



## 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, 14 August 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.

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|-----------|---|------------------|
| <b>1</b>  | <b>Apologies for Absence.</b>   |                  |
| <b>2</b>  | <b>Disclosures of Personal and Prejudicial Interests.</b><br><a href="http://www.swansea.gov.uk/disclosuresofinterests">www.swansea.gov.uk/disclosuresofinterests</a> |                  |
| <b>3</b>  | <b>Minutes.</b><br>To approve & sign the Minutes of the previous meeting(s) as a correct record.  | <b>1 - 5</b>     |
| <b>4</b>  | <b>Draft Statement of Accounts 2017/18 - Pension Fund.</b>  | <b>6 - 51</b>    |
| <b>5</b>  | <b>Overview of the Overall Status of Risk Quarter 1 2018/19.</b>  | <b>52 - 70</b>   |
| <b>6</b>  | <b>Draft Audit Committee Annual Report 2017/18.</b>   | <b>71 - 89</b>   |
| <b>7</b>  | <b>Audit Committee Review of Performance 2017/18 Draft Action Plan.</b>   | <b>90 - 93</b>   |
| <b>8</b>  | <b>Internal Audit Annual Report 2017/18.</b>  | <b>94 - 132</b>  |
| <b>9</b>  | <b>Audit Committee Action Tracker Report. (For Information)</b>   | <b>133 - 139</b> |
| <b>10</b> | <b>Audit Committee Work Plan. (For Information)</b>   | <b>140 - 144</b> |

**Next Meeting:** Tuesday, 11 September 2018 at 2.00 pm

*Huw Evans*

**Huw Evans**  
**Head of Democratic Services**  
**Wednesday, 8 August 2018**  
**Contact: Democratic Services: - 636923**

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# Agenda Item 3



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5 - Guildhall, Swansea

Tuesday, 17 July 2018 at 2.00 pm

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

**Councillor(s)**

P M Black  
P K Jones  
L V Walton

**Councillor(s)**

T J Hennegan  
J W Jones  
T M White

**Councillor(s)**

P R Hood-Williams  
S Pritchard

**Officer(s)**

Simon Cockings  
Kate Jones  
Tracey Meredith  
Amanda Thomas

Chief Auditor  
Democratic Services Officer  
Head of Legal, Democratic Services & Business  
Intelligence  
Strategic Finance Officer – Corporate

**Also Present:**

Geraint Norman  
David Williams

Wales Audit Office  
Wales Audit Office

**Apologies for Absence**

Councillor(s): C Anderson, O G James, M B Lewis and W G Thomas

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## 18 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 J W Jones –Minute No. 20 – Draft Annual Governance Statement 2017/18  
- Member of Swansea Bay Port Health Authority – personal.

Councillor T M White - Minute No. 20 – Draft Annual Governance Statement 2017/18  
- Member of Swansea Bay Port Health Authority – personal and Minute No. 22 –  
Wales Audit Office – City and County of Swansea Pension Fund – 2017/2018 –  
Audit Enquiries to those charged with Governance and Management. - Member of  
the Local Pension Board and benefactor of the Local Government Pension Fund –  
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.

**19 Minutes.**

**Resolved** that the Minutes of the Audit Committee held on 12 June 2018 and the Minutes of the Special Audit Committee held on 26 June 2018 were approved and signed as correct records.

Minute 17 - The Chair confirmed that she had requested a meeting with the Chief Executive to discuss the impact of the 31 high level risks identified and how the Authority is managing those risks. She reported that she was still awaiting confirmation of a meeting date.

Minute 17 – The Committee had resolved to attend an Audit Committee of another Public Body. Mid & West Wales Fire Authority was proposed and agreed by the Committee. It was proposed that the Chair and Vice Chair also visit an Audit Committee of another Local Authority, Rhondda Cynon Taff County Borough Council was proposed.

**20 Draft Annual Governance Statement 2017/18.**

Tracey Meredith, Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer) presented the draft Annual Governance Statement 2017/18. The Council was required by the Accounts and Audit (Wales) Regulations 2014 to undertake a review of its governance arrangements, at least annually. The review was intended to show how the Council had complied with its Code of Corporate Governance.

The principles of 'Delivering Good Governance in Local Government Framework 2016' established by CIPFA and SOLACE, were outlined. The behaviours and actions that demonstrate good governance in practice were set out for each principle, together with evidence of the Council's compliance with such behaviours and actions.

Some minor amendments to the Annual Governance Statement were reported verbally to the Committee. An updated version would be circulated.

In relation to engagement with stakeholders it was noted that the Annual Governance Statement for 2017/18 had been updated to include Co-production.

The Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer) also highlighted the following: -

- Review of Effectiveness
- Internal Control Self-Assessment – Senior Management Assurance Statement
- Internal Sources of Assurance
- External Sources of Assurance
- Significant Governance Issues together with actions taken / proposed

The Committee discussed the information contained in the report. They raised concerns over adequate resourcing of Scrutiny to ensure it could operate effectively and provide good governance. It was added that that there were areas, particularly in

respect of evidence, where more detail could have been provided in the report. Questions were raised on the adequacy and accuracy of the Senior Management Assurance Statements as well as the appropriateness of the term 'sustainable savings', which implied that the savings were indefinite. It was suggested that term such as 'achievable savings' would be more appropriate.

The Chair requested approval of the Committee and Wales Audit Office to discuss the amendments / issues raised in addition to some further points the Chair had regarding the Annual Governance Statement 2017/18 with the Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer). The amended Annual Governance Statement 2017/18 would then be circulated to the Committee. A Special Audit Committee would only be called if necessary. The final version of the Annual Governance Statement 2017/18 would be reported to Council in September.

**Resolved that: -**

- 1) the contents of the report be noted;
- 2) the Chair and Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer) discuss amendments to the Annual Governance Statement 2017/18 and the amended version be circulated to the Audit Committee;
- 3) A Special Meeting of the Audit Committee be scheduled to approve the amended Annual Governance Statement 2017/18, only if required; and
- 4) The Chair to discuss the use of the term 'sustainable savings' with the Head of Financial Services & Service Centre.

## **21 Draft Statement of Accounts 2017/18.**

Amanda Thomas, Strategic Finance Manager – Corporate, presented the Draft Statement of Accounts 2017/18.

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

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

The Draft Accounts for 2017/18 had been prepared and were signed by the Section 151 Officer on 1 June 2018. A copy was provided at Appendix A of the report.

The Accounts had been formally presented to the Council's auditors, Wales Audit Office, who had commenced the audit of the Accounts. As part of the audit process, the Accounts would be made available for inspection by the public for a four week period from 23 July 2018 to 17 August 2018.

It was noted that there was no longer a requirement to include the Pension Fund in the Accounts and would be dealt with separately in the Pension Fund accounts.

The Committee asked questions in relation to HRA accounts; increase in expenditure / overspend; Right to Buy Sales and Mortgages; Charitable Trust Funds and Swansea Community Energy & Enterprise Scheme Shares.

The Chair and the Wales Audit Office representatives noted that the Statement of Accounts had been prepared early. This was very positive and allowed the Committee time for consideration. The Wales Audit Office reported that the ISO 260 would be presented to Audit Committee in September.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The Chief Treasury & Technical Officer provide a brief to the Committee on the position of Charitable Trust Funds to provide clarity on why they are not included in the Statement of Accounts.

**22 Wales Audit Office - City & County of Swansea Pension Fund - 2017-2018 - Audit Enquiries to those Charged with Governance and Management.**

Geraint Norman, Wales Audit Office presented a letter on 'Audit Enquiries to those Charged with Governance and Management'.

The letter outlined the duties of the Wales Audit Office in respect of obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The letter also set out the enquiries as well as responses put to management and those charged with governance' of the City & County of Swansea Pension Fund (the Fund).

**Resolved** that the enquiries and responses be noted.

**23 Wales Audit Office - City & County of Swansea - 2017-2018 - Audit Enquiries to those Charged with Governance and Management.**

Geraint Norman, Wales Audit Office presented a letter on 'Audit Enquiries to those Charged with Governance and Management'.

The letter outlines the duties of the Wales Audit Office in respect of obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The letter also set out the enquiries as well as responses put management and those charged with governance' of the City & County of Swansea.

A correction to Page 55 of the Agenda Pack was noted: -  
Appendix 1 – Background – Bullet point 1 – Should refer to UA (Unitary Authority) instead of UHB.

The Committee discussed the responses to enquiries. It was noted that the Corporate Fraud Plan was approved on the basis of ongoing resources and suggested that this be reflected in the responses.

The Committee also highlighted the response to Question 9 which stated that the current position in respect of delivering planned savings and drawing on reserves was not sustainable in the long term.

**Resolved** that the enquiries and responses be noted.

**24 Audit Committee Action Tracker Report.**

The Chief Auditor provided an Action tracker report 'for information'.

The Chair noted that she had not had sight of Significant Risks.

**25 Audit Committee Work Plan.**

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

He noted that the Social Care Contracts Update had been added to 9 April 2019

The meeting ended at 3.05 pm

**Chair**

# Agenda Item 4



## Report of the Section 151 Officer

Audit Committee - 14 August 2018

### City & County of Swansea Pension Fund Draft Statement of Accounts 2017/18

<b>Purpose:</b>	To note the City & County of Swansea Pension Fund, Draft Statement of Accounts 2017/18
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation:</b>	That The City & County of Swansea Pension Fund, Draft Statement of Accounts 2017/18 is noted
<b>Report Author:</b>	Jeff Dong
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Stephanie Williams
<b>Access to Services Officer:</b>	Sherill Hopkins

#### City & County of Swansea Pension Fund Draft Statement of Accounts 2017/18

#### 1 Background

- 1.1 The City & County of Swansea Pension Fund Accounts have traditionally formed a distinct and separate component of the Statement of Accounts of the City & County of Swansea as a whole. It has been determined by Welsh Government in consultation with CIPFA, that they are no longer required to be presented as a whole document but can now be presented separately. Attached at Appendix 1 is the Draft Statement of Accounts for the City & County of Swansea Pension Fund 2017/18.

#### 2 Audit

- 2.1 The Wales Audit Office have commenced their audit of the Pension Fund Draft Statement of Accounts 2017/18 in line with their audit plan presented to Pension Fund Committee in March 2018. Their ISA 260 report of their findings shall be presented to Pension Fund Committee at the conclusion of the audit in September 2018



### **3 Recommendation**

- 3.1 The Audit Committee is asked to note the City & County of Swansea Pension Fund Draft Statement of Accounts 2017/18 as attached at Appendix 1, subject to audit.

### **4 Legal Implications**

- 4.1 There are no legal implications arising from this report

### **5 Financial Implications**

- 5.1 There are no financial implications arising from this report

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

- 6.1 There are no equality and engagement implications arising from this report

**Background Papers:** None

#### **Appendices**

Appendix 1 – Draft Statement of Accounts 2018/19

# CITY & COUNTY OF SWANSEA PENSION FUND


## 1. Introduction

The City & County of Swansea Pension Fund is administered by the City & County of Swansea. However it is a separate statutory fund and its assets and liabilities, income and expenditure are not consolidated into the accounts of the Authority. That is, the Pensions Fund's assets and liabilities are distinct.

The summarised accounts of the Pension Fund shown here comprise three main elements:-

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2018.
- The Notes to The Financial Statements which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

## 2 Summary of transactions for the year

Where the money comes from:-	£'000		And where it goes.....	£'000								
Contributions and transfers in	90,889		Pensions Payable Lump sum benefits	61,207								
Other	180		Refunds and transfers out	4,553								
	<u>91,069</u>		Administrative expenses	1,392								
				<u>83,354</u>								
			<table border="1" style="margin: 20px auto;"> <thead> <tr> <th></th> <th style="text-align: right;">£'000</th> </tr> </thead> <tbody> <tr> <td>Net new money into the Fund</td> <td style="text-align: right;">7,715</td> </tr> <tr> <td>Net return on investments</td> <td style="text-align: right;">50,434</td> </tr> <tr> <td>Increase in Fund value</td> <td style="text-align: right;"><u>58,149</u></td> </tr> </tbody> </table>			£'000	Net new money into the Fund	7,715	Net return on investments	50,434	Increase in Fund value	<u>58,149</u>
	£'000											
Net new money into the Fund	7,715											
Net return on investments	50,434											
Increase in Fund value	<u>58,149</u>											

**Section 151 Officer's Certificate**

I hereby certify that the statement of accounts on pages 1 to 44 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2018.

Ben Smith  
Head of Financial Services & Service Centre, Section 151 Officer

# CITY & COUNTY OF SWANSEA PENSION FUND

## Fund Account For The Year Ended 31st March

2016/17			2017/18	
£'000	Contributions and benefits	Notes	£'000	£'000
	Contributions receivable :			
64,818	Employers contribution	3	70,032	
16,903	Members contribution	3	17,666	87,698
3,841	Transfers in	4		3,191
194	Other income	5		180
85,756				91,069
	Benefits payable :			
-58,454	Pensions payable	6	-61,207	
-17,779	Lump sum benefits	6	-16,202	-77,409
	Payments to and on account of leavers :			
-120	Refunds of contributions	7	-101	
-4,750	Transfers out	7	-4,452	-4,553
-1,141	Management Expenses	8		-1,392
<b>3,512</b>	<b>Net additions from dealing with members</b>			<b>7,715</b>
	<b>Returns on investments</b>			
29,838	Investment income	9		30,891
315,415	Change in market value of investments	12		25,480
-5,512	Investment management expenses	8		-5,937
<b>339,741</b>	<b>Net returns on investments</b>			<b>50,434</b>
<b>343,253</b>	<b>Net Increase in the fund during the year</b>			<b>58,149</b>
1,512,629	Opening Net Assets of the Fund			1,855,882
<b>1,855,882</b>	<b>Closing Net Assets of the Fund</b>			<b>1,914,031</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## Net Assets Statement As At 31 March

31st March 2017		31st March 2018
£'000	Notes	£'000
<b>Investments at market value:</b>		
1,780,339 Investment Assets	11	1,829,320
1,664 Cash Funds	12	761
67,561 Cash Deposits	12	77,046
3,211 Other Investment Balances - Dividends Due	12	3,672
<b>1,852,775 Sub Total</b>		<b>1,910,799</b>
7,402 Current Assets	16	7,499
-4,295 Current Liabilities	16	-4,267
<b><u>1,855,882 Net assets</u></b>		<b><u>1,914,031</u></b>

The financial statements on pages 1 to 44 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

## Notes to the Financial Statements

### **1. Basis of preparation**

The financial statements summarise the fund's transactions for the 2017/18 financial year and its position at year-end 31 March 2018. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements do not take account of liabilities and other benefits which fall due after the period end.

### **2. Accounting Policies**

The following principal accounting policies, which have been applied consistently (except as noted below), have been adopted in the preparation of the financial statements:

#### **(a) Contributions**

Normal contributions, both from the employees and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Early Access contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Under current rules, employers can exercise discretion to give access to a person's pension rights early (other than for ill health). Where this is done, the additional pension costs arising are recharged to the relevant employer and do not fall as a cost to the fund. Under local agreements some Employers have exercised the right to make these repayments over three years incurring the relevant interest costs. As a result total income is recognised in the Fund Account with amounts outstanding from Employers within debtors.

