for Social Care (Direct Payments)</b>		
23. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Personal Budgets have been subject to Departmental and Internal Audit review. Personal Budgets is an area that the Fraud Function made inroads into in 2016/17. Consequently, recommendations made as regards the need for more 'robust' declarations on relevant documents were considered as part of the Direct Payments Strategy review undertaken by Social Services, Legal Section and the Fraud Function. The Fraud Function also triggered a review of the need for Policies in respect of Conflicting Roles, Suspending Direct Payments, and Ending Direct Payments. This risk in Personal Budgets for Social care was underlined by the CIPFA Fraud and Corruption Tracker Results 2017. Therefore, the Fraud Function will continue to review and develop processes to aid the identification and investigation of any fraud.		
24. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The existing whistle-blowing policy is fit for purpose. The Fraud Function web pages also re-inforce the message.		
<b>Council tax discount &amp; exemptions</b>		
25. Do we take proper action to ensure that we only award discounts and exemptions to those who are eligible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The Council Tax Section undertakes regular postal and in-person reviews. In 2014 & 2016, 'Data Tank' was commissioned to identify cases where an award of SPD may not be appropriate. This risk in this area was underlined by the CIPFA Fraud and Corruption Tracker Results 2017. Subject to the availability of financial resources, the intention is to utilise 'Data Tank', or a similar product, again in 2018. The Council is also participates in the bi-annual National Fraud Initiative (NFI).		

<b>Housing benefit</b>		
26. When we tackle housing benefit fraud do we make full use of data matching?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
As a Council, we utilise data matching via several avenues: <ul style="list-style-type: none"> <li>• Interactive Data Extraction and Analysis software – as and when necessary via the Audit Section;</li> <li>• Housing Benefit Matching Service – monthly via the DWP;</li> <li>• National Fraud Initiative – biannually via the Cabinet Office.</li> </ul>		
<b>Other fraud risks</b>		
27. Do we have appropriate and proportionate defences against the following fraud risks		
<ul style="list-style-type: none"> <li>• Business rates?</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>The Council has a process of postal and in-person reviews to check properties for indication of a business operating undeclared.</p> <p>Subject to available resources, this is an area that the Fraud Function intends to explore to determine the extent of any fraud, in particular:</p> <ul style="list-style-type: none"> <li>• Properties occupied by a registered charity or community amateur sports club, and used for charitable purposes which can be awarded 80% mandatory or 100% discretionary relief.</li> <li>• Empty business properties are exempt from paying business rates for 3 months after the property is vacated.</li> </ul>		
<ul style="list-style-type: none"> <li>• Right to Buy?</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
To help tackle the shortage of affordable housing in the City, the Council's RTB scheme has been suspended for an initial period 01.12.14 to 30.11.19.		
<ul style="list-style-type: none"> <li>• Council Tax Reduction?</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Along with 6 other sites, from November 2015 to November 2017, The Internal Audit's Fraud Function participated in a Joint Working Pilot with DWP's Counter Fraud Division (Swansea being the only Welsh pilot site).</p> <p>Due to the Government's intention to roll-out joint working nationally from 2018, following the cessation of the pilot, the Fraud Function adopted joint working with DWP's Counter Fraud Division as a 'business as usual' function.</p>		
<ul style="list-style-type: none"> <li>• Schools?</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
There is a schools audit programme within the Internal Audit plan each year.		
<ul style="list-style-type: none"> <li>• Grants?</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>There is a grants audit programme within the Internal Audit plan each year.</p> <p>Although this was not specifically reported as high-risk area in the CIPFA Fraud and Corruption Tracker Results 2017, it was reported as such in the Annual Fraud Indicator 2016, with an estimated loss of £198 million. Consequently, subject to available resources, the Fraud Function intends to continue to develop proactive work in this area.</p>		

## Appendix 2 - Anti-Fraud Statement 2018/19

### 1. Defining Fraud

- 1.1 What is fraud? The Fraud Act 2006 details the legal definitions of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For the purposes of this strategy, fraud is defined as:

*'...the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.'*

The definition covers various offences including deception, forgery, theft, misappropriation, collusion and misrepresentation.

