



## 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, 17 July 2018  
**Time:** 2.00 pm  
**Chair:** Paula O'Connor

**Membership:**

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

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### Agenda

Page No.

- |          |   |                |
|----------|---|----------------|
| <b>1</b> | <b>Apologies for Absence.</b>   |                |
| <b>2</b> | <b>Disclosures of Personal and Prejudicial Interests.</b><br><a href="http://www.swansea.gov.uk/disclosuresofinterests">www.swansea.gov.uk/disclosuresofinterests</a> |                |
| <b>3</b> | <b>Minutes.</b><br>To approve & sign the Minutes of the previous meeting(s) as a correct record.  | <b>1 - 10</b>  |
| <b>4</b> | <b>Draft Annual Governance Statement 2017/18.</b>   | <b>11 - 50</b> |
| <b>5</b> | <b>Draft Statement of Accounts 2017/18.</b>   | <b>51 - 52</b> |
| <b>6</b> | <b>Wales Audit Office - City &amp; County of Swansea Pension Fund - 2017-2018 - Audit Enquiries to those Charged with Governance and Management.</b>                  | <b>53 - 65</b> |
| <b>7</b> | <b>Wales Audit Office - City &amp; County of Swansea - 2017-2018 - Audit Enquiries to those Charged with Governance and Management.</b>                               | <b>66 - 78</b> |
| <b>8</b> | <b>Audit Committee Action Tracker Report. (For Information)</b>   | <b>79 - 84</b> |
| <b>9</b> | <b>Audit Committee Work Plan. (For Information)</b>   | <b>85 - 89</b> |

**Next Meeting:** Tuesday, 14 August 2018 at 2.00 pm

*Huw Evans*

**Huw Evans**  
**Head of Democratic Services**  
**Tuesday, 10 July 2018**

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**Contact: Democratic Services: - 636923**



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5, Guildhall, Swansea

Tuesday, 12 June 2018 at 2.00 pm

### Present:

#### Councillor(s)

C Anderson  
O G James  
M B Lewis  
L V Walton

#### Councillor(s)

P M Black  
P K Jones  
S Pritchard  
T M White

#### Councillor(s)

T J Hennegan  
J W Jones  
W G Thomas

### Lay Member

P O'Connor

### Officer(s)

Simon Cockings  
Sally-Ann Evans  
Peter Field

Matthew Joyce-Brown  
Jeremy Parkhouse  
Sandie Richards  
Richard Rowlands  
Ben Smith

Alex Williams

Chief Auditor

Lawyer

Principal Officer Prevention, Wellbeing and Commissioning

Lawyer

Democratic Services Officer

Principal Lawyer

Strategic Delivery & Performance Manager.

Head of Financial Services & Service Centre and Section 151 Officer

Head of Adult Services

### Also Present: -

Geraint Norman

Wales Audit Office

### Apologies for Absence

Councillor(s): P R Hood-Williams and B Hopkins

Independent Member(s):

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## 1 Election of Chair for 2018-2019 Municipal Year.

**Resolved** that Paula O'Connor be elected Chair for the 2018-2019 Municipal Year.

**(Paula O'Connor (Independent Chair) presided)**

## 2 Election of Vice-Chair for 2018-2019 Municipal Year.

**Resolved** that Councillor P R Hood-Williams be elected Vice-Chair for the 2018-2019 Municipal Year.

### 3 Disclosures of Personal and Prejudicial Interests.

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

Councillor M B Lewis – Minute No. 5 – Internal Audit Monitoring Report Quarter 4 2017/18 - Member of the Pension Fund Committee – personal.

Councillor W G Thomas - Minute No. 5 – Internal Audit Monitoring Report Quarter 4 2017/18 - Member of the Pension Fund Committee – personal.

Councillor T M White - Minute No. 5 – Internal Audit Monitoring Report Quarter 4 2017/18 - Member of the Pension Board – personal and  
Minute No. 9 – Update on Actions from Performance Review 2016/17 – personal.

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

### 4 Minutes.

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

- **Minute No.72 – Minutes**

The following be added: -

'The Committee having a flavour of the key risks of the Authority, particularly the impact of the 31 high risks identified. The Committee should be able to assess the significance of risks against the well-being objectives of the Council and the risks should be highlighted / made public.'

- **Minute No. 78 – Internal Audit Section – Fraud Function Anti-Fraud Plan for 2018-2019**

Add the following: -

'Concern was expressed regarding the current resources within the Section and the very limited amount of pro-active work being undertaken and the number of investigations in progress.'

**Noted** comments of the Committee in respect of Minute No.77 – Internal Audit Annual Plan 2018-2019, resolution 2) which required an amended Internal Audit Plan to be reported to the next Committee meeting.

The Chair explained that she had agreed an amended Work Programme with the Head of Financial Services and Service Centre and Chief Auditor.

## **5 Internal Audit Monitoring Report Quarter 4 2017/18.**

The Chief Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2018 to 31 March 2018.

It was outlined that the Internal Audit Section had seen a significant increase in the levels of sickness in the 4<sup>th</sup> quarter of 2017/18 with a total of 32.5 days sickness absence. 28 days related to one part time member of staff being on long term sick during the period. The cumulative sickness absence to date stood at 149.5 days against a projected annual budget of 80 days.

It was added that a total of 40 audits were finalised during Quarter 4 and these 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 332 audit recommendations were made and management agreed to implement all but one of the recommendations i.e. 99.7% against a target of 95%.

Details of classifications and grants audited were also provided.

An analysis of the details in Appendix 2 showed that by the end of March 2018, approximately 86% of the Audit Plan were either completed or in progress.

Details of additional work done by Internal Audit and follow-ups completed between 1 January 2018 to 31 March 2018 were also provided.

The Committee were also provided with details of significant issues which led to the moderate ratings issued in the quarter. It highlighted the audit of Social Care Contracts which reviewed the progress made to date in ensuring that all contracts complied with CPR's.

The Committee asked questions of the Officer, which were responded to accordingly. Discussions included the following: -

- How sickness levels had not significantly affected the Audit Plan;
- Identifying and prioritising high risk audits;
- Checks and procedures surrounding grant audits;
- Deferred audits being prioritised in quarter 1 of the following financial year;
- Prioritising audits in Information Technology;
- Undertaking spot check audits on services;
- Building GDPR into the 2018-2019 programme.

**Resolved that: -**

- 1) The contents of the report be noted;
- 2) High risk audits be prioritised;
- 3) Deferred audits relating to governance and risk be undertaken in Quarter 1 or 2 2018-2019;
- 4) GDPR should be added to the 2018-2019 audit programme;
- 5) The Committee be advised if the Council is GDPR compliant.

**6 Response to Moderate Report Issued in Quarter 4. (Verbal)**

The Head of Adult Services updated the Committee on the moderate assurance level of the audit of Social Care Contracts.

She provided the historical background to Social Care Contracts, particularly since April 2014 when Social Care contracts came under the jurisdiction of the Council's Contract Procedure Rules. She added that even though the numbers appeared high, a huge amount of work had taken place and assured the Committee that the situation had greatly improved.

It was outlined that of the 94 reviewed, 16 were closed and 78 were being significantly overhauled and examples of previous practice / the review were provided.

The Committee discussed the following: -

- The review resulting in contracts losing / saving money;
- The review to ensure contract specifications remain appropriate for needs;
- The current fragile nature of the care sector;
- Contracts providing value for money;
- Training provision / qualifications of staff who negotiated contracts;
- Costs to the service of renegotiating contracts.

**Resolved that: -**

- 1) The content of the update be noted;
- 2) The Committee be updated on completed actions and the timeline for outstanding actions.

**7 Audit Committee Initial Training. (Verbal)**

The Head of Financial Services and Service Centre / Section 151 Officer provided the Committee with details regarding the role of the Audit Committee.

He emphasised the need for the Committee to hold matters to account to provide public assurance; the role of External Auditors within the process; the diminishing timetable to close the Statement of Accounts; the current difficult financial times; and the need to have a good functioning Audit Committee.

In addition, he made reference to the CIPFA definition of an Audit Committee and its role, whilst working in partnership with scrutiny.

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

## **8 Risk Management Training. (Verbal)**

The Strategic Delivery & Performance Manager provided an overview presentation on Risk Management.

Details provided included: -

- Purpose and objective;
- What is risk / risk management?
- The risk management cycle;
- Risk identification / evaluation / response control;
- Audit Committee – key responsibilities;
- Audit Committee – key considerations on the status of risk in the Council.

The Committee asked questions in relation to the presentation, which were responded to accordingly. Discussions centred around the following: -

- Methods of highlighting risk;
- The need for the risks to be linked to Council objectives as well as operational business areas;
- Linking risk management with the budget cycle;
- Risk management relating to capital projects;
- Identifying, the level of and controlling risk;
- The Committee being fully aware of the risks within the Council;
- Identifying / evaluating risk;
- Risk comparisons with other local authorities.

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

## **9 Update on Actions from Performance Review 2016/17.**

The Chief Auditor provided an update report following the Audit Committee Performance Review 2016/17. A summary of the key findings that came out of the performance review was provided at Appendix 1.

It was added that a Special Audit Committee had been scheduled for 26 June 2018 in order to discuss the item in detail.

The Chair stated that the report was helpful in informing the Council of the outstanding issues and being aware of the current position. She added that examples of good practice from other local authorities would be beneficial.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The report be discussed at a Special Audit Committee scheduled for 10 a.m. on Tuesday, 26 June 2018.

**10 Wales Audit Office Update.**

Geraint Norman, Wales Audit Office presented the Wales Audit Office Update Report – June 2018.

Details provided included Financial audit work and Pension Fund Audit work 2017/18 – City and County of Swansea and Performance Audit work.