Other Contributions relate to additional pension contributions paid in order to purchase additional pension benefits.

#### **(b) Benefits**

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the fund as appropriate.

#### **(c) Transfers to and from other Schemes**

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the fund. They are accounted for on a cash basis, or where Trustees have agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

#### **(d) Investments**

- i) The net assets statement includes all assets and liabilities of the fund at the 31st March.

## 2. Accounting Policies (continued)

- ii) Listed investments are included at the quoted bid price as at 31st March.
- iii) Investments held in pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.
- iv) Unquoted securities are valued by the relevant investment managers based on the Fund's share of the net assets or a single price advised by the Fund Manager, in accordance with generally accepted guidelines.
- v) Unit trusts are valued at the Managers' bid prices at 31st March.
- vi) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.
- vii) Investment management fees are accounted for on an accrual basis.
- viii) Transaction costs are included in the cost of purchases and sales proceeds.
- ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.
- x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

### e) Financial Instruments

Pension Fund assets have been assessed as fair value through profit and loss in line with IAS19.

### f) Cash and Cash Funds

Cash comprises cash in hand and cash deposits. Cash funds are highly liquid investments held with Investment Managers.

### g) Investment Income

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account. Distributions from pooled investment vehicles are automatically reinvested in the relevant fund.

## 2. Accounting Policies (continued)

### h) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net asset statement as 31 March 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

- Actuarial present value of promised retirement benefits

### i) Critical judgements in applying accounting policies

The funds liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

### j) Other

Other expenses, assets and liabilities are accounted for on an accruals basis.



# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions

Total Contributions		Total Contributions
2016/17 £'000		2017/18 £'000
<b><u>Administering Authority</u></b>		
<b>46,623</b>	City & County of Swansea	<b>50,268</b>
<b><u>Admitted Bodies</u></b>		
364	Celtic Community Leisure	412
42	Swansea Bay Racial Equality Council	11
117	Wales National Pool	118
2,547	Tai Tarian	2,511
676	Pobl Group	553
11	Rathbone Training Ltd (CCS)	5
36	Rathbone Training Ltd (Gower College)	31
<b>3,793</b>	<b>Total Admitted Bodies</b>	<b>3,641</b>
<b><u>Scheduled Bodies</u></b>		
8	Cilybebyll Community Council	9
29	Coedffranc Community Council	40
1,737	Gower College Swansea	2,246
1,699	NPTC Group	2,022
71	Neath Town Council	64
26,087	Neath Port Talbot County Borough Council	27,662
37	Margam Joint Crematorium Committee	38
5	Pelenna Community Council	7
16	Pontardawe Town Council	19
27	Swansea Bay Port Health Authority	16
1,584	University of Wales Trinity St Davids	1,655
2	Briton Ferry Town Council	5
2	Llanrhidian Higher Community Council	3
1	Ysalyfera Community Council	3
<b>31,305</b>	<b>Total Scheduled Bodies</b>	<b>33,789</b>
<b>81,721</b>	<b>Total Contributions Receivable</b>	<b>87,698</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2016/17		2017/18
£'000		£'000
60,780	Employers	66,390
0	Normal	0
4,038	Other	3,642
<u>64,818</u>	Early Access	<u>70,032</u>
	<b>Total</b>	<b><u>70,032</u></b>
16,863	Employees	17,627
40	Normal	39
<u>16,903</u>	Other	<u>17,666</u>
	<b>Total</b>	<b><u>17,666</u></b>
<u><u>81,721</u></u>	<b>Total Contributions Receivable</b>	<u><u>87,698</u></u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 4. Transfers In

Transfers in comprise of:

2016/17		2017/18
£'000		£'000
0	Group transfers from other schemes	0
3,841	Individual transfers from other schemes	3,191
<u>3,841</u>	<b>Total</b>	<u>3,191</u>

## 5. Other Income

Other income comprise of:

2016/17		2017/18
£'000		£'000
200	Bank Interest	180
-6	Early Access - Interest	0
<u>194</u>	<b>Total</b>	<u>180</u>

## 6. Benefits Payable

By category

2016/17		2017/18
£'000		£'000
58,454	Pensions	61,207
15,417	Commutation and lump sum retirement benefits	14,888
2,362	Lump sum death benefits	1,314
<u>76,233</u>	<b>Total</b>	<u>77,409</u>

## 7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2016/17		2017/18
£'000		£'000
120	Refunds to members leaving service	101
4,750	Individual transfers to other schemes	4,452
<u>4,870</u>	<b>Total</b>	<u>4,553</u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 8. Administrative and Investment Management Expenses

All administrative and investment management expenses are borne by the Fund:

2016/17 £'000		2017/18 £'000
	<b>Administrative Expenses</b>	
690	Support Services (SLA) & Employee Costs	755
18	Printing & Publications	18
169	Other	305
<u>877</u>		<u>1,078</u>
	<b>Oversight &amp; Governance</b>	
55	Actuarial Fees	43
45	Advisors Fees	123
50	External Audit Fees	50
10	Performance Monitoring Service	14
6	Pension Fund Committee	5
1	Pension Board	2
97	All Wales Pool Fees	77
<u>264</u>		<u>314</u>
<u>1,141</u>		<u>1,392</u>
	<b>Investment Management Expenses</b>	
4,894	Management Fees	4,402
494	Performance Fees	1,400
124	Custody Fees	135
<u>5,512</u>		<u>5,937</u>
<u>6,653</u>	<b>Total</b>	<u>7,329</u>

The above represents direct fees payable to the appointed fund managers, however the following mandates are appointed via a fund of funds/manager of managers approach and the table below represents the fees payable to underlying managers. Returns for these mandates are net of underlying fee costs. However for disclosure purposes the fees incurred were:

2016/17 £'000		2017/18 £'000
277	Partners Group	997
678	Blackrock	972
1,300	Schroders Property Fund	1,420
733	Permal	633
715	HarbourVest	678
<u>3,703</u>	<b>Total</b>	<u>4,700</u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 9. Investment Income

2016/17	2017/18
£'000	£'000
15,596 U.K. Equities	16,349
9,169 Overseas Equities	10,020
3,854 Managed Fund - Fixed Interest	3,102
1,289 Pooled Investment vehicles - Property Fund	1,483
-70 Interest and other Income	-63
<b><u>29,838</u> Total</b>	<b><u>30,891</u></b>

The assets under management by Blackrock are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of equity, bond and money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the fund value and change in market value on these funds will reflect both capital appreciation / depreciation plus reinvested investment income.

## 10. Taxation

### a) United Kingdom

The Fund is exempt from Income Tax on interest and dividends and from Capital Gains Tax but now has to bear the UK tax on other income. The fund is reimbursed V.A.T. by H.M. Revenue and Customs and the accounts are shown exclusive of V.A.T.

### b) Overseas

The majority of investment income from overseas suffers a withholding tax in the country of origin.

**CITY & COUNTY OF SWANSEA PENSION FUND**

**11. Investment Assets**

	31st March 2017			31st March 2018		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
<b>Equities</b>						
Quoted	414,015	456,711	870,726	424,093	477,911	902,004
	<b>414,015</b>	<b>456,711</b>	<b>870,726</b>	<b>424,093</b>	<b>477,911</b>	<b>902,004</b>
<b>Pooled investment vehicles</b>						
Managed Funds:						
Quoted:						
Equity	0	16,585	16,585	0	17,226	17,226
Fixed Interest	0	118,328	118,328	0	117,508	117,508
Unquoted:						
Equity	149,787	315,506	465,293	152,177	326,367	478,544
Fixed Interest	60,643	16,349	76,992	60,950	15,633	76,583
Index-linked	32,282	0	32,282	32,547	0	32,547
Property Unit Trust	12,053	0	12,053	15,831	0	15,831
Property Fund	36,162	38,911	75,073	33,035	36,390	69,425
Hedge Fund	0	52,318	52,318	0	54,601	54,601
Private Equity	0	60,689	60,689	0	65,051	65,051
<b>Total pooled investment vehicles</b>	<b>290,927</b>	<b>618,686</b>	<b>909,613</b>	<b>294,540</b>	<b>632,776</b>	<b>927,316</b>
<b>Total equities and pooled investment vehicles</b>	<b>704,942</b>	<b>1,075,397</b>	<b>1,780,339</b>	<b>718,633</b>	<b>1,110,687</b>	<b>1,829,320</b>
Cash Funds			1,664			761
Cash			67,561			77,046
Other Investment Balances Due			3,211			3,672
<b>Total</b>			<b>1,852,775</b>			<b>1,910,799</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 11. Investment Assets (continued)

An analysis of investment assets based on the class of investment is shown below :

<b>31st March 2017 £'000</b>	<b>Investment assets</b>	<b>31st March 2018 £'000</b>
195,320	Fixed interest	194,091
32,282	Index linked securities	32,547
563,802	U.K. equities	576,270
788,802	Overseas Equities	821,504
87,126	Property	85,256
52,318	Hedge Funds	54,601
60,689	Private Equity	65,051
0	Infrastructure	0
<b><u>1,780,339</u></b>	<b>Total investment assets</b>	<b><u>1,829,320</u></b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 12. Reconciliation of movements in investments

	Value at 31st March 2017	Purchases	Sales	Change in Market Value	Value at 31st March 2018
	£'000	£'000	£'000	£'000	£'000
<b>Equities</b>					
Aberdeen	130,967	20,036	-17,083	1,685	135,605
JPM	350,252	328,051	-326,437	12,409	364,275
Schroders	406,092	73,080	-50,834	-8,988	419,350
L&G/Blackrock	465,293	2,789	-6	10,468	478,544
	<u>1,352,604</u>	<u>423,956</u>	<u>-394,360</u>	<u>15,574</u>	<u>1,397,774</u>
<b>Property</b>					
<b>UK</b>					
Schroders	48,215	6,357	-9,448	3,742	48,866
Partners	25,089	2,189	-7,401	2,003	21,880
Invesco	13,822	0	-638	1,326	14,510
	<u>87,126</u>	<u>8,546</u>	<u>-17,487</u>	<u>7,071</u>	<u>85,256</u>
<b>Fixed Interest</b>					
<b>Fixed Interest</b>					
L&G/Blackrock	76,992	0	0	-409	76,583
Goldman	118,328	3,101	0	-3,921	117,508
	<u>195,320</u>	<u>3,101</u>	<u>0</u>	<u>-4,330</u>	<u>194,091</u>
<b>Index-Linked</b>					
L&G/Blackrock	32,282	0	0	265	32,547
	<u>32,282</u>	<u>0</u>	<u>0</u>	<u>265</u>	<u>32,547</u>
<b>Hedge Funds</b>					
Blackrock	27,590	0	-466	1,773	28,897
Permal	24,728	0	-391	1,367	25,704
	<u>52,318</u>	<u>0</u>	<u>-857</u>	<u>3,140</u>	<u>54,601</u>
<b>Private Equity</b>					
HarbourVest	60,689	16,053	-15,446	3,755	65,051
	<u>60,689</u>	<u>16,053</u>	<u>-15,446</u>	<u>3,755</u>	<u>65,051</u>
<b>Infrastructure</b>					
First State	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Transition</b>					
	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash funds</b>					
Schroders	1,664	0	-908	5	761
	<u>1,664</u>	<u>0</u>	<u>-908</u>	<u>5</u>	<u>761</u>
<b>Total</b>	<u>1,782,003</u>	<u>451,656</u>	<u>-429,058</u>	<u>25,480</u>	<u>1,830,081</u>
<b>Cash</b>	67,561				77,046
<b>Other Investment Balances - Dividends Due</b>	3,211				3,672
<b>TOTAL</b>	<u>1,852,775</u>			<u>25,480</u>	<u>1,910,799</u>



# CITY & COUNTY OF SWANSEA PENSION FUND

## 12. Reconciliation of movements in investments (continued)

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £842k (2016/17 : £264k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately disclosed. During the year, the passively managed assets previously managed by Legal & General Asset Management transitioned to Blackrock Asset Management as part of the collaborative procurement exercise undertaking as a precursor to the Wales Pension Partnership.

## 13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2018:

	Value as at the 31st March 2017 £'000	Proportion of Net Asset %	Value as at the 31st March 2018 £'000	Proportion of Net Asset %
Blackrock UK Equity Index	149,787	8.1	152,177	8.0
Goldman Sachs Global Libor Plus II	118,328	6.4	117,508	6.1
Blackrock North America Equity	146,379	7.9	149,143	7.8
JP Morgan North American Equities	198,563	10.7	209,177	10.9

## 14. Realised Profit on the Sale of Investments

2016/17 £'000	2017/18 £'000
9,312 U.K. Equities	17,609
39,557 Overseas Equities	56,905
2,286 Property Fund	3,735
2 Cash Fund	2
<b><u>51,157</u> Net Profit</b>	<b><u>78,251</u></b>

## 15. Fixed Interest and Index Linked Investments

The fixed interest and index-linked investments are comprised of:

31st March 2017 £'000	31st March 2018 £'000
147,948 UK Public Sector	143,791
79,654 Other	82,847
<b><u>227,602</u></b>	<b><u>226,638</u></b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 16. Current Assets and Liabilities

The amounts shown in the statement of Net Assets are comprised of:

<b>31st March</b>		<b>31st March</b>
<b>2017</b>		<b>2018</b>
<b>£'000</b>		<b>£'000</b>
<b>Current Assets</b>		
593	Contributions - Employees	629
2,594	Contributions - Employers	2,430
2,565	Early Access Contributions Debtor	2,789
406	Transfer Values	441
1,244	Other	1,210
<u>7,402</u>		<u>7,499</u>
<b>Current Liabilities</b>		
-547	Investment Management Expenses	-529
-1,970	Commutation and lump sum retirement benefits	-1,819
-44	Lump sum death benefits	-40
-677	Transfers to Other Schemes	-751
-602	Payroll Deductions - Tax	-602
-30	Payable Control List	-34
-425	Other	-492
<u>-4,295</u>		<u>-4,267</u>
<u><b>3,107 Net</b></u>		<u><b>3,232</b></u>

Analysed as:

<b>31st March</b>		<b>31st March</b>
<b>2017</b>		<b>2018</b>
<b>£'000</b>		<b>£'000</b>
<b>Current Assets</b>		
511	Central Government Bodies	701
6,039	Other Local Authorities	6,210
852	Other Entities and Individuals	588
<u>7,402</u>		<u>7,499</u>
<b>Current Liabilities</b>		
-216	Central Government Bodies	-41
-739	Other Local Authorities	-661
-3,340	Other Entities and Individuals	-3,565
<u>-4,295</u>		<u>-4,267</u>
<u><b>3,107 Net</b></u>		<u><b>3,232</b></u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 16. Current Assets & Liabilities (continued)

### Early Access Debtor

	Instalment Due 2018/19 £'000	Instalment Due 2019/20 £'000	Instalment Due 2020/21 £'000	Instalment Due 2021/22 £'000	Total £'000
Early Access Principal Debtor	2,967	0	0	0	2,967
Early Access Interest Debtor	0	0	0	0	0
<b>Total (Gross)</b>	<b>2,967</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,967</b>

## 17. Capital and Contractual Commitments

As at 31st March 2018 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £100.7m (2016/17 : £70.0m).