- 1.2 What is Corruption? Corruption is defined as...

*'...the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of any person.'*

These inducements can take many forms including cash, holidays, event tickets, meals.

- 1.3 What is Bribery? The Bribery Act 2010 creates offences where:

*'...an individual or commercial organisation offers or receives a bribe to bring about or reward the improper performance of a function or activity.'*

Bribery can be the acceptance of gifts, money, and hospitality in return for providing something of value to the briber. More information on bribery can be found in the Council's 'Anti-Fraud and Corruption Policy'.

- 1.4 What is Theft? The Theft Act 1968 details the legal definition of theft. For the purposes of this statement, theft is defined as...

*'...the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it e.g. client funds), including cash, equipment, vehicles, data, etc.'*

Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or Members whilst on Council property.

- 1.5 What is Financial Malpractice/Irregularity? This term is used to describe...

*'...any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements.'*

These actions do not have to result in personal gain.

## 2. Statement of Intent

2.1 We recognise that dealing with fraud is important and that there is a duty to Council Tax payers and Welsh / Central Government to ensure that all public funds are administered correctly.

2.2 We aim to cover the principles set out in the '*CIPFA Code of Practice on managing the risk of fraud and corruption*' that define the governance and operational arrangements necessary for an effective counter fraud response. The five key principles are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

2.3 Our intention to combat fraud and corruption is made up of the following key elements:

### **Acknowledge**

The Council acknowledge that as an organisation we are at risk of fraud and will seek to understand our fraud risks, we will:

- Maintain the Fraud Function whose members are trained and qualified to an appropriate level;
- Maintain a risk based approach to tackling fraud referrals to make optimum use of the available resources.

### **Prevent**

The Council recognises that fraud and corruption are costly, in terms of both financial losses and reputational risk. The prevention and detection of fraud is therefore a key objective of the authority. The Internal Audit Section and it's Fraud Function are mutually complimentary and work side by side to provide the Council's audit and fraud investigation functions. They employ a multi-disciplinary approach that includes pro-active work determined by a formal risk assessment. In addition, the Fraud Function is free to work with other agencies in pursuance of the Council's anti-fraud aims. In addition, the prevention and detection includes a commitment to:

- Seek to promote a zero tolerance anti-fraud culture across the community by publicising the impact of fraud on the community. We will also seek to assist our partners and stakeholders to understand and reduce the threats of fraud. Furthermore, we will seek to deter fraudsters through specific publicity and general campaigns.
- Publicise counter fraud work to the widest possible audience and appropriate successful prosecutions will be reported to the media.
- Undertake data matching exercise with other Local Authorities and relevant external organisations to pro-actively identify fraudulent activity.
- Continue to ensure it has access to all intelligence sources and best practice to combat fraud and corruption, for example via the National Anti-Fraud Network (NAFN) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Operate a Whistleblowing policy to ensure concerns of internal probity can be raised in confidence and ensure protection for those who come forward.

- Strive to prevent fraud from entering systems in the first place by ensuring that appropriate staff receive fraud awareness signposts/training/material.

### **Pursue**

The Council will take a strong approach to punishing fraud and recovering fraud losses:

- In cases where fraud is discovered we will take criminal, civil or disciplinary action or a combination of these. Decisions will be based on our Human Resources Policies and the Code for Crown Prosecutors, which includes the evidential and public interest tests for prosecution.
- In all appropriate cases of fraud or corruption recovery action will be taken to ensure the money is returned to us, this may include civil recovery methods or recovery through criminal proceedings using the Proceeds of Crime Act where appropriate.
- The Fraud Function will continue to work in partnership with other relevant organisations such as Trading Standards and South Wales Police.