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

**11 Wales Audit Office Proposals for Improvement Report - Six-Month Update.**

The Strategic Delivery & Performance Manager presented a report that provided an overview of the status of Swansea Council's response to proposals for improvement made by Wales Audit Office to provide assurance to the Committee on progress.

Appendix A provided the Six-month Status Update Report and the key proposals / next steps were outlined.

The Committee highlighted tracking items for progress to ensure delivery and assurance that the Authority could progress within the timelines.

The Chair queried the slow progress in completing the actions regarding the 2014/15 assessment.

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

**12 Overview of the Overall Status of Risk Report Quarter 4 2017/18.**

The Strategic Delivery & Performance Manager presented an overview of the status of risk in the Council in order to provide assurance to the Committee on the effectiveness of the Risk Management Policy, framework and its operation within the Council. Appendix A provided a summary of the overall status of risk within the Council, quarter 4 2017/18.

He highlighted that 73% of the risks that were in place on 28 December 2017 were recorded as having been reviewed by 27 March 2018. He added that while the position had improved, further progress was needed.

He referred to movement within the Register and stated that further progress was required from responsible officers to record reasons for removing risks from the register would be recorded in future in order to provide an audit trail.



The Chair commented that a level of detail regarding each risk was required and assurance that the Authority was managing the risks. She added that open discussions regarding the risks was required at Committee. The Strategic Delivery and Performance Manager noted that he had been given authorisation by CMT to allow Committee Members full access to the Corporate Risk Register that contains corporate level risks and the detail required.

Discussions followed and it was noted that there may be occasions when discussions regarding the Corporate Risk Register would have to occur in private session.

It was noted that Councillors now had access to the online Corporate Risk Register.

**Resolved that: -**

- 1) The contents of the report be noted;
- 2) The Strategic Delivery & Performance Manager seeks to provide the Chair with electronic access to the Corporate Risk Register;
- 3) A hard copy of the Corporate Risk Register be provided to the Chair;
- 4) Future reports to include an appropriate level of information in order for the Audit Committee to discharge its responsibilities in accordance with the Terms of Reference.

### **13 Draft Audit Committee Training Programme Report.**

The Chief Auditor presented the Draft Audit Committee Training Programme 2018/19.

The Chair highlighted that in future, training occurs prior to the start of Committee meetings. She added that the content of the Programme was good and would cover the training needs of the Committee.

**Resolved that: -**

- 1) The Audit Committee Training Programme be approved;
- 2) Where possible, future training takes place prior to the commencement of Committee meetings.

### **14 Audit Committee Work Plan. (For Information)**

The Chief Auditor reported the Audit Committee Work Plan for information.

He highlighted that the Audit Committee terms of reference was included at Appendix 2 and would be reported as part of future Work Plan reports. He added that the Committee would address the key terms of reference going forward.

The Chair highlighted that the Work Plan was now focussed upon the Audit Committee key roles and responsibilities.

The Committee welcomed the new format / content with the focus on governance, risk and assurance.

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

The Chief Auditor provided an Action Tracker report for information.

The Chair commented that Governance Framework would be included in the 2018/19 Plan. In addition, areas previously deferred would be brought back and more details of the work completed would be provided.

The Chief Auditor also provided an update regarding Minute No. 68 – Amendments to Contract Procedure Rules.

The meeting ended at 3.45 pm

**Chair**



City and County of Swansea

## Minutes of the Special **Audit Committee**

Committee Room 5 - Guildhall, Swansea

Tuesday, 26 June 2018 at 10.00 am

**Present:** Paula O'Connor (Independent Chair) Presided

**Councillor(s)**

P M Black  
P K Jones  
L V Walton

**Councillor(s)**

P R Hood-Williams  
M B Lewis

**Councillor(s)**

O G James  
S Pritchard

**Officer(s)**

Nick Davies	Principal Auditor
Sally-Ann Evans	Lawyer
Matthew Joyce-Brown	Lawyer
Jeremy Parkhouse	Democratic Services Officer
Sandie Richards	Principal Lawyer

**Also Present: -**

Gareth Lewis	Wales Audit Office
David Williams	Wales Audit Office

**Apologies for Absence**

Councillor(s): C Anderson, J W Jones, W G Thomas and T M White

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**16 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: -

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

**17 Wales Audit Office - Audit Committee Review of Performance 2017/18.**

Gareth Lewis and David Williams, Wales Audit Office facilitated a session to allow the Audit Committee to complete a review of its performance during 2017/18.

Members were asked to consider the areas of Committee work they felt had gone well and those they felt could be improved. The session was based around the 7 core functions of an audit committee established by CIPFA. The core functions discussed were: -

- 1) Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives.
- 2) In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and professionalism;
  - support the effectiveness of the internal audit process; and
  - promote the effective use of internal audit within the assurance framework.
- 3) Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.
- 4) Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.
- 5) Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- 6) Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- 7) Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

The Wales Audit Office would feed back the results of the session for consideration.

The Chair thanked the Wales Audit Office representatives for leading the discussions.

**Resolved that: -**

- 1) The contents of the discussions be noted;
- 2) Richard Rowlands, Strategic Delivery & Performance Manager provides a link / access to the electronic Corporate Risk Register in order for the Committee to understand the nature of the 31 high level risks identified;
- 3) The Chair meets the Chief Executive to discuss the impact of the 31 high level risks identified and how the Authority is managing those risks;
- 4) The Annual Governance Statement be reported as a separate item to the Statement of Accounts;
- 5) The Committee discusses further the possibility of Members attending an Audit Committee of another public body;
- 6) Audit Committee Members meet with External Auditors without Officers;
- 7) Wales Audit Office recommendations be closely tracked by the Audit Committee in a timely manner;
- 8) The key findings of discussions be reported to the Audit Committee.

The meeting ended at 11.53 am

**Chair**



## Report of the Monitoring Officer

Audit Committee – 17 July 2018

### Draft Annual Governance Statement 2017/18

<b>Purpose:</b>	This report provides the draft Annual Governance Statement 2017/18 and allows the Audit Committee the opportunity to contribute to the annual review of governance.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Corporate Management Team, Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that Committee review and discuss the draft Annual Governance Statement 2017/18.
<b>Report Author:</b>	Tracey Meredith
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

#### 1. Introduction

- 1.1 The Council is required by the Accounts and Audit (Wales) Regulations 2014 to undertake a review of its governance arrangements, at least annually. The review is intended to show how the Council has complied with its Code of Corporate Governance.
- 1.2 The Audit Committee's role in Corporate Governance is set out in the Local Government (Wales) Measure 2011. Paragraph 9.2 of the statutory guidance relating to the Measure states that one of the functions of the Audit Committee is to:

*‘Review, scrutinise and issue reports and recommendations on the appropriateness of the authority’s risk management, internal control and corporate governance arrangements’*

- 1.3 The review of governance is brought together in the Annual Governance Statement (AGS) which is to accompany the Council’s Annual Statement of Accounts. The AGS is an important document in providing assurance to the Council, stakeholders and public regarding the corporate governance arrangements.
- 1.4 This report provides the opportunity for the Audit Committee to review and contribute to the annual review of governance prior to the AGS being finalised, signed off and published.

## **2. Code of Corporate Governance**

- 2.1 Following a number of high profile cases of failed corporate governance, in both the private and public sectors, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published a Framework for Delivering Good Governance in Local Government in 2007. The Framework was reviewed by CIPFA and SOLACE in 2015 to ensure it remained fit for purpose and a revised Framework was published in spring 2016. The new *‘Delivering Good Governance in Local Government Framework 2016’* applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 2.2 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.4 The revised framework defines governance as:

*‘Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.’*

The Framework also states that:

*‘To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.’*

- 2.5 The Framework introduces 7 principles as follows:
- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - B) Ensuring openness and comprehensive stakeholder engagement.
  - C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
  - D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - E) Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
  - F) Managing risks and performance through robust internal control and string public financial management.
  - G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 2.6 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure:
- Resources are directed in accordance with agreed policies and according to priorities.
  - There is sound and inclusive decision making.
  - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.7 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.

- 2.8 Council will approve the revised Code of Corporate Governance based on the 7 principles outlined above.
- 2.9 In 2016/17 a new Annual Governance Statement Group was established, tasked with the compilation of a revised Code of Corporate Governance, as well as a revised Annual Governance Statement. The Group is comprised of the Head of Financial Services & Service Centre, the Head of Legal, Democratic Services & Business Intelligence, the Chief Internal Auditor and the Business Performance Manager. The Group meets periodically to discuss the governance arrangements of the Council and provides updates to the Audit Committee, the Corporate Management Team and Cabinet when necessary.
- 2.10 An annual review of compliance with the Code of Corporate Governance has been completed and published each year which is now in the format of the Annual Governance Statement.

### **3. Annual Governance Statement**

- 3.1 The AGS should report publically on the extent to which the Council has complied with its own code of governance on an annual basis, including how it has monitored and evaluated the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the AGS should itself add value to the effectiveness of the corporate governance and internal control framework.
- 3.2 The draft AGS 2017/18 is attached in Appendix 1 and has been subject to consultation with the Corporate Management Team prior to reporting to the Audit Committee.
- 3.3 The final version of the AGS will be reported to Cabinet in September for approval before being signed by the Chief Executive and Leader and then published with the audited Statement of Accounts 2017/18.

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

- 4.1 An EIA is not required as there are no equality and engagement implications associated with this report.

### **5. Financial Implications**

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

### **6. Legal Implications**

- 6.1 Production of the Annual Governance Statement is required under the Accounts and Audit (Wales) Regulations 2014 and supports the Annual Statement of Accounts.