## 18. Statement of the Actuary for the year ended 31 March 2018

### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City & County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

### Actuarial Position

- 1 The valuation as at 31 March 2016 showed that the funding ratio of the Fund was broadly similar to the funding ratio as at the previous valuation, with the market value of the Fund's assets at 31st March 2016 (of £1,512.6M) covering 80% of the liabilities in respect of service prior to the valuation date allowing, in the case of pre 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
  - 2 The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
    - 18.0% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate).
- Plus**
- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017 (the secondary rate), equivalent to 7.0% of pensionable pay (or £20.1M in 2017/18, and increasing by 3.5% p.a. thereafter).
- 3 In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
  - 4 The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer was agreed with the administering authority reflecting the employers' circumstances.
  - 5 The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 18. Statement of the Actuary for the year ended 31 March 2018 (continued)

<u>Discount rate for periods in service</u>	
Scheduled body employers *	4.6% p.a.
Orphan body employers	4.6% p.a.
<u>Discount rate for periods after leaving service</u>	
Scheduled body employers *	4.6% p.a.
Orphan body employers	2.5% p.a.
Rate of pay increase	3.5% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increase in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

*\*The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*

*In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.*

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were :

	Men	Women
Current pensioners aged 65 at the valuation date	22.8	24.3
Future pensioners aged 45 at the valuation date	24.4	26.1

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. Since the date the valuation report was signed, HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, has made an announcement to extend the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off before the announcement, but the increase in liability is not expected to be material.

In addition, amendment Regulations have been laid which provide for exit credits to be repaid to employers on exit, effective from 14 May 2018. It is anticipated that the Administering Authority will consider whether its Funding Strategy Statement should be revised on account of these changes but it is not expected that any surplus repayable to employers on exit will be material.

9. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

## 18. Statement of the Actuary for the year ended 31 March 2018 (continued)

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the City and County of Swansea, the Administering Authority of the Fund, in respect of this Statement.

10. The report on the actuarial valuation as at 31 March 2016 is available from the Fund's website at the following address:

<http://www.swanseapensionfund.org.uk/investment-and-fund/actuarial-valuations/>

Aon Hewitt Limited  
May-18

## Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice also requires the actuarial present value of the promised retirement benefits to be disclosed based on IAS26 and using assumptions relevant to IAS19 and not the funding assumptions above. The actuarial present value of the promised retirement benefits on this basis as at 31st March 2016 is £2,249.7m (31st March 2013 £1,936.8m), which compares the market value of the assets at that date of £1,512.6m (31st March 2013 £1,277.6m).

## Definitions

### Admission Body

An employer admitted to the Fund under an admission agreement.

### Orphan Body

This is an admission body or other employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

### Scheduled Body

Employers which participate in the Fund under Schedule 2 of the Administration Regulations.

### Subsumption and subsumption body

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund and once any contribution on cessation as required by the regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg if future investment returns are less than assumed). It is however possible for another long term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long term employer effectively subsumes the assets and liabilities of the ceasing employer into its own assets and liabilities. In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.

## **18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2018 (continued)**

### **Rates & Adjustment Certificate**

Actuarial certificate given for the purposes of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2017 to 31st March 2020.

- i) An aggregate primary rate of 18.0% pa of Pensionable Pay.
- ii) Individual adjustments (i.e. secondary contribution rates) which, when added to or subtracted from the primary rate, produced the following minimum Employer contribution rates.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2018 (continued)

Employer	Primary contribution rate % pensionable pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
		2017	2018	2019	2017	2018	2019
<b>Schedule 2 Part 1 bodies/ Schedule 2 Part 2 bodies (Scheduled bodies)</b>							
City & County of Swansea	17.9%	5.5%	6.5%	7.9%	23.4%	24.4%	25.8%
Neath Port Talbot County Borough Council	17.8%	7.7%	8.5%	9.3%	25.5%	26.3%	27.1%
Cilybebyll Community Council	27.6%	-4.7%	-2.3%	0.1%	22.9%	25.3%	27.7%
Coedffranc Community Council	20.3%	-0.1% plus £5,300	-0.1% plus £5,500	-0.1% plus £5,700	20.2% plus £5,300	20.2% plus £5,500	20.2% plus £5,700
Neath Town Council	20.3%	-0.1% plus £16,200	-0.1% plus £16,800	-0.1% plus £17,400	20.2% plus £16,200	20.2% plus £16,800	20.2% plus £17,400
Pelenna Community Council	27.0%	£1,200	£1,200	£1,300	27.0% plus £1,200	27.0% plus £1,200	27.0% plus £1,300
Pontardawe Town Council	23.0%	£800	£800	£900	23.0% plus £800	23.0% plus £800	23.0% plus £900
Gower College	17.9%	3.8%	3.9%	3.9%	21.7%	21.8%	21.8%
NPTC Group	17.7%	£168,400	£174,300	£180,400	17.7% plus £168,400	17.7% plus £174,300	17.7% plus £180,400
Margam Joint Crematorium Committee	20.3%	-0.1% plus £9,400	-0.1% plus £9,700	-0.1% plus £10,100	20.2% plus £9,400	20.2% plus £9,700	20.2% plus £10,100
Swansea Bay Port Health Authority	5.8%	16.6% plus £0	16.6% plus £4,400	16.6% plus £9,000	22.4% plus £0	22.4% plus £4,400	22.4% plus £9,000
<b>Schedule 2 Part 3 bodies (Admission bodies)</b>							
Celtic Community Leisure	13.2%	-	-	-	13.2%	13.2%	13.2%
Gnwp Gwallia Cyf	22.0%	-1.6%	-1.6%	-1.6%	20.4%	20.4%	20.4%
Neath Port Talbot Homes Ltd	17.0%	£62,300	£218,500	£374,700	17.0% plus £62,300	17.0% plus £218,500	17.0% plus £374,700
Rathbone Training Ltd (City & County of Swansea)	22.4%	2.8%	2.8%	2.8%	25.2%	25.2%	25.2%
Rathbone Training Ltd (Gower College)	24.3%	-	-	-	24.3%	24.3%	24.3%



Swansea Bay Racial Equality Council	37.0%	-1.8% plus £600	-0.9% plus £1,300	£2,000	35.2% plus £600	36.1% plus £1,300	37.0% plus £2,000
Trinity St Davids	28.0%	£389,400	£542,300	£686,100	28.0% plus £389,400	28.0% plus £542,300	28.0% plus £686,100
Wales National Pool	14.2%	-	-	-	14.2	14.2	14.2
<b>Total</b>	<b>18.0%</b>	<b>5.5% plus £653,600</b>	<b>6.3% plus £974,800</b>	<b>7.3% plus £1,287,600</b>	<b>23.5% plus £653,600</b>	<b>24.3% plus £974,800</b>	<b>25.3% plus £1,287,600</b>

The contribution rates for the City & County of Swansea, Neath Port Talbot County Borough Council and Gower College have been set as a percentage of pay. However, minimum monetary contribution amounts for these employers have been agreed with the Administering Authority, and if the contributions actually received fall below this minimum level additional payments will be required. These minimums are such that the total contributions in aggregate must be no less than :

City & County of Swansea 17.9% of pensionable pay plus £8.18M in 2017/18, 17.9% of pensionable pay plus £9.53M in 2018/19, 17.9% of pensionable pay plus £11.37M in 2019/20.

Neath Port Talbot County Borough Council 17.8% of pensionable pay plus £6.18M in 2017/18, 17.8% of pensionable pay plus £6.82M in 2018/19, 17.8% of pensionable pay plus £7.47M in 2019/20

Gower College 17.9% of pensionable pay plus £250,000 in 2017/18, 17.9% of pensionable pay plus £259,000 in 2018/19, 17.9% of pensionable pay plus £268,000 in 2019/20

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The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer may be adjusted to take account of any amounts payable, in respect of surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations and Employers will be notified of such contributions separately by the Administering Authority.

Additional contributions may be payable by any Employers which have ceased to participate in the Fund since 31 March 2016 and these will be certified separately.  
Contribution rates for Employers commencing participation in the Fund after 31 March 2016 will be advised separately.  
This certificate should be read in conjunction with the notes overleaf.

Signed on behalf of Aon Hewitt Limited



Chris Archer FIA  
Fellow of the Institute and Faculty of Actuaries

30 March 2017

Aon Hewitt Limited  
25 Marsh Street  
Bristol BS1 4AQ



Laura Hamilton FIA  
Fellow of the Institute and Faculty of Actuaries

## 19. Related party transactions

£755k (£690k 2016/17) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Directorate & Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 8.

The City & County of Swansea acts as administering Authority for the City and County of Swansea Pension Fund (formerly the West Glamorgan Pension Fund).

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

The Pension Fund currently has 35 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by two independent advisors.

### Key Management Personnel

The key management personnel of the Fund are the Chief Executive and the Head of Financial Services & Service Centre, Section 151 Officer. As required by 3.9.4.2 of the CIPFA code of practice 2016/17, the figures below show the change in value of post-employment benefits provided to these individuals over the accounting year based on the percentage of time on matters relating to the Pension Fund. The value of the benefits has been calculated consistently with those of the whole Fund disclosure provided in Note 18, albeit the figures below have been calculated at different dates to those used for the whole fund disclosure.

	Increase/(decrease) in IAS19 liability to 31 March 2018		Increase/(decrease) in IAS19 liability to 31 March 2017	
	Amount (£)	Percentage (%) of year end liability	Amount (£)	Percentage (%) of year end liability
Chief Executive	81,000	5.2	333,000	28.1
Head of Financial Services & Service Centre, Section 151 Officer	64,000	30.7	28,000	16.1

# CITY & COUNTY OF SWANSEA PENSION FUND

## 19. Related Party Transactions Cont'd

	Short Term Benefits to 31 March 2018		Short Term Benefits to 31 March 2017	
	Remuneration (Including Fees & Allowances) £	Pension Contributions (23.4%) £	Remuneration (Including Fees & Allowances) £	Pension Contributions (22.4%) £
Chief Executive (i)	142,814	33,418	162,667	31,108
Head of Financial Services & Service Centre, Section 151 Officer (ii)	71,951	16,764	6,181	1,385

**Notes in relation to 2016/17**

(i) The Chief Executive retired on the 31st May 2016. The Director of Place became the Chief Executive on 1st June 2016 but was remunerated from 1st May 2016 in a one month handover period prior approved by Council decision.

(ii) The Head of Financial Services & Service Centre (previously Head of Finance & Delivery) was the Director of Resources from 28th April 2016.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 19. Related Party Transactions Cont'd

There are 7 councillor members of the pension committee who are active members in the City & County of Swansea Pension Fund. The benefit entitlement for the Councillors is accrued under the same principles that apply to all other members of the Fund.

## 20. Additional Voluntary Contributions

Some members of the Fund pay voluntary contributions to the fund's AVC providers, The Prudential, to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. Some members also still invest and have funds invested with the legacy AVC providers, Equitable Life and Aegon.

The Pension Fund accounts do not include the assets held by The Prudential, Equitable Life or Aegon. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only.

AVC Provider	Value of Funds at 1st April 2017	Purchases at Cost (Contributions In/Out)	Sale Proceeds	Change in Market Value	Value of Funds at 31st March 2018
	£'000	£'000	£'000	£'000	£'000
Prudential	5,226	1,604	-1,305	137	5,662
Aegon	1,124	27	-77	32	1,106
Equitable Life	279	1	-37	6	249
<b>Totals</b>	<b>6,629</b>	<b>1,632</b>	<b>-1,419</b>	<b>175</b>	<b>7,017</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 21. Membership

The Pension Fund covers City & County of Swansea employees (except for teachers, for whom separate pension arrangements apply), and other bodies included in the schedule.

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2018 there were 19,671 contributors, 12,763 pensioners and 11,394 deferred pensioners.

Membership statistics	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018
	Number	Number	Number	Number	Number
Contributors	15,576	16,285	17,469	17,903	19,671
Pensioners	10,833	11,261	11,745	12,200	12,763
Deferred Pensioners	9,663	9,801	11,226	11,583	11,394
<b>Total</b>	<b>36,072</b>	<b>37,347</b>	<b>40,440</b>	<b>41,686</b>	<b>43,828</b>

See Appendix 1 for current year analysis

## 22. Fair Value of Investments

### Financial Instruments

The Fund invests mainly through pooled vehicles with the exception of three segregated equity mandates. The managers of these pooled vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity and also monitor credit and counterparty risk, liquidity risk and market risk.

### Financial Instruments - Gains & Losses

Gains and losses on financial instruments have been disclosed within note 9, 12 and 14 of the pension fund accounts.

### Fair Value – Hierarchy

The fair value hierarchy introduced as part of the new accounting Code under IFRS7 requires categorisation of assets based upon 3 levels of asset valuation inputs -

- Level 1 - quoted prices for similar instruments.
- Level 2 - directly observable market inputs other than Level 1 inputs.
- Level 3 - inputs not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2017 and 2018 based upon this hierarchy:

# CITY & COUNTY OF SWANSEA PENSION FUND

## 22. Fair Value of Investments (continued)

	31 March 2017			31 March 2018		
	Market Value	Level 1	Level 2	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Equities</b>						
UK Equities	414,015	414,015	-	424,093	-	-
Overseas Equities	456,711	456,711	-	477,911	-	-
<b>Pooled Investment Vehicles</b>						
Fixed-Interest Funds	118,328	118,328	-	117,508	-	-
UK Equity	149,787	-	149,787	152,177	-	152,177
Overseas Equity	332,091	16,585	315,506	343,593	17,226	326,367
Fixed Interest	76,992	-	76,992	76,583	-	76,583
Index-linked	32,282	-	32,282	32,547	-	32,547
Property Unit Trust	12,053	-	12,053	15,831	-	15,831
Property Fund	75,073	-	75,073	69,425	-	69,425
Hedge Fund	52,318	-	52,318	54,601	-	54,601
Private Equity	60,689	-	60,689	65,051	-	65,051
Infrastructure	-	-	-	-	-	-
Cash	69,225	69,225	-	77,807	77,807	-
Other Investment Balances -						
Dividends Due	3,211	3,211	-	3,672	3,672	-
<b>Total</b>	<b>1,852,775</b>	<b>1,078,075</b>	<b>774,700</b>	<b>1,940,799</b>	<b>1,418,217</b>	<b>792,582</b>

## 23. INVESTMENT RISKS

As demonstrated above, the Fund maintains positions indirectly via its investment managers in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

### Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Statement of Investment Principles (SIP) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Fund continues to review its structure. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- Private equity - by stage, geography and vintage where funds of funds are not used
- Property - by type, risk profile, geography and vintage (on closed ended funds)
- Hedge funds – multi-strategy and or funds of funds

### Manager Risk

The Fund is also well diversified by managers with no single active manager managing more than 25% of Fund assets. On appointment, fund managers are delegated the power to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. Some private equity and property investment is fund, rather than manager-specific, with specific funds identified by the investment sub group after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.