## 2.4 Turning Strategy into Action

'Fighting Fraud Locally – The Local Government Fraud and Corruption Strategy 2016-2016' suggests that Local Authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against the following six themes. It is the Fraud function's intention to adhere to the themes:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business.
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk.
- **Competence** – having the right skills and standards.
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes.
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

## 3. Responsibilities

### Corporate Responsibilities

- 3.1 The Council is committed to the maintenance of a robust framework of procedures and policies, which if adhered to, will prevent fraud. The whistle blowing process and the Fraud Function web pages bolster these processes by being a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.
- 3.2 The endorsement of this statement sends a clear message that fraud against the Council will not be tolerated and where reported it will be investigated and where identified it will be dealt with in a professional and timely manner using the strongest punishment available in accordance with available guidance. In addition, restitution will always be sought for the loss incurred. Through the creation and enhancement of a strong anti-fraud culture, the Council aims to deter potential perpetrators from targeting its finances and services. Within the corporate framework, there are a number of facets that exist to protect the Council against fraud. These include:



- The Constitution, Financial Procedure Rules;
- An established Audit Committee;
- Codes of conduct for Members and Employees;
- Statutory responsibility for the oversight of all financial and legal affairs;
- An Anti-Fraud and Corruption Policy;
- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- Effective employee vetting procedures – reference and DBS checks;
- Internal controls regularly reviewed and annually certificated by Heads of Service;
- Checks by Internal Audit in line with the Audit Plan;
- A confidential reporting code (Whistle-blowing procedure);
- A Complaints procedure available to the public;
- An External Audit;
- A Fraud Function;
- Participation in the National Fraud Initiative, the National Anti-Fraud Network, the Tenancy Fraud Forum, and the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre;
- Internal and external webpages offering anti-fraud advice to employees and the public;
- Contract Procedure Rules.

#### Councillor Responsibilities

- 3.3 The Council's Members lead by example at all times, maintaining the highest standards of probity, honesty, integrity and accountability in their dealings. This expectation is detailed in the Council's Constitution under the Members Code of Conduct.
- 3.4 Councillors are required to declare any potential conflicts of interest that could be deemed to impact on the way they perform their roles. Councillors are also required to register any gifts or hospitality offered or received over a given value (£25.00 as at December 2017).

#### Manager Responsibilities

- 3.5 Managers are responsible for ensuring that adequate systems of internal control exist within their areas of responsibility and that these controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud, therefore, rests with managers who are required to assess the types of risks and scope for potential internal and external frauds associated with the operations in their area. Internal Audit undertakes independent assessments of the key risks and associated controls within systems across the Council.
- 3.6 Managers will ensure that staff receive appropriate training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it is crucial they are regularly reminded of fraud and risk issues.
- 3.7 Managers are required to report all instances of suspected, reported or detected fraud to the Chief Auditor who will offer advice on the best approach to each incident. This ensures that there is a consistent and co-ordinated professional approach to all investigations and that the associated procedures are fully compliant with legislation.

#### Employee Responsibilities

- 3.8 Members of staff are a very important element in the Council's efforts to combat fraud and corruption. The employees Code of Conduct and Anti-Fraud and Corruption Policy explain the requirement for all staff to be vigilant and describes how they should raise any concerns they may have.

- 3.9 The Code and Policy mentioned in 3.8 require that employees report their suspicions or knowledge of any possible fraud or corruption to their Line Manager. Where an employee feels unable to use this route they are expected to report to the Head of Service or independently to the Monitoring Officer.
- 3.10 Through its Whistle-blowing Policy, the Council provides employees and councillors with the means to report instances of suspected fraud, corruption or breaches of the Council's policies. The policy offers employees and councillors protection from recrimination and allows them anonymity if they so choose.
- 3.11 Gifts/hospitality over £25 must be recorded. However, for Housing and Public Protection staff ALL gifts /hospitality must be recorded and registered (as a number of small gifts over a period of a year could take the value over £25).