**Background Papers:** None

**Appendices:** Appendix 1 Draft Annual Governance Statement 2017/18.

## 1. Scope of Responsibility

- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. The revised framework applies to all annual governance statements prepared for the financial year 2017/18 onwards. A copy of the Code can be obtained by contacting the Chief Auditor on 01792 636463 or e-mailing [simon.cockings@swansea.gov.uk](mailto:simon.cockings@swansea.gov.uk). This statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 to review the effectiveness of its internal control systems at least once a year.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

### 3. The Governance Framework

- 3.1 The Delivering Good Governance in Local Government Framework 2016 Edition produced by CIPFA and SOLACE (the Framework) defines governance as

*'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.'*

The Framework also states that

*'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times,*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.'*

- 3.2 In local government, the governing body is the full council.

### 4. Background

- 4.1 The *Delivering Good Governance in Local Government Framework* published by CIPFA and SOLACE in 2007 set the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remained fit for purpose and published a revised Framework in spring 2016.

- 4.2 The new *Delivering Good Governance in Local Government Framework* 2016 edition applies to annual governance statements prepared for the financial year 2017/18 onwards.

- 4.3 The new Framework introduces 7 new principles as follows:

- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B) Ensuring openness and comprehensive stakeholder engagement.
- C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F) Managing risks and performance through robust internal control and strong public financial management.

# ANNUAL GOVERNANCE STATEMENT 2017/18

- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 4.4 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure
- Resources are directed in accordance with agreed policies and according to priorities
  - There is sound and inclusive decision making
  - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 4.5 The term local Code of Corporate Governance essentially refers to the approved governance structure in place, as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 4.6 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.
- 4.7 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance, which cannot be achieved, by rules and procedures alone. Shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance.
- 4.8 The Accounts and Audit (Wales) Regulations 2014 require that a review of the effectiveness of the governance arrangements must be undertaken at least annually and reported on within the authority e.g. to the Audit Committee or other appropriate member body and externally with the published accounts of the authority. In doing this, the authority is looking to provide assurance that
- Its governance arrangements are adequate and working effectively in practice
  - Where the reviews of the governance arrangements have revealed significant gaps, which will impact on the authority achieving its objectives, what action is to be taken to ensure effective governance in future.

## ANNUAL GOVERNANCE STATEMENT 2017/18

- 4.9 In 2016/17 a new Annual Governance Statement Group was established, tasked with the compilation of a revised Code of Corporate Governance, as well as a revised Annual Governance Statement. The Group is comprised of the Head of Financial Services & Service Centre (S151 officer), the Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer), the Chief Internal Auditor and the Business Performance Manager. The Group meets periodically to discuss the governance arrangements of the Council and provides updates to the Audit Committee, the Corporate Management Team and Cabinet when necessary.
- 4.10 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are shown on the pages that follow, linked to the 7 fundamental principles.

# ANNUAL GOVERNANCE STATEMENT 2017/18

## **Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes, they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Behaving with integrity</b>	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<ul style="list-style-type: none"> <li>• Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016</li> <li>• Officers Code of Conduct in Constitution</li> <li>• Member/Officer Protocol in Constitution</li> <li>• Member led authority principles/document</li> <li>• Council Values – people focused, working together and innovation</li> <li>• Whistleblowing Policy</li> <li>• Data Protection Policy</li> <li>• Money Laundering Policy</li> <li>• HR Policies</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Financial, land transaction and procurement procedure rules in Constitution</li> <li>• Standards Committee with Annual Report presented to Council</li> <li>• Member Dispute Resolution</li> <li>• Monitoring Officer training on Code</li> <li>• Officers/members declaration of interest</li> <li>• Officer Secondary Employment Policy</li> </ul>
	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Principles of Public Life (the Nolan Principles)	
	Leading by example and using these standard operating principles or values as a framework for decision making and other actions	
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	

# ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
<b>Demonstrating strong commitment to ethical values</b>	Seeking to establish, monitor and maintain the organisation’s ethical standards and performance	<ul style="list-style-type: none"> <li>• Council Values – people focused, working together and innovation</li> <li>• Commitment to the Nolan principles</li> <li>• Code of Conduct</li> <li>• Swansea Pledge</li> <li>• Constitution contains comprehensive Procurement and Financial Procedure Rules</li> </ul>
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation	
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	
<b>Respecting the rule of law</b>	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<ul style="list-style-type: none"> <li>• Member and Officer code of Conduct in Constitution</li> <li>• Role of Head of Paid Service, Section 151 Officer and Monitoring Officer established in Constitution</li> <li>• CIPFA statement on the Role of the Chief Financial Officer</li> <li>• Robust Scrutiny function</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Audit Committee</li> <li>• Internal Audit Section</li> <li>• Corporate Fraud Team</li> <li>• External Auditors</li> <li>• Annual Audit Letter</li> <li>• Standards Committee</li> <li>• Whistleblowing Policy</li> </ul>
	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	
	Dealing with breaches of legal and regulatory provisions effectively	
	Ensuring corruption and misuse of power are dealt with effectively	

# ANNUAL GOVERNANCE STATEMENT 2017/18

## Principle B – Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Openness</b>	<p>Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness</p> <p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p> <p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p> <p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<ul style="list-style-type: none"> <li>• Agendas published in advance of meetings</li> <li>• Minutes published following meetings</li> <li>• Decision making process described in Constitution</li> <li>• Forward Plan published on Internet showing key decisions to be made by Council and Cabinet</li> <li>• Consultation and Engagement Strategy &amp; Consultation Toolkit</li> <li>• Annual budget consultation</li> <li>• Publication Scheme</li> <li>• Freedom of Information Scheme</li> <li>• Challenge Panel and call-in procedure</li> <li>• Public questions at Council and Cabinet</li> <li>• Engagement with hard to reach groups, such as BME, Disability and LGBT communities. As well as engagement with children and young people to meet the requirement of the UNCRC</li> </ul>



## ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Engaging comprehensively with institutional stakeholders</b>	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	<ul style="list-style-type: none"> <li>• Public Service Board and One Swansea Plan/Well-Being Plan</li> <li>• Western Bay</li> <li>• ERW</li> <li>• Community Safety Partnership</li> <li>• Partnership agreements.</li> <li>• Co-production on policy and decision making</li> <li>Effective use of website and social media.</li> </ul>
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	
	Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• trust</li> <li>• a shared commitment to change</li> <li>• a culture that promotes and accepts challenge among partners</li> </ul> and that the added value of partnership working is explicit	

# ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Engaging stakeholders effectively, including individual citizens and service users</b>	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Ward role of Councillors</li> <li>• Consultation and Engagement framework</li> <li>• ‘Have Your Say’ consultations on Internet</li> <li>• Residents telephone surveys</li> <li>• Consultation principles and toolkit available on Intranet</li> <li>• Role of Consultation Co-Ordinator and Equality Impact Assessments</li> <li>• Co-production</li> <li>• Annual Staff Survey</li> <li>• Complaints Policy and Annual Report.</li> </ul>
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	
	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	
	Taking account of the interests of future generations of tax payers and service users	

# ANNUAL GOVERNANCE STATEMENT 2017/18

## **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Defining outcomes</b>	<p>Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions</p> <p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>Identifying and managing risks to the achievement of outcomes</p> <p>Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> <li>• Corporate Plan produced annually in accordance with Local Government (Wales) Measure 2009 and ‘Wellbeing Objectives’ in Wellbeing of Future Generations (Wales) Act 2015</li> <li>• Quarterly &amp; annual Performance Monitoring Reports</li> <li>• Annual Performance Review</li> <li>• Single Integrated Plan produced by Public Service Board</li> <li>• Service Plan produced annually by each Head of Service</li> <li>• Monthly Performance and Financial Monitoring meetings held for each Directorate</li> <li>• Corporate Risk Policy and Framework</li> <li>• Corporate, Directorate and Service Risk Registers</li> <li>• Capital Review Programme and workshops with senior staff managing large scale capital projects to ensure an efficient, coordinated and structured approach to capital projects and the City Deal.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Sustainable economic, social and environmental benefits</b>	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan covering 3 financial years approved annually by Council</li> </ul>
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	
	Ensuring fair access to services	

# ANNUAL GOVERNANCE STATEMENT 2017/18

## **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Determining interventions</b>	<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</p> <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> <li>• Policy development by Policy Development and Delivery Committees</li> <li>• Scrutiny function</li> <li>• Finance, Legal and Access to Services implications in all Council, Cabinet and Committee reports</li> <li>• Results of consultation exercises</li> <li>• Annual Internal Audit consultation exercise</li> </ul>

## ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Planning interventions</b>	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	<ul style="list-style-type: none"> <li>• Timetable exists for producing or reviewing plans, priorities etc. on an annual basis</li> <li>• Consultation and Engagement framework</li> <li>• Monthly Performance and Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary</li> <li>• Quarterly and Annual Performance Monitoring reports to Cabinet including achievement of national and local performance indicators</li> <li>• Medium Term Financial Plan</li> <li>• Annual budget setting process in place including consultation exercise</li> </ul>
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	
	Considering and monitoring risks facing each partner when working collaboratively including shared risks	
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	
	Establishing appropriate local performance indicators (as well as relevant statutory or other national performance indicators) as part of the planning process in order to identify how the performance of services and projects is to be measured	
	Ensuring capacity exists to generate the information required to review service quality regularly	
	Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan	
	Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	

## ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
<b>Optimising achievement of intended outcomes</b>	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	<ul style="list-style-type: none"> <li>• Quarterly Financial Monitoring reports to Cabinet</li> <li>• Mid-Year Budget Statement to Cabinet</li> <li>• Medium Term Financial Plan</li> <li>• Sustainable Swansea – Fit for the Future</li> </ul>
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	
	Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
	Ensuring the achievement of ‘social value’ through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”	