## 23. INVESTMENT RISKS (continued)

### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investments are through pooled vehicles and a number of these are involved in derivative trades of various sorts including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk.

There has been no historical experience of default on the investments held by the Pension Fund.

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's active fixed-interest bond portfolio £117,508k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2018, the Fund's exposure to non-investment grade paper was 6.3% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £65,051k are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2018 is set out below with their relative exposure to credit risk.

	<b>March 2018</b>	<b>Credit Exposure</b>
	<b>£'000</b>	
Permal	25,704	0.15%
Blackrock	28,897	25.0%

The Pension Fund has its own bank accounts. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential. This is in place with the Fund's position updated regularly.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 85.0% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at least – often weekly or fortnightly.

On alternative assets the position is more mixed. Most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property funds are effectively illiquid for the specific period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2018 by liquidity profile.

	Amounts at				
	31st March 2018 £000s	Within 1 month £000s	1-3 months £000s	4-12 months £000s	> 1 Year £000s
<b>Equities</b>					
UK Equities	424,093	424,093	0	0	0
Overseas Equities	477,911	477,911	0	0	0
<b>Pooled Investment Vehicles</b>					
Fixed-Interest Funds	117,508	117,508	0	0	0
UK Equity	152,177	152,177	0	0	0
Overseas Equity	343,593	343,593	0	0	0
Fixed Interest	76,583	76,583	0	0	0
Index-linked	32,547	32,547	0	0	0
Property Unit Trust	15,831	0	0	15,831	0
Property Fund	69,425	0	0	33,035	36,390
Hedge Fund	54,601	0	0	54,601	0
Private Equity	65,051	0	0	0	65,051
Infrastructure	0	0	0	0	0
Deposits with banks and other financial institutions	77,807	77,807	0	0	0
Other Investment Balances - Dividends Due	3,672	3,672	0	0	0
<b>Total</b>	<b>1,910,799</b>	<b>1,705,891</b>	<b>0</b>	<b>103,467</b>	<b>101,441</b>

## 23. INVESTMENT RISKS (continued)

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses some pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 4-12 months".

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 2000 to 2013.

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 89% of the portfolio is realisable within 1 month and 95% is realisable within 12 months.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

Market risk is comprised of two elements :

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risks by exceeding market performance.

The table on the following page sets out an analysis of the Fund's market risk positions at 31 March 2018 by showing the percentage invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
UK Equities	34% +/- 5%	14% L&G/Blackrock	20% Schroders	FTSE allshare	+3% p.a. over rolling 3 year
Overseas Equities	34% +/- 5%	13% L&G/Blackrock	21% JP Morgan & Aberdeen Aberdeen	MSCI World all share (ex UK) MSCI Frontier Markets Index	+3% p.a. over rolling 3year +% p.a. over rolling 3year
Global Fixed Interest	15% +/- 5%	6% L&G/Blackrock	9% Goldman Sachs	Libor	LIBOR +3%
Property	5% +/- 5%	-	5% Schroders, Partners & Invesco	IPD UK Pooled Property Fund Index	+ 1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	5% Blackrock & EnTrustPermal (formerly Fauchier)	LIBOR	+4%
Private Equity	3% +/- 5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Infrastructure	2% +/- 5%	-	2% First State	10% Absolute	10% Absolute
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBID	=
<b>TOTAL</b>	<b>100%</b>	<b>33%</b>	<b>67%</b>		

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's ISS summarised above) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation, is designed to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class.

Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects.

Due to volatility in the equity markets, there was an imbalance of 4.0% over allocation to overseas equities as at 31st March 2018.

The investment strategy was revised in March 2018. Rebalancing in line with the parameters will be implemented in line with the transition timetable of the Wales Pension Partnership (WPP) transition timetable.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

### Price Risk

Price Risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2018 would have been as follows:

#### Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	576,270	9.3846%	630,351	522,189
Overseas Equities	821,504	9.8587%	902,494	740,514
Total Bonds & Index-Linked	226,638	6.7384%	241,910	211,366
Alternatives	119,652	3.6489%	124,018	115,286
Cash	77,807	0.6851%	78,340	77,274
Property	85,256	2.8684%	87,701	82,811
Other Investment Balances	3,672	0.0000%	3,672	3,672
<b>Total Assets*</b>	<b>1,910,799</b>	<b>6.7433%</b>	<b>2,039,651</b>	<b>1,781,947</b>

*\*The % change for Total Assets includes the impact of correlation across asset classes*

and as at 31st March 2017:

#### Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	563,802	9.10%	615,108	512,496
Overseas Equities	788,802	9.70%	865,316	712,288
Total Bonds & Index-Linked	227,602	6.00%	241,258	213,946
Cash	69,225	4.50%	72,340	66,110
Property	87,126	1.20%	88,172	86,080
Alternatives	113,007	3.20%	116,623	109,391
Other Investment Balances	3,211	0.00%	3,211	3,211
<b>Total Assets*</b>	<b>1,852,775</b>	<b>6.50%</b>	<b>1,973,205</b>	<b>1,732,344</b>

*\*The % change for Total Assets includes the impact of correlation across asset classes*

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

### Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2018:

#### Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	12,754	11.9590%	14,279	11,229
Brazilian Real	6,448	19.5325%	7,707	5,189
Canadian Dollar	14,915	10.1648%	16,431	13,399
Danish Krone	8,519	9.0295%	9,288	775
EURO	98,462	9.0253%	107,349	89,576
Hong Kong Dollar	10,385	9.7118%	11,394	9,376
Indian Rupee	7,010	9.9899%	7,710	6,310
Indonesian Rupiah	2,721	11.7331%	3,040	2,402
Israeli Shekel	2,381	8.6439%	2,587	2,175
Japanese Yen	76,578	15.0243%	88,083	65,073
Malaysian Ringgit	3,012	12.8014%	3,398	2,626
Mexican Peso	2,557	11.2462%	2,845	2,269
Norwegian Krone	3,135	10.9104%	3,477	2,793
Chinese Renminbi Yuan	13,249	8.7271%	14,405	12,093
Philippine Peso	540	9.6360%	591	488
Russian Rouble	368	17.1503%	431	305
Singapore Dollar	7,038	9.2831%	7,691	6,385
South African Rand	2,149	18.0691%	2,537	1,761
South Korean Won	10,096	11.7641%	11,284	8,908
Swedish Krona	14,153	9.6884%	15,524	12,782
Swiss Franc	14,336	10.3255%	15,816	12,856
Taiwan Dollar	5,611	9.2155%	6,128	5,094
Thai Baht	4,942	10.0781%	5,440	4,444
Turkish Lira	1,029	15.3513%	1,187	871
US Dollar	291,249	9.7245%	319,572	262,926
North America Basket	149,143	9.5450%	163,379	134,907
Europe Basket	66,567	6.5784%	70,946	62,188
Asia Pacific ex Japan Basket	29,622	9.1550%	32,334	26,910
Emerging Basket	63,976	9.4406%	70,016	57,936
<b>Total Currency*</b>	<b>922,945</b>	<b>8.9006%</b>	<b>1,005,093</b>	<b>840,797</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

and as at 31 March 2017:

### Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	7,178	11.20%	7,982	6,374
Brazilian Real	5,592	20.90%	6,761	4,423
Canadian Dollar	5,607	9.10%	6,119	5,095
Danish Krone	2,928	9.00%	3,191	2,665
EURO	100,483	9.00%	109,118	91,184
Hong Kong Dollar	12,098	8.90%	13,180	11,016
Indian Rupee	2,602	9.60%	2,852	2,352
Indonesian Rupiah	2,134	12.30%	2,396	1,872
Israeli Shekel	2,364	8.40%	2,563	2,165
Japanese Yen	75,520	14.90%	86,758	64,282
Mexican Peso	3,165	11.40%	3,527	2,803
Norwegian Krone	1,138	10.60%	1,259	1,017
Chinese Renminbi Yuan	15,645	8.50%	16,972	14,318
Russian Rouble	4,366	23.80%	5,406	3,326
Singapore Dollar	3,692	8.80%	4,017	3,367
South African Rand	3,556	16.50%	4,144	2,968
South Korean Won	12,650	10.40%	13,970	11,330
Swedish Krona	5,828	8.80%	6,340	5,316
Swiss Franc	25,258	11.90%	28,272	22,244
Taiwan Dollar	7,167	8.60%	7,782	6,552
Thai Baht	1,891	9.70%	2,074	1,708
Turkish Lira	1,203	14.60%	1,378	1,028
US Dollar	286,399	9.00%	309,938	258,866
North America Basket	146,379	8.70%	159,165	133,593
Europe ex UK Basket	64,782	8.70%	70,445	59,119
Asia Pacific ex Japan Basket	29,736	8.60%	32,283	27,189
Emerging Basket	59,041	9.20%	64,463	53,619
<b>Total Currency*</b>	<b>888,402</b>	<b>8.40%</b>	<b>963,028</b>	<b>813,776</b>

*\*The % change for Total Currency includes the impact of correlation across the underlying currencies*

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

## 24. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified :

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of those events and their estimated financial effect.

There are no known events that would have a material impact on these accounts.

## 25. Further Information

Further information about the fund can be found in Appendices 2 to 4. Information can also be obtained from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Road, Swansea SA1 3SN or on [www.swanseapensionfund.org.uk](http://www.swanseapensionfund.org.uk).

## 26. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2018.



# CITY & COUNTY OF SWANSEA PENSION FUND

Appendix 1

## SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1<sup>ST</sup> APRIL 2017 TO 31<sup>ST</sup> MARCH 2018

Contributors	Pensioners	Deferred Benefits	Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount	
Administering Authority	Number @ 31/03/18	Number @ 31/03/18	Number @ 31/03/18	
City & County of Swansea	11,997	5,584	5,343	23.4%
<b>Scheduled Bodies</b>				
Neath Port Talbot County Borough	5,540	3,767	4,426	25.5%
Briton Ferry Town Council	1	1	1	20.2% (+£1,200)
Cilybebyll Community Council	7	1	0	22.9%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	9	3	1	20.2% (+£5,300)
Gower College Swansea	564	257	417	21.7%
Llanrhidian Higher Community Council	1	0	0	18.2%
Lliw Valley BC	0	225	20	-
Margam Joint Crematorium Committee	8	13	5	20.2% (+ £9,400)
NPTC Group	528	232	414	17.7% (+ £168,400)
Neath Port Talbot Waste Management	0	1	0	-
Neath Town Council	12	17	6	20.2% (+ £16,200)
Pelenna Community Council	2	2	3	27.0% (+£1,200)
Pontardawe Town Council	5	1	0	23.0% (+£800)
Swansea Bay Port Health Authority	2	11	1	22.4%
Swansea City Waste Disposal Company	0	15	3	-
University of Wales Trinity St Davids	151	149	225	28.0% (+ £389,400)
West Glamorgan County Council	0	2,092	229	-
West Glamorgan Magistrates Courts	0	37	15	-
West Glamorgan Valuation Panel	0	4	0	-
Ystalyfera Community Council	1	0	0	18.2%
<b>Admitted Bodies</b>				
BABTIE	0	3	13	-
Celtic Community Leisure	215	164	36	13.2%
Colin Laver Heating Limited	0	2	2	-
Swansea Bay Racial Equality Council	1	1	2	35.2% (+£600)
The Careers Business	0	6	9	-
Wales National Pool	64	3	66	14.2%
West Wales Arts Association	0	2	0	-
Capgemini	0	1	4	-
Tai Tarian	403	86	74	17.0% (+£62,300)
Phoenix Trust	0	3	1	-
Pobl Group	155	80	75	20.4%
Rathbone CCS	1	0	2	25.2%
Rathbone Gower College	4	0	0	24.3%
<b>Total</b>	<b>19,671</b>	<b>12,763</b>	<b>11,394</b>	

### Legislative Changes in the Local Government Pension Scheme (LGPS) during 2017/18

**August 2017** - Ministry of Housing, Communities and Local Government (MHCLG) have confirmed that they have sought legal advice and the current stance is, that there is no need for LGPS (Benefits, Membership and Contributions) Regulations 2007 to be amended in light of the Brewster case.

**September 2017** - MHCLG are currently reviewing the Draft LGPS (Amendment) Regulations 2016; there is no indication as to when the consultation will be published.

#### Other Impacting Legislation

**November 2017** - The Finance (No.2) Act 2017 received royal assent and the passage of the Act has two main impacts (a) A reduction of the money purchase annual allowance from £10,000 to £4,000. (b) Changes to the Income Tax (Earnings and Pensions) Act 2003 to mean that a pensions advice allowance payment of up to £500 under the Registered Pensions Schemes (Authorised Payments) (Amendments) Regulations 2009 is exempt from income tax.

**November 2017** - Further to the introduction of The Small Business, Enterprise and Employment Act 2015, which enables the £95k exit payment cap to be introduced; there is no indication as to when the consultation will be published.

**November 2017** - Local Government Association (LGA) published a legal opinion from Squire Patton Boggs on the implications of the European Unions General Data Protection Regulation (GDPR) for the LGPS Administrating Authorities when it comes into effect in May 2018.

**February 2018** - The Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2018 - the Government published its response to the consultation of the draft regulations, which are due to come into effect on the 6th April 2018. The regulation will introduce a new option that will enable employers in multi-employer pension schemes to defer the requirement to pay an employer debt on ceasing to employ an active member. The deferred debt arrangement will be subject to a condition that the employer retains all their previous responsibilities to the scheme.

**February 2018** - The Scheme Advisory Board (SAB) agreed at its meeting of the 26th February 2018 to amend the Code of Transparency (7A) to include provision for alternative investment managers signing up on the basis that cost data substantially similar in scope and detail to that covered by existing templates is submitted to LGPS clients. Under this provision, investment managers must adopt and make use of relevant Code templates as they become available.

### Wales Pension Partnership

In July 2015 the Chancellor announced the Governments' intention to work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance.

The Wales Pension Partnership (WPP) comprises the 8 LGPS funds in Wales, namely Cardiff & Vale of Glamorgan Pension Fund, City & County of Swansea Pension Fund, Clwyd Pension Fund, Dyfed Pension Fund, Greater Gwent Pension Fund, Gwynedd Pension Fund, Powys Pension Fund and RCT Pension Fund.

The Chancellor has announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which are able to invest in infrastructure and drive local growth.

The submission in respect of the 8 welsh pension funds to create a Wales Investment Pool was approved by Pension Fund Committee on the 4th July 2016.