#### Contractor Responsibilities

- 3.12 All Contractors appointed by the Council must act with complete honesty and integrity when engaging in works or delivering services for the Council, its service users and residents. All contractors must comply with all applicable laws, statutes, regulations and codes relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010. The Council requires the employees of contractors to report any suspicions or knowledge they may have in relation to fraud, bribery and/or corruption against the Council. Contractors or their employees may report all concerns to the Council's client-side staff who will in turn report the matter to the appropriate line manager or they may make a report using the Council's whistle blowing policy.

#### Internal Audit and Fraud Function Responsibilities

- 3.13 As part of the Council's system of internal control, the Internal Audit team are required to undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.
- 3.14 The Council provides an anti-Fraud Function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.
- 3.15 The Chief Auditor is responsible for making appropriate arrangements to co-ordinate the Council's work on the National Fraud Initiative and to undertake internal data matching across Council systems.
- 3.16 The Chief Auditor or his representative will advise Heads of Service of all instances of reported or detected fraud or corruption in their service area and where appropriate undertake any subsequent investigation.
- 3.17 The Chief Auditor or his representative is responsible for reporting to and liaising with the local police/Council's Legal Section on individual cases and for issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.

#### General Public – Responsibilities

- 3.18 The Council's expectation is that residents, service users and other members of the public will not tolerate abuse of the Council's assets or services. They are therefore encouraged to report any suspicions or knowledge they may have regarding any acts of fraud and corruption being perpetrated against the Council.
- 3.19 The Fraud Function web pages should raise awareness of how to report fraud by providing a 'one stop shop' containing an overview of all types of fraud, including how to report fraud. This includes: on-line report forms, telephone hot lines, an investigation mailbox, and an address for postal reports. Reports can be made anonymously. In any case, all reports / contact details will be treated with sensitivity, professionalism and in confidence.

#### 4. Reporting Fraud

4.1 A summary of the telephone numbers/email addresses to report concerns relating to fraud, corruption, bribery or other financial irregularities follow.

##### 4.2 **Blue Badge fraud**

- Online at [www.swansea.gov.uk/bluebadgefraud](http://www.swansea.gov.uk/bluebadgefraud)
- By telephoning 01792 637366.
- By e-mail to [fraud@swansea.gov.uk](mailto:fraud@swansea.gov.uk)

##### 4.3 **Council Tax Reduction fraud**

- Online at [www.swansea.gov.uk/reportctrfraud](http://www.swansea.gov.uk/reportctrfraud)
- By telephoning 01792 635359
- By e-mail to [fraud@swansea.gov.uk](mailto:fraud@swansea.gov.uk)

##### 4.4 **Other frauds that affect the Council**

- Online at:
  - Staffnet: [www.swansea.gov.uk/staffnet/fraud](http://www.swansea.gov.uk/staffnet/fraud)
  - Public web-site: [www.swansea.gov.uk/fraud](http://www.swansea.gov.uk/fraud)
- By telephoning 01792 635359
- By e-mail to [fraud@swansea.gov.uk](mailto:fraud@swansea.gov.uk)

##### 4.5 **In all instances the frauds mentioned above can also be reported in writing to:**

Fraud Function  
Internal Audit Section  
Financial Services and Service Centre  
Guildhall  
Swansea  
SA1 4PE

##### 4.6 **Housing Benefit fraud – dealt with by the Department for Work and Pensions**

- Online at [www.gov.uk/report-benefit-fraud](http://www.gov.uk/report-benefit-fraud)
- By telephoning 0800 854440
- In writing to NBFH, PO Box 224, Preston, PR1 1GP

##### 4.7 **Fraud that does not affect Swansea Council can be reported to Action Fraud**

- Online at [www.actionfraud.police.uk/report-a-fraud-including-online-crime](http://www.actionfraud.police.uk/report-a-fraud-including-online-crime)
- By telephoning 0300 123 2040.

#### 5. Recording fraud reports/investigations

5.1 The Fraud Function records all details of every fraud report/investigation.

5.2 These records are held securely but can be readily retrieved in appropriate circumstances for review and reporting purposes.