# ANNUAL GOVERNANCE STATEMENT 2017/18

**Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Developing the entity’s capacity</b>	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	<ul style="list-style-type: none"> <li>• Commissioning Review as part of Sustainable Swansea – Fit for the Future strategy</li> <li>• Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review</li> <li>• Departmental service planning including succession plans and service resilience</li> <li>• Engagement with benchmarking groups such as APSE, CIPFA</li> <li>• Service planning process includes workforce planning and this is included in the overarching Workforce Plan</li> <li>• Quarterly financial and performance reports to Cabinet</li> <li>• Collaborative working with partners including the Public Service Board, Western Bay.</li> </ul>
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently	
	Recognising the benefits of partnerships and collaborative working where added value can be achieved	
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	



## ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<p>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p>	<ul style="list-style-type: none"> <li>• Member/Officer Protocol in Constitution</li> <li>• Scheme of Delegation published in Constitution</li> <li>• Cabinet portfolio roles agreed and documented in Constitution</li> <li>• Monthly One to One meetings are held involving the Leader, Cabinet Members, Chief Executive, Corporate Directors, Chief Officers, Heads of Service and 3<sup>rd</sup> tier staff</li> <li>• Councillor Training Programme developed based on a Training Needs Assessment</li> <li>• Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review. Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work</li> </ul>
	<p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p>	
	<p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p>	

# ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
	<p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisation and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses</li> </ul> <p>Ensuring that there are structures in place to encourage public participation</p>	<ul style="list-style-type: none"> <li>• Mandatory corporate induction course for new staff</li> <li>• Mandatory courses for staff i.e. safeguarding</li> <li>• Corporate learning and development courses</li> <li>• Stress and health advice available online</li> <li>• Helping Hands support, information and guidance service.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
	<p>Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>Holding staff to account through regular performance reviews which take account of training or development needs</p> <p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	

# ANNUAL GOVERNANCE STATEMENT 2017/18

## **Principle F – Managing risks and performance through robust internal control and string public financial management**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Managing risk</b>	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	<ul style="list-style-type: none"> <li>• Risk Management Policy with sophisticated risk matrix Framework</li> <li>• Corporate, Directorate and Service risk registers</li> <li>• Monthly review of Corporate Risks by Corporate Management Team</li> <li>• Monthly review of Directorate Risks at PFM meetings</li> </ul>
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	
	Ensuring that responsibilities for managing individual risks are clearly allocated	
<b>Managing performance</b>	Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review	<ul style="list-style-type: none"> <li>• Corporate Plan produced annually</li> <li>• Annual Performance Report produced</li> <li>• Quarterly performance monitoring report to Cabinet</li> <li>• Annual Service Plan produced by each Head of Service</li> <li>• Scrutiny function</li> <li>• Monthly Directorate Performance and Financial Monitoring meetings</li> </ul>
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	

# ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made, thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)</p>	
<b>Robust internal control</b>	<p>Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>Evaluating and monitoring risk management and internal control on a regular basis</p> <p>Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>	<ul style="list-style-type: none"> <li>• Audit Committee provides assurance on effectiveness on internal control, risk management and governance</li> <li>• Audit Committee Annual Performance Review</li> <li>• Audit Committee Annual Report to Council</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Role of Internal Audit Section and Corporate Fraud Team</li> <li>• Internal Audit and Corporate Fraud Annual Plans approved by Audit Committee</li> <li>• Internal Audit and Corporate Fraud Annual Reports to Audit Committee</li> <li>• Annual Governance Statement</li> </ul>

# ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon</li> </ul>	
<b>Managing data</b>	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<ul style="list-style-type: none"> <li>• Data Protection Policy</li> <li>• Information Governance Unit</li> <li>• The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI)</li> <li>• Information management governance arrangements</li> <li>• Senior Information Risk Officer (SIRO) in place</li> <li>• Information Asset Register</li> <li>• Information sharing guidance published</li> </ul>
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	
<b>Strong public financial management</b>	Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance	<ul style="list-style-type: none"> <li>• Financial Procedure Rules in Constitution</li> <li>• Contract Procedure Rules in Constitution</li> <li>• Accounting Instructions on Intranet</li> <li>• Spending Restrictions document on Intranet</li> <li>• Adoption of the CIPFA Treasury Management in the Public Services: Code of Practice</li> <li>• All borrowing and long term financing is made in accordance with CIPFA's Prudential Code.</li> </ul>
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	

**ANNUAL GOVERNANCE STATEMENT 2017/18**

		Treasury Management update reports are made to Audit Committee.
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# ANNUAL GOVERNANCE STATEMENT 2017/18

## **Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Implementing good practice in transparency</b>	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	<ul style="list-style-type: none"> <li>• Reports Authors Protocol exists to ensure consistency in reports</li> <li>• Clear Writing guide published on Intranet</li> <li>• The Council's Publication Scheme is available on the website</li> </ul>
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	
<b>Implementing good practices in reporting</b>	Reporting at least annually on performance, value for money and the stewardship of its resources	<ul style="list-style-type: none"> <li>• Annual Statement of Accounts audited by external auditor and approved by Council and published on website</li> <li>• Code of Corporate Governance based on CIPFA/SOLACE Framework 2016</li> <li>• Annual Governance Statement</li> <li>• Annual Review of Performance</li> </ul>
	Ensuring members and senior management own the results	
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	



# ANNUAL GOVERNANCE STATEMENT 2017/18

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</p> <p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</p>	
<b>Assurance and effective accountability</b>	<p>Ensuring that recommendations for corrective action made by external audit are acted upon</p> <p>Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon</p> <p>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</p>	<ul style="list-style-type: none"> <li>• External Audit provided by Wales Audit Office</li> <li>• Performance of Internal Audit Section monitored by Audit Committee</li> <li>• Implementation of WAO and Internal Audit recommendations monitored by Audit Committee</li> <li>• Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by Corporate Management Team</li> <li>• Annual Governance Statement</li> <li>• The Strategic Delivery Unit tracks and monitors all corporate and audit recommendations including peer reviews, which are reviewed by CMT.</li> </ul>

## 5. Review of Effectiveness

- 4.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The newly formed Annual Governance Statement Group discuss the governance arrangements in place across the Authority and provide updates to the Audit Committee, the Corporate Management Team and Cabinet when necessary.
- 4.2 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following broad headings.

## 5 Internal Control Self-Assessment

- Each Head of Service has provided a signed **Senior Management Assurance Statement** for 2017/18 which provides assurance over the internal control, risk management and governance framework for their area of responsibility.
- The **Senior Management Assurance Statement** contains 10 questions covering governance issues and requires a 'Yes', 'No' or 'Partly' answer. The vast majority of answers provided by Heads of Service were 'Yes' with a small number of 'Partly' responses. There were no 'No' assurance responses. The main areas where 'Partly' answers were given related to limitations of central control given the delegated budgets within Education and rectifying contract non compliance. However, in each case assurance was provided that sufficient monitoring was in place so as not to pose a risk to governance.

### 5.1 Internal Sources of Assurance

The following provide assurance based on reports covering 2016/17: as the reports for 2017/18 are not yet available. The 2017/18 reports will be reflected in the next Annual Governance Statement.

- The **Annual Performance Review 2016/17** was approved by Cabinet on 19/10/17 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 5 Key Priorities ('Improvement Objectives') set out in the Corporate Plan 2015/17 '*Delivering for Swansea*'. The results showed that the Council was 'mainly successful' in achieving the performance measures for 5 of the Key Priorities and that, 'Improvement prospects are good with no major barriers'.

## ANNUAL GOVERNANCE STATEMENT 2017/18

- The **Standards Committee** met on 4 occasions during 2017/18 and the **Standards Committee Annual Report 2016/17** was presented to Council on 26/10/17. The report described the work of the Committee during 2016/17 including an update on the new model Code of Conduct adopted by Council on 19/05/17 and an update on the new Ethical Framework – new statutory provisions.
- The **Corporate Complaints Policy** was in place throughout 2017/18 and the **Corporate Complaints Annual Report 2016/17** was presented to Cabinet on 19/10/17. The Annual Report noted that in 2016/17 there was a 16% increase in the number of complaints and requests for service handled by the team. Requests for information also remained high. The report also highlighted a number of service improvements, which had been introduced as a result of complaint investigations.
- The **Internal Audit Annual Report 2016/17** was reported to the Audit Committee on 08/08/17 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2016/17, Internal Audit can give reasonable assurance that the systems of internal control, risk management and governance were operating effectively and that no significant weaknesses were identified.
- The **Audit Committee Annual Report 2016/17** was presented to Council on 14/12/17 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2016/17.
- The **Scrutiny Programme Committee and Panels** met throughout 2016/17 and were supported by the Scrutiny Support Team. The **Scrutiny Annual Report 2016/17** was presented to Council on 27/07/17. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. The report also highlighted the increase in pre decision scrutiny and the high level of councillor commitment with 104 meetings held.
- The End of Year 2016/17 **Performance Monitoring Report** was approved by Cabinet on 20/07/17, which presented the detailed performance results for 2016/17. In summary, 62% of indicators that had targets met their targets. 73% comparable indicators also showed improvement compared to 2015/16. The results of the review are used to inform executive decisions on resource allocation and to take corrective action to improve performance and efficiency.

The following provides assurance based on reports covering 2017/18:

- The Well-Being Objectives and Statement 2017/2018 were approved by Council on 23/3/17 and carried forward into the Corporate Plan after May elections in line with Well Being of Future Generations (Wales) Act 2015.
- The **Corporate Plan 2017-22** *'Delivering a Successful and Sustainable Swansea 2017-22'* produced in accordance with the Local Government (Wales) Measure 2009 and the 'Wellbeing Objectives' under the Wellbeing of Future Generations (Wales) Act 2015 was approved by Council on 24/8/17. The Plan describes the Council's vision for Swansea, its 5 Well-being Objectives and the organisation values and principles that will

## ANNUAL GOVERNANCE STATEMENT 2017/18

underpin the delivery of the priorities and the overall strategy. The Corporate Plan feeds into service planning process across Directorates and the process is managed corporately by the Strategic Delivery Unit to ensure consistency.