The Pool will not be a merger of the 8 funds. Each fund will retain its distinct identity and the administering authorities will remain responsible for complying with the LGPS regulations and pension legislation in respect of their members. Annual Statement of Accounts and triennial Actuarial valuations will be prepared for each individual pension fund and each fund will determine its own funding strategy. The Pool will have limited remit and its objectives, as set out in the submission document, will be :

- To provide pooling arrangements which will allow individual funds to implement their own investment strategies
- To achieve material cost savings for participating funds while improving or maintaining investment performance fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

The Wales Investment Pool proposal includes the establishment of a Joint Governance Committee comprising elected members from each administering authority, supported by an Officer Working Group. It is also proposed to appoint a Financial Conduct Authority (FCA) regulated Operator to supply the necessary infrastructure for establishing a pooling vehicle and to manage the Pool on behalf of the 8 funds.

Following extensive work by the Authorities, a legally binding Inter-Authority Agreement has now been signed by all 8 funds.

Following an extensive public procurement exercise, Link Asset Services with investment advisory services provided by Russell Investments were appointed in January 2018. Transition of the first WPP assets is expected in Q4 2018.

### Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2018 comprised of :

- 7 Council Members (one member from Neath Port Talbot CBC representing other scheme members) advised by:
- Section 151 Officer
- Chief Treasury & Technical Officer
- 2 Independent Advisers.
- Investment Consultancy Service

The Committee, after taking account of the views of the independent advisers and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund has implemented a fully diversified investment approach with a view to reducing the volatility of investment returns, whilst maintaining above benchmark growth. The fund employs the services of specialist managers to outperform in each asset class invested in.

The investment managers currently are:

- Global Equities - JP Morgan Asset Management, Blackrock and Aberdeen Asset Management
- UK Equities - Schroders Investment Management & Legal & General
- Global Balanced Index Tracking - Blackrock
- Global Bonds - Goldman Sachs Asset Management and Legal & General
- Fund of Hedge Funds - BlackRock and Permal
- Fund of Private Equity Funds - Harbourvest
- European Property Fund - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management
- Fund of Infrastructure Funds - First State Investments (UK) Ltd

### **Other Fund Documents**

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Copies of the :

- Investment Strategy Statement
- Governance Statement
- Funding Strategy Statement
- Communication Policy

are available on request from the City & County of Swansea Pension Fund website  
<http://www.swanseapensionfund.org.uk/>



## Report of the Corporate Director (Resources)

Audit Committee – 14<sup>th</sup> August 2018

### Overview of the Overall Status of Risk Quarter 1 2018/19

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

**Report Author:** Richard Rowlands

**Finance Officer:** Paul Roach

**Legal Officer:** Debbie Smith

**Access to Services Officer:** Sherill Hopkins

#### For Information

#### 1. Background

1.1 The Audit Committee requested on the 11<sup>th</sup> July 2017 an overview every quarter on the overall status of risk in the Council to give assurance that the risk management process is being followed.

1.2 This report at Appendix A covers the Quarter 1 2018/19 period and compared to the position at Quarter 4 2017/18.

#### 2. Corporate Risk Register

2.1 Following on from discussions at Audit Committee concerning access to the Council's Corporate Risk Register, Corporate Management Team (CMT) has now given approval to include the Corporate Risk Register and associated detail into the public reports pack for Audit Committee. The Corporate Risk Register (dated 08/08/18) is included within the report attached at Appendix B.

**3. Equality and Engagement Implications**

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

**4. Legal Implications**

4.1 There are no legal implications.

**5. Financial Implications**

5.1 There are no financial implications.

**Background papers:** *None*

**Appendices:** Appendix A - Summary of the overall status of risk within the Council Quarter 1 2018/19.

Appendix B – Corporate Risk Register dated 08/08/18

## Audit Committee – 14<sup>th</sup> August 18

### Summary of the overall status of risk within the Council – Quarter 1 2018/19

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

### Overall Risk Status – Quarter 1 2018/19

The table below illustrates overall risk status as at Quarter 4 17/18 and Quarter 1 18/19.

	Low Risk	Medium Risk	High Risk
Quarter 4 17/18 <sup>1</sup>	13	138	30
Quarter 1 18/19	14	132	30
+ - change	+1	-6	0

### Summary – changes to the Risk Registers

- **85%** of the risks that were in place as at Quarter 4 2017/18 were recorded as having been reviewed as at Quarter 1 2018/19.
- This is an improvement over the position at Quarter 4 2017/18 where 73% of risks had been reviewed since Quarter 3 2017/18.



- 8 new risks were added to the registers.

Low Risk	Medium Risk	High Risk
1	3	4

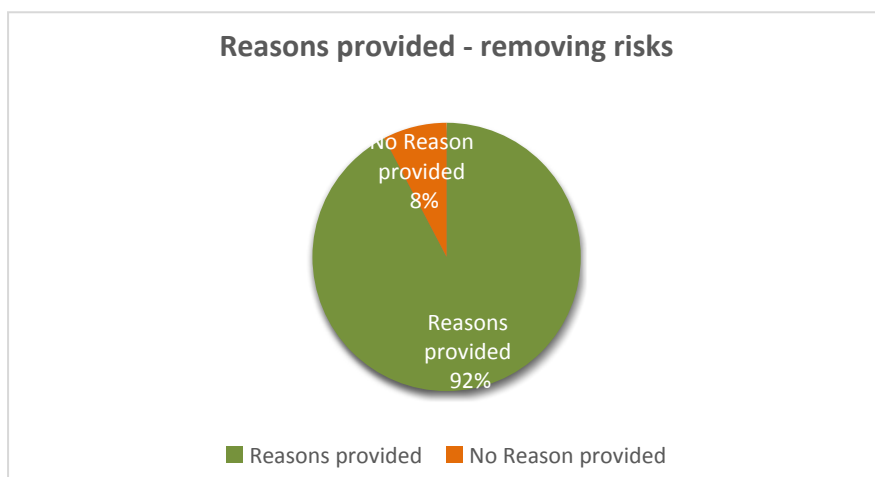
<sup>1</sup> Note – Quarter 4 2017/18 figure AMBER corrected from 137 to 138, RED from 31 to 30



- 13 risks were closed.

Low Risk	Medium Risk	High Risk
1	10	2

- 12 out of the 13 (**92%**) risks that were closed had reasons/comments for doing so recorded) compared to **23%** in Quarter 4 2017/18.



- No risks were escalated compared to 12 risks in Quarter 4 2017/18.
- The overall RAG status of 3 risks were changed. All 3 showed a reduction in risk level.

### Other observations

- Controls and actions are in place for all risks on the registers.
- Cabinet and Corporate Management Team jointly reviewed the Corporate Risks on 7<sup>th</sup> August 2018 in line with the new Risk Management Policy.

### Corporate Risk Register

- Following on from discussions at Audit Committee concerning access to the Council's Corporate Risk Register, Corporate Management Team (CMT) has now given approval to include the Corporate Risk Register and associated detail into the public reports pack for Audit Committee. The Corporate Risk Register dated 08/08/18 is attached at **Appendix B**.
- This is in addition to Members of the Audit Committee already having access to the online Corporate Risk Register. The format and content of this report will be reviewed for subsequent committee meetings following the decision to publish the corporate risks in the papers.

## Appendix B – Corporate Risk Register dated 08/08/18

Risk Id	Risk Title	Category	Responsible Officer	Date Last Updated	Updated By	Overall RAG
CR 79	<b>Local Government Reorganisation</b>	Corporate Governance	phil roberts	05/07/2018	CCOS\RICHARD.ROWLANDS	A
CR 80	<b>Financial Control and Sustainable Swansea</b>	Corporate Finance	ben smith	03/08/2018	CCOS\RICHARD.ROWLANDS	R
CR 81	<b>City Centre</b>	Corporate Plan Priorities	martin nicholls	05/07/2018	CCOS\MARTIN.NICHOLLS	A
CR 82	<b>Safeguarding</b>	Corporate Plan Priorities	david howes	03/08/2018	CCOS\RICHARD.ROWLANDS	A
CR 83	<b>Pupil attainment and achievement</b>	Corporate Plan Priorities	nick williams	27/03/2018	CCOS\RICHARD.ROWLANDS	A
CR 84	<b>Tackling poverty</b>	Corporate Plan Priorities	david howes	03/08/2018	CCOS\RICHARD.ROWLANDS	A
CR 85	<b>Workforce Strategy</b>	Corporate Governance	sarah caulkin	06/07/2018	CCOS\SARAH.CAULKIN	A
CR 86	<b>Digital, data and information security</b>	Corporate Governance	sarah caulkin	03/08/2018	CCOS\RICHARD.ROWLANDS	A
CR 87	<b>Emergency Planning, Resilience and Business Continuity</b>	Corporate Governance	phil roberts	06/07/2018	CCOS\SARAH.CAULKIN	A
CR 88	<b>Health &amp; Safety</b>	Corporate Governance	phil roberts	06/07/2018	CCOS\SARAH.CAULKIN	A
CR 89	<b>New legislative and statutory requirements</b>	Corporate Governance	tracey meredith	08/08/2018	CCOS\TRACEY.MEREDITH	A
CR 90	<b>Decision to leave the European Union (BREXIT)</b>	Corporate Finance	ben smith	06/08/2018	CCOS\RICHARD.ROWLANDS	A
CR 91	<b>Tax evasion</b>	Corporate Finance	ben smith	26/06/2018	CCOS\BEN.SMITH	A

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## CR 79: Local Government Reorganisation

### Risk Description:

If there is no clarity or clear timescale for local government re-organisation, then we could be distracted from business as usual and service delivery could be disrupted.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks

### Category:

Corporate Governance

### Controls in Place:

- Good understanding locally and regionally of the proposals for local government re- organisation.
- Using political channels effectively to influence decision-making.
- Seeking to influence proposals through WLGA / SOLACE.
- Collaborating regionally with other local authorities on our response and taking a proactive and leadership role.
- Maintaining a clear focus on our own service delivery.
- Having a 'can do' organisational culture and approach where we are open to change and making things work.

### Actions to be taken:

- Green Paper now published  
Need to respond by 12th June 2018  
Report to be prepared for Council in May  
Report drafted for discussion with group leaders  
Scrutiny Panel report prepared
- Update RR 05/07/18 - Council response to consultation prepared in consultation with all Group Leaders. Council response submitted to WG on 11th June 2018 and endorsed at full Council on 21st June 18. Monitoring Welsh Government response whilst continuing to implement existing control measures.

**Responsible Officer:** phil Roberts

**Responsible Cabinet member:** Cllr Rob Stewart

**Current Likelihood:** Medium

**Current Impact:** High

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## CR 80: Financial Control and Sustainable Swansea

### **Risk Description:**

If we fail to deliver Sustainable Swansea and maintain sufficient financial control, then we will not be able to respond appropriately to continuing austerity, demographic pressures, increasing demand and changing public expectations.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risks CR46 and CR47.

### **Category:**

Corporate Finance

### **Controls in Place:**

- An agreed plan and a process for corporate level monitoring in place.
- An agreed budget.
- Clear governance and reporting in place.
- Prevention Strategy.
- Regular monthly monitoring at P&FMs.
- Reporting, monitoring and review at FSTG.
- Audit Committee providing challenge, oversight and assurance.
- Collaborative officer and Member budget setting process in place.
- MTFP.
- Dedicated Scrutiny Service Improvement and Finance Performance Panel consider and scrutinise the budget on a quarterly basis

### **Actions to be taken:**

- The budget position is tracked and reported to CMT, P&FMs and FSTG on a monthly basis to monitor progress and highlight risks to meeting savings early.
- Fewer generic savings.
- Cross-cutting Commissioning Reviews.
- Continue to embed the Sustainable Development Principle into the budget setting process forming part of Budget Week in September 2018.
- Involve the public in co-producing and setting the budget.
- Aspire to collaborate more with other local authorities
- Join-up information so outcomes and delivery are clear to the public
- Review of schools SLAs in response to underlying shortfall on delegated schools budget

BGS Update 26/6 - budget position is being tracked to try and early capture and warn on all delivery risks not just financials - financial pressures remain severe given draw from reserves 17-18 outturn, emerging pressures for 18-19

**Responsible Officer:** ben smith  
**Responsible Cabinet Member:** Cllr Clive Lloyd  
**Current Likelihood:** Very High  
**Current Impact:** Very High  
**Overall RAG Status:** Red  
*Report Date: 08/08/2018 12:28:12*

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## CR 81: City Centre

### **Risk Description:**

If we are unable to attract sufficient external investment and financial support and do not regenerate the city centre, then there will be a detrimental impact on the Swansea economy and reputational damage for the Council.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR58.

### **Category:**

Corporate Plan Priorities

### **Controls in Place:**

- City Deal
- City Centre Strategic Framework and resources to deliver it.
- Political mandate, leadership and support.
- Corporate priority.
- Developer confidence reflected in their actions taking forward schemes.
- The BID and buy-in from city centre businesses.
- Financial control of the revenue budget providing financial headroom for capital schemes

### **Actions to be taken:**

Cabinet approved funding via FPR 7 for next stage of projects on the 21st June

Cabinet approved joint committee report on the 21st June with Council on the 26th July

contract award report for Phase 1 contractor appointment (stage 1) due to by end of July

Further report required on future funding requirements by end of 2018

**Responsible Officer:** martin nicholls  
**Responsible Cabinet Member:** Cllr Rob Stewart  
**Current Likelihood:** Medium  
**Current Impact:** Medium  
**Overall RAG Status:** Amber  
*Report Date: 08/08/2018 12:28:12*

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## CR 82: Safeguarding

### **Risk Description:**

If our safeguarding arrangements are not sufficiently robust, then we will not be doing everything we possibly can to prevent the death, injury or neglect of a child or vulnerable adult and consequential reputational damage.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR45.

### **Category:**

Corporate Plan Priorities

### **Controls in Place:**

- Sufficient numbers of trained adult and children services staff.
- Corporate Safeguarding Policy and Group.
- Strong performance monitoring and reporting arrangements.
- Positive engagement and support from Cabinet and Council.
- Corporate safeguarding training in place for staff and Members.
- Commitment to invest in social care is strong.
- Corporate priority.
- Regional and multi-agency safeguarding partnerships.
- Safeguarding leads identified across all Council services, including schools.
- Separate safeguarding arrangements in place in schools.
- Two dedicated scrutiny panels in place to scrutinise social services work and performance.
- New and revised Safeguarding Policy following a review undertaken by the Safeguarding PDDC'

### **Actions to be taken:**

- Strengthen safeguarding arrangements in Adult Social Services through restructuring and development of a safeguarding team.

**Responsible Officer:** david howes

**Responsible Cabinet Member:** Cllr Mark Child

**Current Likelihood:** Low

**Current Impact:** Very High

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## CR 83: Pupil attainment and achievement

### Risk Description:

If we cannot get schools to improve pupil attainment and achievement at a time of reduced resources and increasing demand, then pupils will not get the qualifications and skills they need to succeed in life and there will be a detrimental impact on the future Swansea economy.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR59.