#### 6. Reporting fraud outcomes

6.1 The Fraud Function records information that enables the following to be reported on as necessary:

- The number of fraud referrals received.
- The number of fraud referrals by type.
- The number of fraud referrals accepted for investigation.
- The number of referrals not accepted for investigation.
- Outcomes.

6.2 Outcomes include the following:

- Overpayments / additional liability raised / recovered,
- Council Housing brought back into stock,
- CTRS Administrative Penalties,
- Prosecutions,
- Other monies recovered, e.g. via Proceeds Of Crime Act 2002 or Profit Orders awarded under The Prevention of Social Housing Fraud Act 2013,
- Disciplinary action - warnings or dismissals.

6.3 In addition to measurable outcomes, there are other valuable benefits, which are not readily measurably. Namely:

- The deterrent value of having a Fraud Function:
  - Offering a confidential way to report concerns,
  - Taking action in respect of the concerns,
  - Seeking appropriate sanctions,
  - Publicising activities / successes.
- The strengthening of procedures:
  - Some internal investigations may not yield quantifiable actual savings.
  - However, they may result in changes in policies and procedures, which ultimately reduce the potential for future loss by fraud or error by enhancing the robustness of those policies and procedures.

## Appendix 3 - Anti-Fraud Plan 2018/19

### 1. Introduction

- 1.1 This document sets out the Fraud Function's Anti-Fraud Plan 2018/19, which covers the principles set out in the '*CIPFA Code of Practice on managing the risk of fraud and corruption*'.
- 1.2 The Plan is based on the three key themes of:
  - Acknowledge
  - Prevent
  - Pursue
- 1.3 We know that fraud will be attempted against the Council during the coming year and as a result, we will maintain a team dedicated to investigating allegations of fraud, seeking to punish those who have committed fraudulent acts against the Council, identifying losses to be recovered and, where appropriate, taking appropriate recovery action.
- 1.4 Estimates published in the 'Annual Fraud Indicator 2016' and 'Fighting Fraud Locally – The Local Government Fraud and Corruption Strategy 2016-2019', and the CIPFA Fraud and Corruption Tracker Results 2017 suggest that fraud is committed in all organisations to varying degrees. Some areas that are considered to more at risk than others are:
  - Council Tax Discounts,
  - Council Tax Reduction,
  - Grants,
  - Housing Tenancy,
  - Payments for Social Care,
  - Procurement.
- 1.5 Controls are in place to mitigate internal fraud, but any allegations will be fully considered and where appropriate investigated may lead to further action being taken, including disciplinary and criminal prosecutions. Sources of allegations may arise from pro-active measures, or being re-active, for example to referrals from the public/staff/members or via a 'whistle-blower'.
- 1.6 Fraud Function resources will be directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.
- 1.7 Cases of suspected fraud / financial irregularity should be referred to the Chief Auditor / Fraud Function for assessment and appropriate action.
- 1.8 'Fighting Fraud Locally – The Local Government Fraud and Corruption Strategy 2016-2019' suggests that Local Authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against the following six themes. It is the Fraud Function's intention to adhere to the themes:
  - Culture
  - Capability
  - Capacity
  - Competence
  - Communication
  - Collaboration