- The adoption of the **Council Constitution** was reaffirmed at the Annual Meeting of the Council on 25/05/17. Various reports have been approved by Council throughout 2017/18 making changes to the Constitution.
- The **Audit Committee** met on 7 occasions during 2017/18 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member as required by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee.
- The **Scrutiny Programme Committee** met on 13 occasions in 2017/18 and had overall responsibility for the scrutiny function.
- The annual **Scrutiny Work Planning Conference 2017/18** was held on 19/6/17 and a report on the **Scrutiny Work Programme 2017/18** was agreed by the Scrutiny Programme Committee on 10/7/17.
- The **Constitution Working Group** met twice during 2017/18 to consider issues relating to local authority governor appointments requiring a change to the Council Constitution and nominations to the office of Lord Mayor and Deputy Lord Mayor.
- The **Medium Term Financial Plan 2019/20 – 2021/22** was approved by Council on 6/03/18. The Plan outlined the significant shortfall in funding faced by the Council over the period and the strategy to be adopted to address the shortfall as well as the inherent risks to the success of the adopted strategy.
- The revised **Corporate Risk Management Policy and Framework** was approved by Cabinet in 2017/18 and is being implemented. Audit Committee review the overall status of risk in the Council on a quarterly basis.
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
- Quarterly **Performance Monitoring Reports** were presented to Cabinet during 2017/18, which provided detailed performance tables and identified the Council's performance outturn for the indicators, which had been selected for their suitability to measure performance against the Council's 5 Well-being objectives.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2017/18. The reports consistently identified a revenue budget overspend at year end based on available information and stressed the need for expenditure to be contained within the budget set by Council. That overspend has now been confirmed and a draw from General Fund reserves of over £3m will be necessary for 2017/18, a position that is clearly unsustainable and unrepeatable in future years, given the S151 Officer has already ruled reserves to be at the absolute minimum.
- A **Mid Term Budget Statement 2017/18** was presented to Council on 26/10/17 which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning

assumptions over the next 3 financial years. The conclusion of the Statement was that the Council would struggle to deliver within the overall resources identified to support the budget in 2017/18 and beyond. The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.

- All reports presented to Cabinet and Council during 2017/18 had been reviewed by Finance, Legal and Access to Services staff and included the appropriate paragraphs detailing the Financial, Legal and Equality and Engagement Implications of the report.
- The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:
  - the Statement of Investment Principles
  - Funding Strategy Statement
  - A full actuarial valuation to be carried out every third year
- During 2015/16 the governance structure for the Pension Fund was amended to include the Local Pension Board, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Board members were appointed and the Board first met on 21/07/15. The Board met on 05/09/17 in 2017/18 and met 3 times during that year.
- The **Pension Fund Committee** met on 6 occasions during 2017/18 and dealt with all issues relating to the governance of the Pension Fund.

## 5.2 External Sources of Assurance

- In determining the breadth of work undertaken during the year, the Auditor General considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Council's own mechanisms for review and evaluation. For 2016-17, the Wales Audit Office undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General determined within the **Annual Improvement Report 2016-17** on Swansea Council that the Council was likely to comply with the requirements of the Local Government Measure (2009) during 2017-18. The Auditor General did not make any formal recommendations. However, a number of proposals for improvement were made Progress meeting proposals for improvement are monitored by Audit Committee on a six monthly basis.
- In June 2017, the Wales Audit Office issued a report on **Good governance when determining service changes**. The report concluded that the Council has a clear governance framework for determining significant

## ANNUAL GOVERNANCE STATEMENT 2017/18

service change but needs to clarify how the impact of change for service users will be evaluated. Proposals for improvement included: Improving public access to information about the Council's Commissioning Review activity and outcomes by linking together all the web site information about the overall programme and signposting its availability; whilst potential financial savings are consistently identified the Council should ensure that the process for concluding a review consistently identifies the intended impact for service users and the means by which that impact will be evaluated in the future.

- Six month status update reports track progress on WAO proposals.
- The Appointed Auditor's **Annual Audit Letter 2016/17** was issued in November 2017 and presented to the Audit Committee on 12/12/17. The letter stated that *'The Council complied with its responsibilities relating to financial reporting and use of resources'*. The letter also stated that an unqualified audit opinion had been issued on the accounting statements confirming that they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. The letter also stated that *'The Auditor General for Wales is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but the financial outlook is very challenging'*.
- The Wales Audit Office published in March 2017 a **Savings Planning Review** of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience. The Wales Audit Office concluded that whilst the Council has a sound financial planning framework, the Council recognises the delay in delivering savings plans to required timescales presents risks to its financial resilience. Proposals were made to strengthen financial planning arrangements by: ensuring that savings plans are sufficiently well developed and risk assessed before inclusion in the budget; assigning responsibility for the delivery of all planned savings to specific managers' services.
- When reviewing the Council's statutory improvement planning and reporting duties under the 2009 Measure, the Wales Audit Office concluded that the Council had complied with its duties and the relevant certificates of compliance were issued.
- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2016/17** to Audit Committee on 26/09/17 and to Council on 28/09/17. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The report concluded that the Auditor General intended to issue an unqualified audit report on the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund.
- The Wales Audit Office undertook an assessment of the Council's Corporate Plan following publication in August 2017 and issued a Certificate of Compliance as the Council had discharged its duties under the Local Government (Wales) Measure 2009 and Code of Audit Practice.

# ANNUAL GOVERNANCE STATEMENT 2017/18

- The Council is subject to **Statutory External Inspections** by various bodies including Wales Audit Office, ESTYN and CSSIW. ESTYN inspected 11 educational establishments during 2017/18 with inspection reports being provided to the Governing Body in each case. Work continued in 2017/18 to implement the 5 recommendations arising from ESTYN's Education Services for Children and Young People Inspection Report 2013/14. A final update report was taken to Cabinet on 14/12/17 where it was noted that future reports would provide updates on future new and emerging priorities.
- 5.3 The Annual General Meeting of the Council held on 25/05/17 appointed the required number of Councillors to sit on the Boards of the companies included in the Council's Statement of Accounts.
- 5.4 The Council has partnership arrangements in place with the Wales National Pool Swansea, National Waterfront Museum Swansea, Liberty Stadium and the LC. Cabinet agreed a new legal agreement with the Liberty Stadium on 16 November 2017. In addition, partnership arrangements are also in place with the 360 Beach and Watersports Centre, Swansea Indoor Bowls Centre and Swansea Tennis 365 but there is no Council representation on the Board and the Council's financial contribution is nil or limited.
- 5.5 The review of the governance arrangements, which operated for 2017/18 in the City and County of Swansea, has shown that in general, they provide a sound system and there are no suggestions that major issues exist.
- 5.6 The evidence gathered as part of the governance review for 2016/17 i.e. the Internal Control Self-Assessment and the review of internal and external sources of assurance supports the view that the governance arrangements continue to be fit for purpose although a small number of issues were identified where improvements can be made which are highlighted in Section 7.
- 5.7 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 6 Significant Governance Issues

- 6.1 The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2016/17 and the action taken during the year to address the issues.

Issue	Proposed Action	Action Taken
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## ANNUAL GOVERNANCE STATEMENT 2017/18

<p>1.Regionalisation and associated governance issues</p>	<p>Senior Officers time will continue to be devoted to developing regional working and joint committee structures, particularly in relation to the City Deal and any other emerging work. Work in this area is ongoing and will continue into 2017/18.</p>	<p>Regional legal and financial working groups were set up to consider City Deal structure and governance issues. Work in this area is ongoing and will continue into 2018/19.</p>
<p>2.Major Projects (including Capital Schemes)</p>	<p>Significant Officer time will continue to be committed to relevant projects in 2017/18. Wider issues in relation to support to schemes from a Legal, Finance, Procurement and Governance view point will be reviewed and address during 2017/18 in line with the ongoing Capital Commissioning Review.</p>	<p>A range of officer support and programme management has been provided for major projects with regular updates to CMT/Cabinet. Legal, financial and procurement officers have all been involved in project work including governance considerations.</p>
<p>3.Ongoing Council restructures and consideration of remaining Officer Capacity</p>	<p>Senior Officers are aware of the governance risks resulting from continued and ongoing reductions in resources. This will be monitored throughout 2017/18. The retention of the Director of Resources position will ensure overall corporate governance and control issues are</p>	<p>An interim Director of Resources was appointed in 2017/18 to ensure overall corporate governance. Further changes to the senior management structure will mean ongoing monitoring.</p> <p>The roles of s 151 officer and Corporate Director remain segregated.</p>



## ANNUAL GOVERNANCE STATEMENT 2017/18

	<p>identified and addressed where necessary. The roles of the Section 151 Officer and the Director will continue to be split to ensure adequate segregation is in place and to allow for arrangements to be effectively challenged throughout 2017/18.</p>	
4.Risk Management	<p>A new risk policy and framework will be reported to Council for adoption, which will then be implemented during 2017/18.</p>	<p>A revised risk management policy was reported to Cabinet on 17/08/17. Audit committee will receive a quarterly report on the overall status of risk.</p>
5. Public Service Board management and co-ordination	<p>Current post-holders are leaving / going to different job. A temporary co-ordinator will be appointed for 1 year after which there will be a review.</p>	<p>A governance review of the PSB will take place in 2018/19.</p>
6. Wales Audit Office Annual Improvement Report 2015/16 – proposals for improvement	<p>The proposals made by the Wales Audit Office will continue to be addressed during 2017/18.</p>	<p>Audit Committee reviews progress meeting WAO proposals on a six monthly basis.</p>
7. Wales Audit Office Savings Planning Review 2016/17 – proposal for improvement	<p>The proposal made by the Wales Audit Office will continue to be addressed during 2017/18.</p>	<p>Audit Committee reviews progress meeting WAO proposals on a six monthly basis.</p>

# ANNUAL GOVERNANCE STATEMENT 2017/18

6.2 The following table identifies issues, which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during 2018/19 to address the issues.