### Category:

Corporate Plan Priorities

### Controls in Place:

- Positive engagement and support from Cabinet and Council.
- Commitment to invest in Education.
- Corporate priority.
- Good school-to-school support.
- Effective partnership working.
- School Improvement Strategy and Partnership.
- New EOTAS Strategy & programme.
- Attendance Strategy.
- Renewed focus through the Child Protection Board on the educational achievement of LAC.
- Strong school building programme.
- Strong leadership commitment to influencing the ERW agenda.
- Commissioning Review on ALN.
- Dedicated scrutiny panel to scrutinise education work and performance.
- Improving Education & Skills PDDC

### Actions to be taken:

- Managing the review of ERW

**Responsible Officer:** nick Williams

**Responsible Cabinet Member:** Cllr Jennifer Raynor

**Current Likelihood:** Medium

**Current Impact:** Medium

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## CR 84: Tackling poverty

### **Risk Description:**

If we do not implement a strategy that sufficiently impacts on poverty, then there will continue to be negative consequences for current and future generations, high demand for Council services and a continuing detrimental impact on the Swansea economy.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR44.

### **Category:**

Corporate Plan Priorities

### **Controls in Place:**

- Reviewed and revised Tackling Poverty Strategy agreed by Cabinet
- Cross Council Delivery Plan in place and performance framework being introduced
- Council Poverty Forum renewed, chaired by Chief Executive
- Partnership Poverty Forum in place, and action plan being delivered
- Explorations of social investment options for key services being undertaken
- Scrutiny Inquiry undertaken 2016 and report recommendations largely accepted
- Tackling Poverty a Corporate Priority

### **Actions to be taken:**

- Implement revised Tackling Poverty Strategy.
- Poverty Forums meeting regularly
- Partnership Poverty Forum has action plan and strong involvement
- Poverty has been included in the PSB Wellbeing Plan
- Update RR 28/07/18 - Responsible Officer changed to Dave Howes following Chris Sivers leaving the Authority.

**Responsible Officer:** david howes

**Responsible Cabinet Member:** Cllr Mary Sherwood

**Current Likelihood:** Medium

**Current Impact:** Medium

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## CR 85: Workforce Strategy

### Risk Description:

If we do not have a robust workforce strategy in place, then we will not have staff with sufficient capacity and the right knowledge and skills to manage change, deliver transformed services and ensure statutory compliance.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR43.

### Category:

Corporate Governance

### Controls in Place:

- Workforce Planning
- Corporate Plan Sustainable Development principles embedded in the objectives
- Service Planning

### Actions to be taken:

Reviewed July 2018

- Organisational Development (OD) strategy and implementation plan
- Tracking and monitoring of OD plan and delivery through new ICT systems and processes
- New reporting through revised CMT/Cabinet governance
- New reporting through Leadership Team

**Responsible Officer:** sarah caulkin

**Responsible Cabinet Member:** Cllr Clive Lloyd

**Current Likelihood:** Medium

**Current Impact:** Medium

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## CR 86: Digital, data and information security

### Risk Description:

If we do not have robust digital, data and information security measures and systems and behaviours in place, embedded and working as best as they can be, then we will be vulnerable to cyber threats, disruption to service delivery, possible loss of information including confidential information and associated fines and reputational damage.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22

and subsequent review of Corporate Risks. Supersedes risk CR66.

**Category:**

Corporate Governance

**Controls in Place:**

- Public Services Network (PSN) compliance certificate (tested annually)
- Mandatory data protection training for all staff and Councillors
- Communications and awareness raising to all staff and Councillors monthly on good practice
- SIRO identified
- Information Governance Unit (IGU) established
- Identified GDPR project team and actions delivered to meet requirements
- Created a register of processing activities to identify what personal data we control and process
- Updated the data breach process to align with GDPR requirements
- Created a GDPR compliant privacy notice to be placed on our public website
- Created a Data Protection Impact assessment measuring the impact to individual rights to privacy
- Data Protection Officer required by GDPR regulations now appointed and in place.
- GDPR information for schools published on Staffnet
- 6 months Communications programme started in November 2017.

**Actions to be taken:**

Reviewed July 2018

- Revised Security Policy
- General Data Protection Regulation (GDPR) compliance monitoring and reporting through P&FMs and new CMT/Cabinet governance
- GDPR project complete

**Responsible Officer:** sarah caulkin

**Responsible Cabinet Member:** Cllr Clive Lloyd

**Current Likelihood:** Low

**Current Impact:** Very High

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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**CR 87: Emergency Planning, Resilience and Business Continuity**

**Risk Description:**

If we do not have sufficient emergency planning, resilience and business continuity arrangements in place, then we will not be able to respond effectively in an emergency, provide the necessary civic leadership or

continue to run vital services and ensure compliance with the legal requirements of the Civic Contingencies Act 2004 as a Category 1 Responder.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR48.

**Category:**

Corporate Governance

**Controls in Place:**

- Major Incident Plan
- Flood Management Plan
- Mass Fatality Plan
- Temporary Mortuary Arrangements
- Crisis Media Plan
- Rest Centre Plan & Arrangements
- Recovery Plan
- Offsite COMAH Plan & Exercising
- Risk Profiling
- Project Griffin Training
- Vehicle Mitigation & Protective Security Advice
- Multi Agency Exercising & Training
- Call Out & Activation Protocols/action Cards
- Continual Review of Plans & Protocols
- Service and Corporate Business Impact Assessments and Business Continuity Plans
- RAG alert system across H&S, emergency management

**Actions to be taken:**

- Continual review and update of policies
- Continual development of further toolkits to support managers and schools
- Emergency Planning exercise
- Commissioned Emergency Control Centre
- Monitoring and reporting of emergency management to P&FM, escalating to CMT where appropriate

**Responsible Officer:** phil Roberts

**Responsible Cabinet Member:** Cllr Clive Lloyd

**Current Likelihood:** Low

**Current Impact:** Very High

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## CR 88: Health & Safety

### Risk Description:

If we fail to have robust Health & Safety policies and arrangements in place, then there could be a health and safety breach identified as a corporate failing with associated legal, financial and reputational consequences.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR50.

### Category:

Corporate Governance

### Controls in Place:

- Health & Safety (H&S) Policies
- H&S Toolkits
- RIDDOR procedures for reportable incident to the HSE
- H&S audit plan
- Well-being Policies
- Member of British Association of Counsellors and Psychotherapists (BACP)
- SEQOSH accreditation by Faculty of Occupational Medicine
- Noise, Dust, Lighting, Humidity & Vibration sampling
- Directors H&S Committees & Sub safety Groups
- RAG alert system across H&S, emergency management and well-being

### Actions to be taken:

- H&S e-learning
- Continual review and update of policies
- Continual development of further toolkits to support managers and schools
- Swansea Council RAG Fire Risk Profiling for all Premises.
- Improved online reporting
- Monitoring and reporting of H&S and well-being to P&FM, escalating to CMT where appropriate

**Responsible Officer:** phil Roberts

**Responsible Cabinet Member:** Cllr Clive Lloyd

**Current Likelihood:** Low

**Current Impact:** High

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## CR 89: New legislative and statutory requirements

### **Risk Description:**

IF the council cannot respond adequately to new legislative and regulatory requirements due to reduced resources, then it will be open to external challenge and may suffer reputational damage and fines.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR62.

### **Category:**

Corporate Governance

### **Controls in Place:**

- Corporate Plan: captures major change and meets duties under the Well-being of Future Generations Act 2015 to set well-being objectives and establish steps to meet them.
- Service Planning: use of the SWOT/PESTLE process to capture external legislative changes and threats, etc. and embed the Well-being of Future Generations Act 2015.
- Role of Directors/Heads of Service: duty to horizon scan and bring forward papers on new changes and to resource accordingly and act in accordance with the Sustainable Development Principle established by the Well-being of Future Generations Act 2015.
- Regular policy briefing developed and widely circulated.
- Regular Policy foresighting briefing - policy perspectives, new ideas and emerging ways of working - developed and widely circulated.
- Monitoring of new legislation by legal department and democratic services.
- Lawyers in Local Government Update on new legislation, consultation and constitutional matters circulated by Head of Legal to CMT on regular basis. Legal implications inserted into decision making reports.

### **Actions to be taken:**

- Strategic Delivery Unit: horizon scan and give advice on our response to new legislation and other major external change.
- Legislative duties and legal obligations incorporated into reports to committees and decision makers with all reports signed off by Legal and Access to Services.
- Embedding legislative duties at the earliest stages of decision-making

**Responsible Officer:** tracey Meredith

**Responsible Cabinet Member:** Cllr Clive Lloyd

**Current Likelihood:** Low

**Current Impact:** Medium

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## **CR 90: Decision to leave the European Union (BREXIT)**

### **Risk Description:**

If there continuing uncertainty from the decision to exit the European Union (BREXIT), then there may be a risk to investment in the region due to the loss of grants and decisions affecting strategic inward investment.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR64.

### **Category:**

Corporate Finance

### **Controls in Place:**

- A risk outside directly of Council control/influence.
- Maximise existing grant take ups/explore alternative sources of grant/investment
- Event horizon scanning of all media, parliamentary decisions, negotiations.
- Lobbying through WLGA, professional associations for UK/WG government grant/other decisions to attract inward investment via alternative means e.g. City Deal, Tidal Lagoon (despite UK government rejection of financial support re latter)

### **Actions to be taken:**

- Lobby via WLGA, professional associations for locally retained business rates

BGS Update 26/6/18 - Personally fed into Welsh Assembly Finance Committee budget roadshow on matter, WLGA and professional bodies continue lobbying, still await material detail and devolution consequentials - remains difficult to assess the overall risk - especially the impact score - remains unchanged for now but impact score may increase as time progresses and detail becomes clearer.

- Work with the WLGA and welsh Government to ensure there is a collective and consistent approach across Welsh local government in responding to BREXIT.
- Convene a group / committee tasked with mitigation of impacts in regards to BREXIT
- Undertake a BREXIT impact assessment.

**Responsible Officer:** ben smith

**Responsible Cabinet Member:** Cllr Rob Stewart

**Current Likelihood:** High

**Current Impact:** Low

**Overall RAG Status:** Amber

*Report Date: 08/08/2018 12:28:12*

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## **CR 91: Tax evasion**

### **Risk Description:**

If the Council fails to prevent those who act for or on its behalf from knowingly or unknowingly facilitating (including failing to prevent) tax evasion, then the Council will be criminally liable and will face an investigation by HMRC with potential prosecution and unlimited financial liability.

Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks.

### **Category:**

Corporate Finance

### **Controls in Place:**

- VAT Manual, Guidance Notes and Accounting Instructions.
- VAT advice available via Principal Finance Partner and external VAT advisors.
- Financial Procedure Rules (FPRs) and Contract Procedure Rules (CPRs).
- IR35 guidance and procedure notes available.
- Procurement rules and procedures.
- Segregation of duties.

### **Actions to be taken:**

- A briefing note discussed at CMT and circulated to senior management team, head teachers, finance managers and finance contacts to raise awareness.
- Head Teachers, finance managers / managers to establish policies, procedures and communication to follow financial rules, procedures and guidance and to prevent the risk.
- Audit/Corporate Fraud to incorporate this as part of their plans, investigations and audits.

BGS review 26/6/18 - no material identified cases - schools remain an operational boundary risk for Council given budget/operational delegation - but on basis of current isolated incidence of risk identified, likelihood down rated to low

**Responsible Officer:** ben smith

**Responsible Cabinet Member:** Cllr Clive Lloyd

**Current Likelihood:** Low

**Current Impact:** High

**Overall RAG Status: Amber**  
*Report Date: 08/08/2018 12:28:12*

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# Agenda Item 6



## Report of the Chair of the Audit Committee

Audit Committee – 14 August 2018

### Draft Audit Committee Annual Report 2017/18

<b>Purpose:</b>	This report provides the draft Audit Committee Annual Report 2017/18 municipal year.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that the Audit Committee review and discuss the Audit Committee Annual Report 2017/18 so that any suggested amendments can be made prior to the final version returning to Committee and later being presented to Council.
<b>Report Authors:</b>	Simon Cockings / Paula O'Connor
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Catherine Window

#### 1. Foreword by Mrs Paula O'Connor, Chair of the Audit Committee

- 1.1 This report provides an overview of the Audit Committee's work in the municipal year 2017/18. The previous Lay Member and Chair of the Committee resigned with effect from the 31st January 2018 and I became elected as Lay Member and Chair for the remainder of the Municipal year on 10th April 2018.
- 1.2 I am pleased to present this report prepared by the Chief Auditor that reflects on the work of the Audit Committee under the previous Lay Member and Chair, it also contains the outcome of the review of the Committee's performance against the best practice CIPFA framework with

recommendations to enhance the Committee's effectiveness as the 2018/19 year progresses.

- 1.3 As the newly appointed Lay Member and elected Chair I have considered the information received at the Audit Committee meetings during 2017/18 and it is evident that the Committee received professional support from Finance, External Audit (Wales Audit Office), Internal Audit, and Risk Management. Additionally, the previous Chair actively met with Heads of Service where the internal audit work resulted in a moderate or limited level of assurance in order to drive improvement.
- 1.4 I also note that in February 2017 the Wales Audit Office annual performance review of the Audit Committee confirmed that the Audit Committee felt that it was performing well against the Core Principles but noted some areas for improvement particularly with regard to the Committee's involvement and awareness of Risk Management. In November 2017 the Committee were provided with an update report that outlined progress against the recommendations from the February 2017 performance review; this report confirmed progress but some recommendations will continue to be progressed in 2018/19.
- 1.5 Since my appointment as Chair, and the appointment of Deputy Chair Paxton Hood-Williams, we have been supported by Officers of the Council for which we are very grateful. I would also wish to record my thanks to all Elected Members who serves on the Committee that have welcomed me into this role.
- 1.6 The Committee has a broad and important role and therefore it has reflected on the effectiveness of governance, risk management and control that supports and informs the Council's Annual Governance Statement in 2017/18.
- 1.7 Recently, enhancements to the Audit Committee's work plan were actioned to ensure that the work plan directly links to the Committee's Terms of Reference and the Committee has requested clarity on the Council's assurance framework and detail behind the corporate risk register.
- 1.8 The Wales Audit Office annual performance review undertaken in June 2018 is attached to this report and progress against action to the recommendations made will be monitored on a regular basis throughout 2018/19. Looking forward to 2018/19, the financial challenges facing the Council along with increasing demand for services and improving performance, within this context the importance of an effective Audit Committee remains critical.

## **2. Introduction**

- 2.1 The Council is required, under the Local Government (Wales) Measure 2011 to have an Audit Committee which among other things must include at least one lay member.