## 2. Content of the Plan

Activity	Detail	Target Outcomes
Continue to consider new areas of activity: <ul style="list-style-type: none"> <li>• Planning,</li> <li>• Preparation,</li> <li>• Procedures.</li> </ul>	Subject to available resources, to continue to explore new areas with a view to undertaking proactive activity. For example: <ul style="list-style-type: none"> <li>• Grants.</li> <li>• Payments for Social Care.</li> <li>• Procurement.</li> </ul>	'Fact finding' in order to establish an understanding of relevant legislation and best practices.  Devise and implement proactive exercises to: <ul style="list-style-type: none"> <li>• Assist in ensuring that funds are used for the intended purposes.</li> <li>• Identify fraud and error.</li> <li>• Seek to recover losses.</li> <li>• Take criminal action in appropriate cases.</li> </ul>
Tackle social housing tenancy fraud	Continue to work in partnership the Housing Department and Legal Section to combat tenancy fraud: from unlawful subletting to bogus succession claims.	Raise awareness of the problem of social housing fraud and the damage that it does.  Prevent the unlawful succession to social housing properties by people that do not have a right to succeed the tenancy  Reduce the number of properties being unlawfully sub-let.  Recover properties where tenancy fraud has been identified.  Undertake criminal prosecutions & utilise Unlawful Profit Orders to recover any profit made by offenders, in accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006.
Tackle Council Tax fraud	Utilise internal and external Data Matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards and exemptions.	Recover single person discounts 'incorrectly' claimed.  Recover other disregards and discounts 'incorrectly' claimed.

Activity	Detail	Target Outcomes
Tackle Council Tax Reduction fraud	<p>Continue to investigate CTR fraud solely or jointly with DWP's Counter Fraud Division.</p> <p>From November 2015 to November 2017, The Fraud Function participated in a Joint Working Pilot with DWP's Counter Fraud Division to ensure that the full extent of all welfare benefit and CTRS frauds were considered / progressed via a single investigation.</p> <p>Due to the Government's intention to roll-out joint working nationally from 2018, following the cessation of the pilot, the Fraud Function adopted joint working with DWP's Counter Fraud Division as a 'business as usual' function.</p>	<p>Sharing information and expertise between the Fraud Function &amp; DWP's Counter Fraud Division:</p> <ul style="list-style-type: none"> <li>• To ensure that the totality of welfare benefit and CTRS and Tenancy* frauds tackled in the most efficient and effective manner.</li> <li>• To identify overpayments and excess reductions.</li> <li>• To take sanction action in appropriate cases. Administrative Penalties and prosecutions.</li> </ul> <p><i>*Tenancy fraud cases were included in the joint work pilot from 01.12.16-30.11.17.</i></p>
Tackle payments made in respect of Social Care (Direct Payments)	Continue to review and develop processes to aid the identification and investigation of any fraud.	<p>Fraud Function Officers to attain a practicable appreciation of relevant legislation and related processes applied to the application / monitoring of Direct Payments.</p> <p>Offer advice and guidance to Social Services. For example to ensure that relevant documents such as the Direct Payments Contract are 'criminally robust'.</p> <p>To consider 'suspicious' cases with a view to demining appropriate action, including:</p> <ul style="list-style-type: none"> <li>• Seeking to ensure procedures and documents are adequately robust.</li> <li>• Identifying potential overpayments.</li> <li>• Instigating criminal proceedings where appropriate.</li> </ul>

Activity	Detail	Target Outcomes
Tackle Procurement fraud	Continue to develop proactive work in this area.	<p>Reinforce existing relationships between the Fraud Function and the Procurement Team.</p> <p>Attain a practicable appreciation of relevant legislation and related processes.</p> <p>Determine whether any proactive work can be undertaken with a view to undertaking sample testing.</p>
National Fraud Initiative (NFI)	Continue to participate in the biannual National Fraud Initiative coordinated by the Cabinet Office.	<p>To ensure an appropriate number of matches are examined with particular reference to High Priority Reports and Recommended Matches.</p> <p>To identify processes and procedures that need to be made more robust.</p> <p>To identify overpayments and excess reductions.</p> <p>To take appropriate against offenders.</p>
<p>Tackle other internal and external fraud, examples includes:</p> <ul style="list-style-type: none"> <li>• Abuse of Position</li> <li>• Blue badge</li> <li>• Flexi time</li> <li>• Income collection and banking</li> <li>• Payroll</li> <li>• Pensions</li> <li>• Travel and subsistence</li> <li>• Etc</li> </ul>	<p>During 2018/19, the Fraud Function will continue to investigate various anomalies and referrals.</p> <p>The Fraud Function will continue to work with internal departments and external organisations in order to undertake risk assessments, and gather intelligence and evidence to point towards or away from fraud and error.</p> <p>Subject to available resources, the Fraud Function will consider and investigate any other frauds if it is in the best interests of the Council and the public it serves.</p>	<p>Maintain public confidence by being 'transparent'.</p> <p>Maintain the Council's good reputation.</p> <p>Identify fraud, error and over payments.</p> <p>Instigate disciplinary / criminal proceedings as appropriate.</p> <p>Assist in the recovery of 'losses', financial or otherwise.</p>