Issue	Proposed Action
<p><b>1. Budgetary pressures within the Council.</b></p> <p>The Council is facing unprecedented financial pressures and budget savings have to be made by departments in a timely manner.</p>	<p>Cabinet, CMT and all Heads of service have been reminded that:</p> <ul style="list-style-type: none"> <li>• No one is authorised to overspend against budget;</li> <li>• All spend must be contained within service budgets at Head of service and Director level;</li> <li>• Any material deviation must be escalated immediately through the monthly monitoring processes to CMT and ultimately to Cabinet if necessary to enable corrective action to be undertaken;</li> <li>• Corrective action requiring a policy decision will go to Cabinet with clear S151 officer advice to reduce spend back to within budget immediately;</li> <li>• Corrective action beyond this point will be determined by the S151 officer having due regard to the wider public interest and statutory intervention powers.</li> </ul>
<p><b>2. Sustainable savings</b> – there needs to be full consideration and robust business case underpinning savings proposals particularly relating to staff cuts. With wellbeing of future generations in mind sustainability of service, delivery together with mitigation of risks should be part of any proposals.</p>	<p>CMT/Cabinet to continue future budget discussion/proposals with sufficient and adequate information available for consideration.</p> <p>CMT monitors staff vacancy/recruitment on weekly basis.</p>

## ANNUAL GOVERNANCE STATEMENT 2017/18

<p><b>3. Regional working</b>—with collaboration/merger on national agenda going forward it is essential that not only are governance issues around regional working appropriate and transparent but also that regional working benefits CCS.</p>	<p>Reports to Cabinet/Council, where appropriate, setting out governance arrangements/benefits. This will include City Deal, Western Bay and ERW and any new regional collaborations.</p>
<p><b>4. Workforce capacity and performance-</b> Directorates have seen a reduction in staff resources and it is essential that workforce performance is monitored through an effective system of appraisal which supports and upskills existing officers.</p>	<p>Staff development through workforce planning and review of the appraisal system to ensure staff are performing and are being supported in their role.</p>
<p><b>5. Delivery of Leisure Partnership Report</b> to be done on an annual basis. This should include reference to activity with other entities within the group structure as part of the review of effectiveness of the system of internal control.</p>	<p>A combined Annual Leisure Partnership Report for 2015/16 and 2016/17 is scheduled to go to Council in July 2018.</p>
<p><b>6. Major projects</b> – significant officer time will continue to need to be dedicated to major projects to ensure transparency around decision making and good governance.</p>	<p>Revised programme management around Sustainable Swansea, City Deal, City Centre Regeneration, 21<sup>st</sup> Century Schools and other significant projects with reporting to CMT by exception</p>

- 6.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

# ANNUAL GOVERNANCE STATEMENT 2017/18

Signed ..... Chief Executive

Date .....

Signed..... Leader

Date .....



## Report of the Section 151 Officer

Audit Committee – 17 July 2018

### Draft Statement of Accounts 2017/18

<b>Purpose:</b>	The report presents the Draft Statement of Accounts for 2017/18 and is presented to the Audit Committee for Information and Review.
<b>Report Author:</b>	Amanda Thomas
<b>Finance Officer:</b>	Amanda Thomas
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Catherine Window
<b>For Information</b>	

#### 1. Background

- 1.1 Legislation requires the Council to produce an annual Statement of Accounts in respect of each Financial year as follows:-
- **By 30<sup>th</sup> June** following the year to which the Accounts relate – Accounts to be drafted and signed by the Section 151 Officer
  - **By 30<sup>th</sup> September** following the year to which the Accounts relate the Accounts are required to be audited and approved by Council
- 1.2 The Draft Accounts for 2017/18 have been prepared and were signed by the Section 151 Officer on 1<sup>st</sup> June 2018. A copy is appended at Appendix 'A' to this report.
- 1.3 The Accounts have been formally presented to the Council's auditors – Wales Audit Office – who have commenced the audit of the Accounts.
- 1.4 As part of the audit process the Accounts will be made available for inspection by the public for a four week period from 23<sup>rd</sup> July 2018 to 17<sup>th</sup> August 2018.

## **2. Form and content of the Statement**

- 2.1 The form and content of the report is largely set out in the CIPFA code of practice which forms the basis of best practice in accordance with legislation.

## **3. Equality and Engagement Implications**

- 3.1 There are no equality and engagement issues associated with this report; any relevant items within the budget for the past three years have been subject to the Equality Impact Assessment process.

## **4. Legal Implications**

- 4.1 Production of the Statement of Accounts is required in accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014.

## **5. Financial Implications**

- 5.1 There are no financial implications.

**Background papers:** *Accounts and Audit Regulations*  
*Cipfa Accounting Code of Practice*

**Appendices:** Appendix 'A' – Draft Statement of Accounts 2017/18.  
(Attached Separately)



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**Reference:** JH12/NG

**Date issued:** 3 April 2018

Dear Ben

## City & County of Swansea – 2017-18 - audit enquiries to those charged with governance and management

In my 2018 Audit Plan I noted that International Standards on Auditing (UK&I) state that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I set out the respective responsibilities of auditors, management and those charged with governance. I also advised that I would be writing to both management and those charged with governance to explain these responsibilities further and make enquiries of how the responsibilities have been discharged.

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

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

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

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

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2017-18 financial statements.

I would be grateful if you could complete the attached table in [Appendix 1](#), which should be formally considered and communicated to us on behalf of both management and those charged with governance (the Council) by 31 July 2018. In the meantime, if you have queries, please contact Geraint Norman on 07810 056 683 or by e-mail at [geraint.norman@audit.wales](mailto:geraint.norman@audit.wales).



John Herniman  
Engagement Director

cc Mr Phil Roberts, Chief Executive



## Appendix 1

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

#### Background

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

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

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

#### What are we required to do?

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

Enquiries of management	
Question	Response
1. What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	Remain Low/Minimal but constantly vigilant to the risk.  Same core staff worked on financial statements this year as last. But with sufficient segregation of duties in each role.  Internal audit reviews in year. Personal review by S151 officer.

2. How can management assure the Council that it has not been inappropriately influenced by external pressures?

Independence of Monitoring Officer and S151 officer.

Both have right of reporting direct to Cabinet/Council.

Both have professional right of reporting to CX (since strengthened in March 2017 management restructure).

Statutory Chief Officers are full members of CMT.

Enquiries of management	
Question	Response
3. Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?	<p>Yes – the entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published a three year medium term financial plan looking for savings in the region of £70m.</p> <p>This is considered a statement of projected fact/expectation.</p> <p>There is no pressure to achieve a certain outcome beyond that which would be reasonably expected , that is, appropriate management and Executive action to contain spending to within a balanced budget position.</p>
4. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>Online reporting tool for staff to report suspected fraud cases directly to the Fraud Team inbox.</p> <p>Dedicated fraud reporting phone number published online (internal and external referrals).</p> <p>Participate in NFI data matching exercises.</p> <p>Management review of all accounting statements.</p> <p>Internal audit function.</p> <p>Review by Audit Committee.</p>

	<p>Consistency/experience of staff working on financial statements both in terms of central consolidation but also individually as professionals so sufficient segregation of duties and professional oversight/check.</p> <p>Personal review by S151 officer.</p>
<p>5. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>Published and well publicised on the intranet, separate but complementary Staff and Member Codes of Conduct.</p> <p>In addition, Public Sector Internal Audit Standards require audit team to declare adherence to a code of ethics. The team have all signed and returned these.</p>
<p>6. What arrangements are in place to report about fraud to those charged with governance?</p>	<p>Disciplinary/fraud cases highlighted and reported both via PFM process and through to CMT monthly as part of HR dashboard reporting.</p> <p>Established Audit Committee.</p> <p>Annual fraud report goes to Audit Committee plus annual fraud plan.</p> <p>Right of Chief Internal Auditor and/or S151 to report to Audit Committee.</p> <p>Right of Chief Internal Auditor and S151 officer to report directly to CX on any material concern.</p> <p>Material individual concerns communicated by S151 to relevant member of CMT.</p>

Enquiries of the Council	
Question	Response
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Council and the internal control that management has established to mitigate those risks?	<p>Provision of a well-resourced Internal Audit section.</p> <p>Experienced Fraud Team (as part of the core Audit Function).</p> <p>Audit Committee.as well as responding to audit reviews is taking an increasingly active role in looking at wider risk management/risk register.</p> <p>Recently appointed new Independent Audit Committee Chair.</p>
2. Has the Council knowledge of any actual, suspected or alleged fraud since 1 April 2017?	No material items - ongoing fraud investigation of a range of cases is "normal business" and shared with internal/external audit as necessary.
3. Has the Council any suspicion that fraud may be occurring within the organisation?	No material cases – again "normal business" is such that there are risks in an organisation of this scale and there is a resourced corporate fraud team under the Chief Internal Auditor to review and report on individual cases.
4. Is the Council satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas?	<p>Yes. Financial Procedure Rules.</p> <p>Oracle Workflow rules requiring separate sign off of transactions above threshold levels.</p> <p>Internal audit specifically review segregation of duties as part of all audits undertaken.</p>