- 2.2 The Measure requires the Audit Committee to review and scrutinise the Council's financial affairs, risk management, internal control and governance arrangements. It also requires the Committee to oversee the Council's internal and external audit arrangements and review its financial statements.
- 2.3 The work of the Audit Committee is structured so that the Committee can gain assurance over the areas identified above and to comply with its terms of reference.
- 2.4 This draft report describes the assurance that has been gained by the Audit Committee from various sources during 2017/18 and also outlines a number of other areas where briefings have been provided to the Committee.
- 2.5 The draft Audit Committee Annual Report 2017/18 is reported to the Committee to provide members with the opportunity to give their views on the assurances received and to identify the key messages arising from the work of the Committee during the year which should be reported to Council.
- 2.6 The draft report will be amended for any comments made at this meeting with the final report being presented to the Audit Committee in September for formal approval. The Chair will then present the Annual Report to Council later in the year.

### **3. Committee Membership**

- 3.1 The membership of the Audit Committee during 2017/18 is shown in the following table:

Mr AM Thomas – Lay Member and Chair (to 31/01/18)	Mrs Paula O'Connor – Lay Member and Chair (from 10/04/18)
Cllr L James – Vice Chair	Cllr TJ Hennegan
Cllr S Pritchard	Cllr LV Walton
Cllr TM White	Cllr OG James
Cllr PR Hood-Williams	Cllr MB Lewis
Cllr C Anderson	Cllr WG Thomas
Cllr JW Jones	Cllr B Hopkins
Cllr PK Jones	

- 3.2 There were a number of changes to the membership of the Audit Committee during 2017/18. Of the current committee members, 7 were also members in 2016/17. The previous Lay Member and Chair of the committee resigned with effect from the 31/01/18 and was replaced Mrs Paula O'Connor as Lay Member on 08/03/18 who was also elected as chair for the remainder of the Municipal year on 10/04/18.

- 3.3 The Committee moved to a schedule of 2-monthly meetings in 2015/16 however it was recognised that the agenda for the 2-monthly meetings were becoming excessively long so a number of special meetings were arranged to help smooth out the Committee's work programme.
- 3.4 The Committee met on 8 occasions during 2017/18. Over the course of the year, attendance at the meetings was 66%

#### **4. Internal Audit Assurance**

- 4.1 The Audit Committee approved the Internal Audit Charter 2018/19 as required by the Public Sector Internal Audit Standards.
- 4.2 The Audit Committee also approved the Internal Audit Annual Plan 2018/19 and has received quarterly monitoring reports from the Chief Auditor showing progress against the 2017/18 Audit Plan.
- 4.3 The quarterly monitoring reports identified any audits that received a moderate or limited level of assurance along with an outline of the issues which led to the audit receiving the negative assurance level.
- 4.4 The previous Chair has written to a number of Heads of Service where audits in their area of responsibility received a moderate or limited level of assurance to raise the concerns of the Committee and to highlight the need for improvement in controls.
- 4.5 The previous Chair has also met with the Head of Service where the audit received a moderate or limited level of assurance at the previous audit. The Committee's view is that this indicates that the service has failed to improve since the previous audit which therefore requires a firmer response from the Committee to support the findings of the Internal Audit Section.
- 4.6 Following the appointment of the new Chair and as a result of further discussions with committee members, it was decided that from April 2018 the relevant Head of Service and Service Manager would be required to attend Audit Committee following a moderate or limited audit report being issued in order to provide an update to members as to what action is being taken to address the issues that have been highlighted by the audit.
- 4.7 The Internal Audit Annual Report 2016/17 was reported to the Audit Committee which included a review of actual work completed compared to the Annual Plan.
- 4.8 The Internal Audit Annual Report also included the Chief Auditor's opinion on the internal control environment for 2016/17 which stated that based on the audit testing carried out reasonable assurance can be given that the systems of internal control are operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.

- 4.9 The Internal Audit Annual Report 2017/18 is due to be presented to the Audit Committee on the 14<sup>th</sup> August 2018 which includes a review of actual work completed compared to the Annual Plan for 2017/18.
- 4.10 The Internal Audit Annual Report for 2017/18 also includes the Chief Auditor's opinion on the internal control environment for 2017/18 which also states that based on the audit testing carried out reasonable assurance can be given that the systems of internal control are operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.
- 4.11 The Internal Audit Annual Report of School Audits 2016/17 was presented to the Audit Committee. This report summarised the school audits undertaken during the year and identified some common themes identified across school audits.

## **5. Annual Governance Statement 2016/17**

- 5.1 The draft Annual Governance Statement 2016/17 was presented to the Audit Committee prior to being reported to Council for approval.
- 5.2 This gave the Committee the opportunity to review and comment upon the Statement and to ensure that it properly reflected the assurances provided to the Committee over the course of the year.

## **6. Annual Statement of Accounts 2016/17**

- 6.1 The Strategic Finance Manager (Corporate) presented the draft Statement of Accounts 2016/17 for the Council and the Pension Fund to the Committee and answered a number of queries raised by members of the Committee.
- 6.2 Following completion of the audit of the Statement of Accounts 2016/17, the Wales Audit Office presented its ISA 260 reports on the audit of financial statements of the Council and Pension Fund to the Audit Committee prior to the reports going to Council. The reports presented the detailed findings of the audit and stated that the Wales Audit Office view was that the accounts gave a true and fair view of the financial position of the Council and Pension Fund.

## **7. External Audit Assurance**

- 7.1 As well as the Audit of the Statement of Accounts reports mentioned above, the Wales Audit Office also provided an update report to the majority of scheduled meetings. The report outlined the progress being made in financial and performance audit work to the Committee.
- 7.2 The Wales Audit Office also provided assurance to the Audit Committee by presenting the following reports:

- Certification of Grants and Returns 2016/17
- Savings Planning Report
- Good Governance When Determining Significant Service Changes
- Annual Audit Letter 2016/17
- Wales Audit Office Audit Plan 2017/18 including performance and financial audit work

## **8. Implementation of Audit Recommendations**

- 8.1 An important role undertaken by the Audit Committee is monitoring the implementation of agreed audit recommendations arising from both internal and external auditors.
- 8.2 The implementation of any Internal Audit recommendations arising from the fundamental audits is reported to the Audit Committee in the Recommendations Tracker report. For 2016/17, the results of the tracker exercise showed that 86% of agreed recommendations had been implemented by 30 November 2017.
- 8.3 The implementation of any high or medium risk recommendations arising from non-fundamental audits that received a moderate or limited level of assurance are subject to follow up visits by Internal Audit to confirm they have been implemented. The results of the follow ups are reported to the Audit Committee in the quarterly Internal Audit Monitoring Reports.
- 8.4 A number of follow up audits were reported to the Committee during 2017/18 and in some cases it was found that substantial progress had been made by management in implementing the agreed recommendations within the agreed timescale.
- 8.5 However, it was disappointing that a number of audits were identified where substantial progress had not been made in implementing the agreed recommendations and in some cases a 2<sup>nd</sup> follow up visit had to be scheduled.
- 8.6 It should be noted that from April 2018 onwards, a new approach was agreed by Committee in relation to those audits receiving a limited or moderate level of assurance. In such circumstances, the Head of Service and Service Manager are now required to attend Audit Committee shortly after the report has been issued to provide Members with an explanation as to what action is being taken to address the issues that were identified as part of the audit. It is envisaged that this will assist in ensuring recommendations are implemented promptly following the issue of the report and prior to the standard follow up visit.
- 8.7 The Internal Controls Report presented to the Audit Committee by the external auditors includes any recommendations made as a result of their work and the action taken by management to implement the recommendations.

## **9. Risk Management**

- 9.1 The Local Government (Wales) Measure 2011 makes the overview of risk management a function of the Audit Committee
- 9.2 A training presentation was made to the Committee on Risk Management during the year. In addition, the Committee received an additional presentation from the Strategic Delivery & Performance Manager in relation to the updated Risk Management Policy & Framework that was introduced in year.
- 9.3 The Strategic Delivery & Performance Manager also provided regular updates to the Committee in relation to Risk Management throughout the year.
- 9.4 The Committee was also granted access to the Corporate Risk Register. However, at the time of compiling this report some Members were experiencing difficulties accessing the electronic registers. The Strategic Delivery and Performance Manager is working to address this issue to ensure all members have access.

## **10. Performance Audit**

- 10.1 The Audit Committee received regular briefings from the Wales Audit Office on the performance audit work being undertaken within the City and County of Swansea.

## **11. Relationship with Scrutiny Function**

- 11.1 The Audit Committee has continued to develop a relationship with the Scrutiny function. The relationship is intended to ensure the following:
- Mutual awareness and understanding of the work of Scrutiny and the Audit Committee.
  - Respective workplans are coordinated to avoid duplication / gaps.
  - Clear mechanism for referral of issues if necessary.
- 11.2 The Chair of the Scrutiny Programme Committee has attended the Audit Committee to provide an update on the work of Scrutiny.
- 11.3 In previous years the Chair of the Audit Committee has attended the Scrutiny Programme Committee to provide an update on the work of the Audit Committee. Due to the resignation of the previous chair this did not take place in 2017/18. However, the Audit Committee Workplan for 2017/18 was shared with the Scrutiny Programme Committee and it is envisaged that the newly appointed Chair will attend a Scrutiny Programme Committee meeting in 2018/19.

## **12. Anti-Fraud**

- 12.1 A Corporate Fraud Function was established during 2015/16 within the Internal Audit Section and the Corporate Fraud Annual Plan 2017/18 and Corporate Fraud Team Annual Report 2016/17 were presented to the Audit Committee.
- 12.2 An update on the work of the Corporate Fraud Team in 2017/18 and the Corporate Fraud Annual Plan 2018/19 were also presented to the Committee.

## **13. Briefings**

- 13.1 The Audit Committee received a number of briefings during 2017/18 as noted below:
- Work of Policy Development & Delivery Committees
  - Internal Audit Plan Methodology
  - Risk Management Policy & Framework
  - Review of Revenue Reserves Report 2016/17
  - Treasury Management Annual Report 2016/17

## **14. Audit Committee Training**

- 14.1 Training was provided in the follow areas which are included in the terms of reference of the Audit Committee
- Internal Audit
  - Governance
  - Standards in Public Life
  - External Audit
  - Financial Statements
  - Risk Management
  - Counter Fraud

- 14.2 The training in 2017/18 was delivered in short sessions with, for example, one topic being covered at the start of each meeting and limited to 30 minutes where possible.

## **15. Action Tracker Report**

- 15.1 An Action Tracker Report was added to the agenda of each meeting in 2017/18 to allow the Committee to monitor the action taken in response to any decisions made by the Committee. The report was well received as it provided a way for members to monitor progress in implementing the actions decided by the Committee.



## **16. Audit Committee – Performance Review 2017/18**

- 16.1 The Audit Committee's annual performance review for 2017/18 was facilitated by the Wales Audit Office. The format of the Performance Review was for the members of the Committee to review the Committee's performance against the 7 Core Functions of an Audit Committee which had been established by CIPFA.
- 16.2 The members of the Audit Committee were individually asked to score the Committee's performance against each of the Core Functions using a scoring range of 1 to 10. Committee members were also asked to individually identify what they thought the Committee was doing well in relation to each Core Function and what the Committee could do better.
- 16.3 The Wales Audit Office captured the views of the Audit Committee in relation to each Core Function and has produced the summary shown in Appendix 1.
- 16.4 The Wales Audit Office has also identified the key findings of the Performance Review based on the views of the Audit Committee members. The key findings are shown below:
- Assurance Framework – The Audit Committee needs clarity on the Council's Assurance Framework.
  - Risk Register – The Audit Committee needs to see the detail behind the Corporate Risk Register.
  - Annual Governance Statement (AGS) – The Audit Committee would like to see the AGS separated from the Annual Accounts and a draft copy sent to them for comment prior to approval.
  - Benchmarking – The Chair has provided benchmarking detail to Internal Audit (from other Councils) but there are no plans to visit and meet with other Audit Committees:
    - Consider how to best use this benchmarking information.
    - Consider visits to other audit committees to search for good practice.
  - Council Objectives – The Audit Committee would like to see the amount of over-run and deferred audits to be included in the AGS.
  - Partnerships – Review the mechanisms for assessing and scrutinising the risk associated with partnerships.
  - Reporting – produce a programme of expected external reports for Audit Committee to receive.
  - Recommendations – produce a tracker for the recommendations that arise from the work of internal and external audit so that Audit Committee can effectively monitor progress.
  - Wales Audit Office (WAO) escalation process – clarify the process the WAO uses to escalate actions when recommendations have not been completed.
  - Meeting with WAO – consider who should attend meetings with the WAO as external auditor (just the Chair or the whole committee).

- 16.5 The key findings of the Performance Review identified above will be turned into an Action Plan which will be reported to the Audit Committee at the September 2018 meeting and periodically throughout the year so that the Committee can monitor the progress made in addressing the issues arising from the Performance Review.
- 16.6 Overall, the outcome of the Performance Review is that the Audit Committee judged the Committee positively with a range of 5.5-7.5 out of a score of 10 for six of the seven (CIPFA) Core Functions. The Core Function 1 relating to understanding of the Council's assurance framework and risk scored at 3.6. Eleven key findings were raised by the Wales Audit Office for taking forward in 2018/19 that would further strengthen the effectiveness of the Audit Committee.

## **17. Performance Review 2016/17 – Review of Actions**

- 17.1 The Audit Committee's annual performance review for 2016/17 was facilitated by the Wales Audit Office in February 2017.
- 17.2 Overall, the outcome of the Performance Review was that the Audit Committee felt that it is performing well against the Core Principles. However, some areas for improvement were noted in relation to Committee involvement and awareness of Risk Management. It was also felt that there were a number of issues which could be addressed during the year which would allow the Committee to provide a greater level of assurance to the Council.
- 17.3 Committee were provided with an update report in November 2017 outlining the progress that had been made to date against the key findings of the 2016/17 performance review. The update included a number of proposals aimed at further developing the Committee in line with the findings of the review. Unfortunately, as a result of the then Chair of the Committee giving notice of his intention to resign from post, the proposals and key findings were not progressed any further as the Chair wasn't in attendance at any further meetings.
- 17.4 A new Chair was appointed in March 2018 and an update report was presented to Audit Committee in June 2018 so that any relevant key findings outstanding could be considered as part of the 2017/18 performance review.
- 17.5 A summary of the key findings arising from the 2016/17 performance review can be found in Appendix 1, together with a brief update as to the actions that have been taken as presented to the Committee in the update report in June 2018.

## **18. Future Audit Committee Meetings**

18.1 The Council Diary for the new municipal year continues to include Audit Committee meetings on a 2 monthly basis.

18.2 However, based on the experience in previous years, it is clear that special meetings may need to be held at certain times of the year to ensure the smooth delivery of the Committee's work programme. The Committee also has the ability to call further additional meetings when required.

## **19. Equality and Engagement Implications**

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

## **20. Financial Implications**

20.1 There are no financial implications associated with this report.

## **21. Legal Implications**

21.1 Part of the role of the Audit Committee as set out by the Local Government (Wales) Measure 2011 is to make reports and recommendations in relation to the authority's financial affairs, including an assessment of the risk management and corporate government arrangements and the adequacy and effectiveness of those arrangements.