Activity	Detail	Target Outcomes
Raising Awareness	<p>Continue to raise awareness of the role of the Fraud Function both inside and outside the Council.</p> <p>The aim is to maintain reputation and to encourage the reporting of potential fraud in the belief that action will be taken.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> <li>• New – A guide to Corporate Fraud is included in Corporate Induction Training provided by Human Resources.</li> <li>• Existing – Continue to develop and deliver training as and when required.</li> </ul> <p><u>Members:</u> Continue to deliver / presentations reports to the Audit Committee and other members as necessary.</p> <p><u>Contractors:</u> Develop a guide that highlights their role in combatting fraud.</p> <p><u>Public:</u> Continue to publicise activities, successes, and prosecutions.</p>



## Report of the Chief Auditor

Audit Committee – 10 April 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>08/03/18 Min 67 – Internal Audit Monitoring Report – Moderate Reports</b>	
<p>The Chief Auditor is to write to all Heads of Service (HoS) and Directors to inform them of Committees decision to invite all HoS to attend the next Audit Committee Meeting to explain the action that will be taken to address any points arising in any moderate or limited assurance reports that have been presented to Committee as part of the Chief Auditor’s Quarterly Monitoring Report.</p> <p>A summary e-mail outlining the new agreed process to be distributed to all Committee Members once the minutes of the meeting on the 08/03/18 have been published.</p>	<p>E-mail outlining the new process was sent to all HoS and Directors on 22/03/18 as requested.</p> <p>E-mail outlining the agreed new process was distributed to all Committee Members on 23/03/18. CLOSED</p>
<b>08/03/18 Min 67 – Internal Audit Monitoring Report – Moderate Reports</b>	
<p>On issuing a moderate or limited assurance audit report, the relevant Cabinet Member should also be included in the distribution list when the final report is issued.</p>	<p>The relevant Cabinet Member will be included in the distribution list for any moderate and limited assurance reports from 08/03/18. Principal Auditor has been instructed to ensure this is in place going forward. CLOSED</p>
<b>08/03/18 Min 68 – Amendments to Contract Procedure Rules</b>	
<p>Once the amendments to the Contract Procedure Rules have been finalised, a copy should be forwarded to all School’s Governing Bodies to make them aware of the changes. Schools are also to be requested to ensure the amended CPR’s are included as an agenda item on the next Finance Committee and Building/Property Committee Meeting.</p>	
<b>12/12/17 Min 53 – Good Governance When Determining Significant Service Changes</b>	
<p>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.</p>	<p>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</p>

<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.	As agreed at the meeting on the 08/03/18 those HoS that have received reports with moderate assurance ratings will be invited to attend the next committee meeting to explain how they are addressing the issues identified. Staggered invitations commenced from 10/04/18 meeting, and as they arise going forward. - CLOSED
<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

<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 and 29/03/18.
<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 – 10 April 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
<b>For Information</b>	

#### 1. Introduction

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

#### 2. Equality and Engagement Implications

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

#### 3. Financial Implications

- 3.1 There are no financial implications associated with this report.

#### 4. Legal Implications

- 4.1 There are no legal implications associated with this report

**Background Papers:** None

**Appendix 1 – Audit Committee Workplan 2017/18**

## AUDIT COMMITTEE WORKPLAN 2017/18

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

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

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