Enquiries of the Council	
Question	Response
5. How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?	<p>Published Anti-Fraud and Corruption policy.</p> <p>Published Disciplinary Policy</p> <p>Published Whistleblowing Policy</p> <p>Fraud/Whistleblowing telephone hotline – intranet coverage/news stories/online reporting forms available.</p>
6. From a fraud and corruption perspective, what are considered by the Council to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?	<p>Chief Officer and Head of Service Posts</p> <p>A range of other senior posts</p> <p>Finance posts above Grade 10</p> <p>Full DBS checks on high risk posts</p>
7. Is the Council aware of any related party relationships or transactions that could give rise to instances of fraud and how does the Audit Committee mitigate the risks associated with fraud related to related party relationships and transactions?	No
8. Is the Council aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?	No
9. Is the Council aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?	<p>Yes</p> <p>There remains significant risk of failure to deliver all planned savings and there was an overspend at outturn at service level of around £5m, albeit this was significantly reduced by one off steps taken by the S151 officer, thus reducing the draw from General</p>

	<p>Reserves to £3m. This position is not sustainable in the longer term. Risks have not been fully ameliorated for 18-19 and this is especially important given the s151 officer, in advising on the budget, declared reserves to already be at the absolute minimum he could deem adequate.</p> <p>All options continue to be explored to assure removing over spending but future formal enforcement action is a real possibility.</p> <p>The entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published a three year medium term financial plan looking for savings in the region of £70m.</p> <p>This is considered a statement of projected fact/expectation.</p> <p>There is no pressure to achieve a certain outcome beyond that which would be reasonably expected, that is, appropriate management and Executive action to contain spending to within a balanced budget position.</p>
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International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements Background

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

**What are we required to do?**

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

<b>Enquiries of management</b>	
<b>Question</b>	<b>Response</b>
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>Constitution specifies officer delegation and proper officer arrangements for procurement, contracting, entering into legal agreements etc. Legal and finance sign off required in each case.</p> <p>All Heads of Service required to complete governance assurance declarations which are reviewed by the Monitoring Officer and others including the S151 Officer and Chief Internal Auditor to assist in forming an overall view as to compliance.</p> <p>A small number of issues have arisen and are flagged in that governance assurance and reporting which indicate some areas of potential non-compliance which will be addressed going forward but are not considered unduly material for the size and complexity of the Council.</p>



2. Are there any potential litigations or claims that would affect the financial statements?	<p>Potentially yes - given the size of the authority there are always outstanding potential litigations and obligations, both general and very specific in nature.</p> <p>Items of material nature are as fully disclosed in the statement of accounts as is possible under contingent liabilities and provisions having due regard to confidentiality, commercial terms and data protection laws.</p>
<b>Enquiries of the Council</b>	
<b>Question</b>	<b>Response</b>
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	All formal reports to Cabinet/Council require legal, access to services and finance sign off
2. Is the Council aware of any non-compliance with relevant laws and regulations?	See section 1 above re management
3. If there have been instances of non-compliance what are they, and what oversight has the Council had to ensure that action taken by management to address and gaps in control?	See section 1 above re management

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

### Background

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

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

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

### What are we required to do?

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

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



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**Reference:** JH11/NG

**Date issued:** 3 April 2018

Dear Ben

## City & County of Swansea Pension Fund – 2017-18 - audit enquiries to those charged with governance and management

In my 2018 Audit Plan I noted that International Standards on Auditing (UK&I) state that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I set out the respective responsibilities of auditors, management and those charged with governance. I also advised that I would be writing to both management and those charged with governance to explain these responsibilities further and make enquiries of how the responsibilities have been discharged.

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

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

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

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

The information you provide will inform our understanding of the Fund and its business processes and support our work in providing an audit opinion on your 2017-18 financial statements.

I would be grateful if you could complete the attached table in [Appendix 1](#), which should be formally considered and communicated to us on behalf of both management and those charged with governance (the Council) by 31 July 2018. In the meantime, if you have queries, please contact Geraint Norman on 07810 056 683 or by e-mail at [geraint.norman@audit.wales](mailto:geraint.norman@audit.wales).

Yours sincerely



John Herniman  
Engagement Director

cc Mr Phil Roberts, Chief Executive

## Appendix 1

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

#### Background

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

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

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

#### What are we required to do?

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

Enquiries of management	
Question	Response
1. What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	The assessed risk is :Low/Minimal: <ul style="list-style-type: none"><li>• Continuity of staff</li><li>• Appropriate segregation of duties in each role.</li><li>• Internal audit reviews in year.</li><li>• Review by S151 Officer &amp; Interim Deputy S 151 Officer</li></ul>
2. How can management assure the Council that it has not been inappropriately influenced by external pressures?	<ul style="list-style-type: none"><li>• Independence of Monitoring Officer and S151 officer</li></ul>

	<ul style="list-style-type: none"><li>• Direct reporting channels to Cabinet/Council Regulators</li><li>• Direct reporting channels to CEO</li><li>• Statutory Chief Officers are equal members of CMT.</li></ul>
--	---

Enquiries of management	
Question	Response
3. Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?	<ul style="list-style-type: none"> <li>• Yes – the entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published three year medium term financial plan looking for savings in the region of £69m.</li> <li>• This is considered a statement of projected fact/expectation.</li> <li>• There is no pressure to achieve a certain outcome beyond that which would be reasonably expected , There is an appropriate management and Executive action to contain spending to within a balanced budget position .</li> <li>• The Pension Fund is part of the Wales Pension Partnership project, a projected outcome of which shall be reduced operational fees</li> </ul>
4. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<ul style="list-style-type: none"> <li>• Management review of all accounting statements.</li> <li>• Internal audit function.</li> <li>• Breaches reporting</li> <li>• The Pensions Regulator</li> <li>• NFI screening and Atmos mortality screening</li> <li>• Review by Pension Fund Committee and Audit Committee</li> <li>• Consistency/experience of staff working on financial statements both in terms of central</li> </ul>



	<p>consolidation but also individually as professionals so sufficient segregation of duties and professional oversight/check.</p> <ul style="list-style-type: none"> <li>• Review by S151 officer &amp; Interim Deputy S151 Officer</li> </ul>
5. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<ul style="list-style-type: none"> <li>• Separate, but complementary Staff and Member Codes of Conduct are published and well publicised on the intranet</li> </ul>
6. What arrangements are in place to report about fraud to those charged with governance?	<ul style="list-style-type: none"> <li>• Right of Chief Internal Auditor and/or S151 to report to Audit Committee.</li> <li>• Audit Committee/ Pension Fund Committee/ Local Pension Board</li> <li>• Right of Chief Internal Auditor and S151 officer to report directly to CEO on any material concern.</li> <li>• Whistleblowing Policy</li> <li>• Material individual concerns communicated by S151 to relevant member of CMT.</li> <li>• Escalation to The Pension Regulator</li> </ul>

### Enquiries of the Council

Question	Response
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Council and the internal control that management has established to mitigate those risks?	<ul style="list-style-type: none"> <li>• Provision of a well resourced Internal Audit section.</li> <li>• Audit Committee.</li> <li>• Independent Audit Committee Chair.</li> <li>• Pension Fund Committee</li> <li>• Local Pension Board</li> <li>• Pension Regulator</li> </ul>
2. Has the Council knowledge of any actual, suspected or alleged fraud since 1 April 2017?	No material items - ongoing investigations of a range of cases is "normal business" and shared with internal/external audit as necessary

<p>3. Has the Council any suspicion that fraud may be occurring within the Fund?</p>	<p>No material cases – again “normal business” is such that there are isolated risks in an organisation of this scale. There is a resourced corporate fraud team under the Chief Internal Auditor to review and report on individual cases</p>
<p>4. Is the Council satisfied that internal controls, including segregation of duties, exist and work effectively? If ‘yes’, please provide details. If ‘no’ what are the risk areas?</p>	<ul style="list-style-type: none"> <li>• Yes.</li> <li>• Financial Procedure Rules.</li> <li>• Oracle Workflow rules requiring separate sign off of transactions above threshold levels.</li> <li>• Segregation of administration functions and finance functions</li> </ul>

Enquiries of the Council	
Question	Response
5. How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?	<ul style="list-style-type: none"> <li>• Anti fraud and corruption policy</li> <li>• Disciplinary Policy</li> <li>• Whistleblowing Policy</li> <li>• Fraud/Whistleblowing hotline/intranet/online forms</li> <li>• Pensions Regulator hotline</li> </ul>
6. From a fraud and corruption perspective, what are considered by the Council to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?	<ul style="list-style-type: none"> <li>• Chief Officer and Head of Service Posts</li> <li>• A range of other senior posts</li> <li>• Finance posts above Grade 10</li> <li>• Full DBS checks on high risk posts</li> </ul>
7. Is the Council aware of any related party relationships or transactions that could give rise to instances of fraud and how does the Audit Committee mitigate the risks associated with fraud related to related party relationships and transactions?	No ( save that Swansea Council is an employer within the fund)
8. Is the Council aware of any entries made in the accounting records of the Fund that it believes or suspects are false or intentionally misleading?	No
9. Is the Council aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?	<ul style="list-style-type: none"> <li>• Yes – the entire public sector in Wales is subject to significant constraint in terms of likely future real terms resource availability. The Council has published three year medium term financial plan looking for savings in the region of £69m.</li> <li>• This is considered a statement of projected fact/expectation.</li> <li>• There is no pressure to achieve a certain outcome beyond that which would be reasonably expected.</li> </ul>

	<p>There is an appropriate management and Executive action plan to contain spending to within a balanced budget position.</p> <ul style="list-style-type: none"><li>• The Pension Fund is part of the Wales Pension Partnership project, a projected outcome of which shall be reduced operational fees</li></ul>
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## International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements Background

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

### What are we required to do?

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

Enquiries of management	
Question	Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	The Council Constitution specifies specific officer delegation in respect of proper officer arrangements for <ul style="list-style-type: none"> <li>• procurement, contracting,</li> <li>• entering into legal agreements etc.</li> <li>• Legal and finance sign off required</li> <li>• Financial procedure rules</li> <li>• The Pension Regulator</li> </ul>
2. Are there any potential litigations or claims that would affect the financial statements?	Potentially yes - given the extent of the investment portfolio, there may be an ongoing corporate action in which we could be affected but not directly involved in the litigation.
Enquiries of the Council	
Question	Response
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	All formal reports to Pension Fund Committee/Council require legal, access to services and finance sign off

2. Is the Council aware of any non-compliance with relevant laws and regulations?	No
3. If there have been instances of non-compliance what are they, and what oversight has the Council had to ensure that action taken by management to address and gaps in control?	Not applicable

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

### Background

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

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

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

### What are we required to do?

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

<b>Enquiries of management</b>	
<b>Question</b>	<b>Response</b>
1. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	Material transaction parties are regular and known and appropriate disclosures are made in the financial statements.  Contracted relationships are subject to the Council's CPRs and OJEU regulation where applicable
2. Confirm that you have: <ul style="list-style-type: none"> <li>disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	Yes  Yes
<b>Enquiries of the Council</b>	
<b>Question</b>	<b>Response</b>
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	This is delegated to the S151 officer through control processes. Necessary and appropriate disclosures are made in the statement of accounts which is reviewed by Audit Committee and approved by Council.





## Report of the Chief Auditor

Audit Committee – 17 July 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 As agreed in 2016/17 an Action Tracker process was put in place to ensure transparency over the outcomes of actions agreed by Committee.
- 1.3 The Action Tracker records the decisions taken by the Audit Committee and provides an outcome for each action.
- 1.4 The Action Tracker for the 2017/18 and 2018/19 municipal years are attached in Appendix 1 and 2.
- 1.5 The Action Tracker is regularly updated and any completed actions will be marked 'CLOSED' and coloured in grey.
- 1.6 The Action Tracker is 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 2018/19**

**Appendix 2 – Action Tracker 2017/18**

<b>AUDIT COMMITTEE ACTION TRACKER 2018/19</b>	
<b>Action</b>	<b>Outcome</b>
<b>12/06/18 Min 6 – Social Care Contracts Audit</b>	
An update on the progress made in addressing the issued identified should be provided to Audit Committee at a later date.	Head of Service to attend the April 2019 Committee Meeting to provide an update report.
<b>12/06/18 Min 9 – 2016/17 Performance Review Update Report</b>	
The Performance Review 2016/17 update report is to be discussed at the Special Audit Committee scheduled to take place on 26/06/18.	
<b>12/06/18 Min 12 – Overall Status of Risk Report Q4 2017/18</b>	
The Strategic Delivery & Performance Manager provides the Chair with access to the Risk Register.	

<b>AUDIT COMMITTEE ACTION TRACKER 2017/18</b>	
<b>Action</b>	<b>Outcome</b>
<b>10/04/18 Min 73 – Work of Policy Development &amp; Delivery Committees</b>	
The Audit Committee be supplied with a written explanation of the roles of the Policy Development & Delivery Committees (PDC's) as well as their link with corporate objectives.	Chief Auditor sent e-mail to the Leader's PA on 18/06/18 requesting the information to be provided. An update report will be brought to committee at a future meeting once received.
The Audit Committee be supplied with the end of year report for PDC's for the current Municipal year.	As above.
The Audit Committee be supplied with the structure/work plan for the next Municipal year for each PDC including expected outcomes and timelines.	As above.
<b>10/04/18 Min 72 – Key Risks</b>	
The Committee should have a flavour of the key risks of the Authority, particularly the impact of the 31 high risks identified. The Committee should be able to assess the significance of risks against the well-being objectives of the Council and the risks should be highlighted / made public.	
<b>10/04/18 Min 77 – Internal Audit Plan 2018/19</b>	
The Internal Audit Plan 2018/19 was approved subject to a few refinements to be discussed with the Chief Auditor and Chair. An amended Audit Plan to be provided at the next meeting of the Audit Committee.	Following discussions with the Chair it was agreed that the 2018/19 Audit Plan remain unchanged with any suggested revisions to be incorporated into future plans. CLOSED
<b>10/04/18 Min 80 – Audit Committee Performance Review 16/17 Update</b>	
An update is to be provided to Audit Committee on the actions arising from the 2016/17 Performance Review.	Update report provided at committee meeting 12/06/18. CLOSED

<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 Schools’ Governing Bodies to make them aware of the changes. Schools are also to be requested to ensure the amended CPRs are included as an agenda item on the next Finance Committee and Building/Property Committee Meeting.</p>	<p>Amended Contract Procedure Rules are currently going through a consultation process.</p>

<b>12/12/17 Min 53 – Good Governance When Determining Significant Service Changes</b>	
The impact of the proposed cuts included in the 2018-19 budget and the potential impact upon the Internal Audit Section was discussed. It was resolved that the Chair, on behalf of the Audit Committee, writes to the Chief Executive highlighting concern regarding the potential impact of the proposed cuts on the Internal Audit Section.	Letter was sent to the Chief Executive on 20/12/17 as requested. Letter and response presented to Committee on 08/03/18 for information. – CLOSED
<b>12/12/17 Min 56 – Internal Audit Monitoring Report Q2 17/18</b>	
The appropriate Head(s) of Service are requested to attend the next scheduled meeting in order to update the Committee regarding the progress in respect of their moderate audit ratings.	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



## Report of the Chief Auditor

Audit Committee – 17 July 2018

### **Audit Committee – Workplan 2018/19**

<b>Purpose:</b>	This report details the Audit Committee Workplan to May 2019.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Sherill Hopkins
<b>For Information</b>	

#### **1. Introduction**

1.1 The Audit Committee's Workplan to May 2019 is attached in Appendix 1 for information.

1.2 The dates included for the meetings in 2018/19 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 2018/19.

**Appendix 2** – Audit Committee Statement of Purpose.



Audit Committee Workplan 2018/19

Terms of Reference	12 June 2018	26 June 2018 (Special)	17 July 2018	14 August 2018	11 September 2018	9 October 2018	11 December 2018	12 February 2019	9 April 2019
<b>Training</b>	Audit Committee Initial Training  Risk Management		Financial Management & Accounting  Governance	Internal Audit	External Audit	Counter Fraud			
<b>Governance</b>	Election of Chair & Vice Chair  Audit Committee Training Programme 2018/19		Draft Annual Governance Statement 2017/18	Draft Audit Committee Annual Report 2017/18	Final Audit Committee Annual Report 2017/18	Chair of Scrutiny Programme Committee			
<b>Internal Audit</b>	Internal Audit Monitoring Report Q4 2017/18  Performance Review 16/17 Action Plan Update Report			Internal Audit Annual Report 2017/18  Audit Committee Review of Performance 2017/18 Action Plan	Internal Audit Monitoring Report Q1 2018/19	Annual Report of School Audits 2017/18  Chief Education Officer response to Schools Audit Report	Internal Audit Monitoring Report Q2 2018/19  Recommendation Tracker Report 2017/18	Internal Audit Monitoring Report Q3 2018/19  Internal Audit Annual Plan Methodology Report 2019/20	Internal Audit Charter 2019/20  Internal Audit Annual Plan 2019/20  Social Care Contracts Update
<b>Risk Management &amp; Performance</b>	WAO Proposals for Improvement Report – Six Month Update  Overview of the Overall Status of Risk Report Q4 2017/18			Overview of the Overall Status of Risk Report Q1 2018/19		Overview of the Overall Status of Risk Report Q2 2018/19		WAO Proposals for Improvement Report – Six Month Update  Overview of the Overall Status of Risk Report Q3 2018/19	Overview of the Overall Status of Risk Report Q4 2018/19
<b>Counter Fraud</b>					Corporate Fraud Annual Report 2017/18				Corporate Fraud Annual Plan 2019/20
<b>External Audit</b>		Audit Committee Review of Performance 2017/18			WAO ISA 260 Report 2017/18 – CCS  WAO ISA 260 Report 2017/18 – Pension Fund		WAO Annual Audit Letter 2017/18	WAO Grants Report 2017/18  WAO Annual Audit Plan 2018/19 CCS & Pension Fund	Audit Committee Review of Performance 2018/19
<b>Financial Reporting</b>			Draft Statement of Accounts 2017/18  Letters of Representation CCS & Pension Fund				Review of Reserves Report  Treasury Management & Budgetary Control Update		

Note: Audit Committee Action Tracker Report and Audit Committee Workplan will be included as agenda items at each meeting. An update from WAO will also be on the agenda for each meeting.

**Audit Committee Statement of Purpose**

1. Our audit committee is a key component of the City and County of Swansea's corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City and County of Swansea's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

**Governance, Risk and Control**

3. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk related issues reported to the committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
11. To monitor the counter fraud strategy, actions and resources.

**Internal Audit and External Audit**

12. To approve the internal audit charter and resources.
13. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
14. To consider summaries of specific internal audit reports as requested.
15. To consider reports dealing with the management and performance of the providers of internal audit services.
16. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
17. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.

## **Audit Committee Workplan 2018/19**

20. To commission work from internal and external audit.

### **Financial Reporting**

21. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

22. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability Arrangements**

23. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

*Note: Audit Committee Statement of Purpose extracted from the Council Constitution (31.01.18).*