**Background Papers:** None

**Appendices:** Appendix 1 – Performance Review 2016/17 Key Findings Update  
Appendix 2 - Audit Committee Performance Review 2017/18

## PERFORMANCE REVIEW 2016/17 - KEY FINDINGS UPDATE

Key Finding	Progress to Date
1. Risk Management - provide more detailed information (Risk Register) to Audit Committee	In order to provide more information to Committee, periodic updates from the Business Performance Manager have been added to the Committee Workplan. Committee has also received Risk Management Training as well as an overview of the updated Risk Management Policy and Framework. Committee members have also been granted access to the Corporate Risk Register.
2. Risk Management – develop ‘what if’ scenarios	
3. Other regulators – see the work of other regulators at the Council (CSSIW, Estyn, PSoW)	As reported to Committee in November 2017 it is envisaged that the periodic updates from the Business Performance Manager will include information covering these areas.
4. Tracking of recommendations – central place for all recommendations	Not progressed – to be discussed as part of the 2017/18 performance review if still considered to be relevant.
5. Tracking of recommendations – look at timescales – is 12 months too long?	
6. Meeting with the Audit Committee in private – should all members of Audit Committee meet with WAO rather than just the Chair?	
7. Good Practice – look at other bodies e.g. Police, NHS	The proposal for committee member to consider attendance at other bodies Audit Committee meetings to identify any best practices that may be adopted was included in the update report presented to Committee in November 2017. A proposal was also put forward for discussion in relation to inviting contacts from other bodies Audit Committees to attend meetings to provide feedback. These proposals were not progressed.
8. Good Practice – WAO to signpost good examples	The proposal for Wales Audit Office to suggest any best practice identified from work with other Audit Committees was included in the update report presented to Committee in November 2017. However, this was not progressed.
9. Development of Audit Committee – look at other Audit Committee’s to benchmark and for good practice	As per the update for key finding number 7.
10. Development of Audit Committee – train with members of other Audit Committee’s	As per the update for key finding number 7.
11. Attendance – improve attendance from Members and Officers	Not progressed – to be discussed as part of the 2017/18 performance review if still considered to be relevant.

(As reported to Committee on 09/11/17)

Focus Group	City and County of Swansea Audit Committee
Date	Tuesday 26 June 2018
Location	Swansea Guildhall – Committee Room 5
Facilitators	Gareth W Lewis and David Williams
Attendees	Eight members of the Audit Committee, including the Chair and Vice Chair. One member of the Internal Audit team

Key Findings
<ul style="list-style-type: none"> <li>• <b>Assurance framework</b> - The Audit Committee needs clarity on the Council’s assurance framework.</li> <li>• <b>Risk Register</b> - The Audit Committee needs to see the detail behind the corporate risk register.</li> <li>• <b>AGS</b> - The Audit Committee would like the AGS separated from the Annual Accounts and a draft copy sent to them for comment prior to approval.</li> <li>• <b>Benchmarking</b> - The Chair has provided benchmarking detail to Internal Audit (from other Councils) but there are no plans to visit and meet with other Audit Committees: <ul style="list-style-type: none"> <li>○ Consider how best to use this benchmarking information;</li> <li>○ Consider visits to other audit committees to search for good practice.</li> </ul> </li> <li>• <b>Council objectives</b> – the Audit Committee would like to see a clear link between the Council’s objectives and the Internal Audit work plan.</li> <li>• <b>AGS</b> – The Audit Committee would like to see the amount of over-run and deferred audits to be included in the AGS.</li> <li>• <b>Partnerships</b> – review the mechanisms for assessing and scrutinising the risks associated with partnerships.</li> <li>• <b>Reporting</b> – produce a programme of expected external reports for Audit Committee to receive.</li> <li>• <b>Recommendations</b> – produce a tracker for the recommendations that arise from the work of internal and external audit so that Audit Committee can effectively monitor progress.</li> <li>• <b>WAO escalation process</b> – clarify the process the WAO uses to escalate actions when recommendations have not been completed.</li> <li>• <b>Meeting with the WAO</b> – consider who should attend meetings with the WAO as external auditor (just the Chair or the whole committee).</li> </ul>

Core Function 1
<p>Be satisfied that the authority’s <b>assurance statements</b>, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and <b>demonstrate how governance supports</b> the achievements of the authority’s objectives.</p>
<p>Scoring:</p> <ul style="list-style-type: none"> <li>• 0 (not seen the AGS); 0; 2; 3; 4 (haven’t seen it); 6; 7; 7</li> <li>• Total = 29</li> <li>• Average = 3.6</li> </ul>
<ul style="list-style-type: none"> <li>• New members on Audit Committee haven’t seen this year’s AGS.</li> <li>• There is no access to the risk register – all the Audit Committee gets is the number of risks. The Committee knows there are 31 high level corporate risks but does not see any of the detail behind that number. The committee sees some element of risk but does not get to see the detail or the significance of the risks. This has been an ongoing issue for some time and is an area of concern for the Audit Committee.</li> <li>• assurance framework – the Chair of the Audit Committee has asked to meet with the CE to discuss this issue. She will then feedback to the members of the committee.</li> <li>• Some members of the Audit Committee struggle with the term ‘assurance’ and what it means?</li> </ul>

They asked for training to be provided to new members.

- The Audit Committee does not see a draft version of the AGS to provide comment on.
- The Audit Committee felt the AGS was buried within the Annual Accounts – could it be separated and sent to Audit Committee separately?
- The Head of Internal Audit presents a risk-based audit plan to the Audit Committee – the committee has asked for more exposure to the pieces of work contained in that plan. The plan is a step in the right direction for the committee as it keeps them informed.
- The members of the Audit Committee are relying on the officers (who have a statutory responsibility) to provide assurance – and are happy with that at present.
- It was felt that members receive less information now than in the past. The resource for providing information to the Audit Committee is challenging – there is already a tight capacity and a restructure is going on now.

## Core Function 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.

Scoring:

- 5; 7; 7; 7; 8; 8; 9; 9
- Total = 60
- Average = 7.5

- The Audit Committee believes it has excellent support from Internal Audit.
- The Audit Committee believes the previous head and current Head of Internal Audit performed well.
- Cardiff Council has performed an external assurance report on the Council's Internal Audit team which was largely positive:
  - There was one item on independence that needed resolving – the Head of Internal Audit was producing the AGS. That has since been actioned so that the Monitoring Officer now produces the AGS.
- The support from Internal Audit seems good but a lot of committee members are new so have only seen a small amount of work so far.
- The Chair of Audit Committee has asked for additional items to go into the Internal Audit Plan – for example, there is no link between the work the Internal Audit team plans to do and the Council's objectives. The Head of Internal Audit has stated that consideration will be given next year to the request that the audit plan be linked to the Council's objectives more closely next year.
- The Audit Committee does not see individual internal audit reports. The committee receives a brief summary of each audit within the Head of Internal Audit's progress report. Recently, these reports have contained the overall objectives of each audit. The brief summary provides the headline reasons for why the report has been given an assurance rating of 'moderate' or below. However, the committee does not see the actions for each audit.

- The Audit Committee believe Internal Audit operates with integrity and a clear focus.
- The Audit Committee has concern over the staffing levels in Internal Audit and the loss of some specialist skills (e.g. IT Auditor) and the subsequent impact on the delivery and depth of coverage of the annual internal audit plan.
- The Audit Committee would oppose any further proposed reductions in the staffing levels of Internal Audit.
- Some audits have taken a long time (e.g. school audits) and some have been deferred from last year.
- The Audit Committee need to keep an eye on audits which over-run or are deferred from the previous year. A lot of audits regarding governance, risk and IT were deferred from last year and the committee want to see that mentioned in the AGS.
- The Internal Audit team now programme in follow-up audits on all reports labelled as ‘moderate’ or below. All such reports go to Audit Committee and the HoS/Manager/Chair of Governors/ Head teacher will be required to attend an Audit Committee meeting to explain and update. Audit Committee members say this approach gives the HoS a good opportunity to provide a more detailed and/or updated picture of the situation. The HoS comes to Audit Committee to clarify and show progress. The Audit Committee asked for this approach and Internal Audit supported it to make it happen. The committee members believe this approach sends the right message out too – about being accountable.

### Core Function 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.

#### Scoring:

- 3; 3; 5; 6; 6; 7; 8; 8;
- Total = 46
- Average = 5.75

- The Audit Committee believe that partnership risk are not being looked at suitably – members feel they are not getting the answers to the questions they are asking. The committee believes that the scrutiny arrangements for partnerships are not in place.
- The City Deal is viewed as a high risk partnership arrangement.
- Certain partnership arrangements are not being scrutinised properly – members feel they are not getting to the heart of partnerships such as ERW and Western Bay. They were described as being ‘off the scale’.
- The Audit Committee is getting regular updates on risk but it is not getting the required detail. Members of the committee have been given access to an on-line risk register but that has only happened recently.
- The Audit Committee has confidence in the capacity and integrity of officers.
- The Audit Committee want to discuss risk in more depth at their meetings to get the right level of assurance – at the moment all they talk about is the number of risks.
- The Audit Committee believe they are moving in the right direction with regard to risk – they talk

about it and now have on-line access to the register. But they need more detail.

- The Audit Committee believe the Risk Strategy is sound but they need more detail – they need access to the detail so they can scrutinise it properly.
- The Audit Committee do not know how risks are being mitigated or when risks are escalated to the CX. They are asking for guidance on these matters so they understand when and how risk is managed.

#### Core Function 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.

Scoring:

- 5; 5; 6; 7; 7; 8; 8; 9
- Total = 55
- Average = 6.9

- Audit Committee members are satisfied with the work of the Council's counter fraud team – they did a presentation to the committee which gave a level of assurance.
- They felt that the measures put in place provided assurance to the Audit Committee.
- However, all of that team's work is reactive at the moment. Concerns were expressed that due to the high work load, more pro-active work to deter fraud could not be undertaken.
- The counter fraud team has a lot of work on as they are getting a lot of requests from HoS and there are two officers in the team (which is a specific function team within Internal Audit).
- Audit Committee members have not seen a lot of VFM work coming before them – but is this because it is done in Pre-decision Scrutiny when they look at the outcomes of commissioning reviews?
- Audit Committee members believed that the control gives VFM. The work of Internal Audit and counter fraud is presented to Audit Committee so they see the value they add but perhaps that work is not so transparent outside of Audit Committee.
- The Audit Committee approved the counter fraud plan of work but added the remit that the resource (the team) must be kept by the Council.
- The Internal Audit team believe that the counter fraud function is well advertised so HoS know about it and can ask for work.
- The Internal audit team are aware that NPT CBC are looking at Swansea's counter fraud team and trying to put something similar in place.

#### Core Function 5

**Consider the reports and recommendations** of external audit and inspection agencies and their implications for governance, risk management or control

Scoring:

- 5; 6; 7; 8; 8; 8; 8; 9
- Total = 59



<ul style="list-style-type: none"> <li>• Average = 7.4</li> </ul>
<ul style="list-style-type: none"> <li>• Overview and Scrutiny recently saw a report on Mental Health inspection.</li> <li>• The Audit Committee believe that external audit is too cautious in their reporting – the reports appear too fair and too balanced. However, the reports are thorough and easy to read.</li> <li>• The Audit Committee does not see external inspection agency reports (the ‘new’ Chair has not seen any since her time on the Committee).</li> <li>• The Chair of Audit Committee suggested putting a programme of expected reports for Audit Committee in place. This would provide clarity to the committee on what reports were coming and when – it would also provide them with the opportunity to challenge why certain reports were not coming before them.</li> <li>• The Audit Committee believe that Overview and Scrutiny is aware of the audit work programme and vice versa.</li> <li>• The Audit Committee are aware that their Chair attends one meeting of Overview, and Scrutiny and the Chair of Overview and Scrutiny attends one meeting of the Audit Committee.</li> <li>• The Audit Committee sees the Annual Audit Letter as part of their work.</li> <li>• The Audit Committee believe they see the recommendations from the WAO reports and are aware of the follow up required. However, the Chair would like to see a more structured approach to the follow up of recommendations to enable the committee to track performance, as recent WAO updates indicated progress was still ongoing for reports originally issued in 2014.</li> </ul>

<b>Core Function 6</b>
<b>Support effective relationships</b> between external audit and internal audit, inspection agencies and <u>other relevant bodies</u> , and encourage the active promotion of the value of the audit process.
Scoring: <ul style="list-style-type: none"> <li>• 5; 6; 7; 7; 7; 8; 8; 8</li> <li>• Total = 56</li> <li>• Average = 7</li> </ul>
<ul style="list-style-type: none"> <li>• The Audit Committee believe that the Internal Audit has a good relationship with the WAO. In particular, there is good dialogue to make sure Internal Audit is not duplicating the work of the WAO. Committee members see the good relationship between Internal Audit and the WAO.</li> <li>• The WAO attend every meeting of the Audit Committee which the committee members value greatly.</li> <li>• The audit Committee members could not think of any bad experiences with external agencies which suggest to them that all is going well.</li> <li>• Committee members feel they could reach out to the WAO at any time to meet and discuss issues.</li> </ul>

<b>Core Function 7</b>
<b>Review</b> the financial statements, external auditor’s opinion and reports to members, and <b>monitor</b> management action in response to the issues raised by external audit.
Scoring:

- 0 (new member); 2 (new member); 5; 7; 7; 7; 8; 8
- Total = 44
- Average = 5.5

- The Audit Committee are happy for the Chair to meet the WAO alone. However, The Chair stated she thought it would be beneficial for all of the committee to meet with the WAO. The Committee stated that the NHS and the Assembly Commission meet as a whole committee with external and internal auditors.
- The Audit Committee are concerned about the time it is taking to close down actions from audit work – further work is required to track the actions/recommendations so the Committee can monitor completion. Internal Audit were unclear as to how external recommendations were tracked and monitored.
- The follow up and completion of Internal Audit recommendations seems to happen more quickly to the Committee. Internal Audit stated that they categorise their work under four levels of assurance – anything that is graded ‘moderate’ or below has a follow-up audit programmed in for three months and the HoS is called to update the Audit Committee.
- The Audit Committee is unclear on the WAO process for monitoring recommendation completion.
- The Audit Committee is not aware of the escalation process the WAO follows when actions/recommendations are not completed.
- The Audit Committee believed there are significant delays in actioning external audit recommendations and that there is work for the Audit Committee and WAO to do here – the Audit Committee would like to track recommendations in committee meetings and would like to develop a tracker with the Internal Audit team.

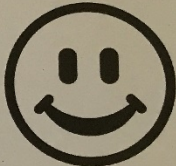
### Exit Questions

#### What one thing would you improve? (5 replies)

- Better understanding of risks and how to action.
- Get a grip on the risk register and associated risks.
- Improve reporting content to Audit Committee on governance, the assurance framework and risk.
- Separate Annual Governance Statement for Audit Committee to consider and approve (Separate to Annual Accounts).
- Greater freedom to choose different areas of the Council’s finances to look into.

How was today?

How **useful** was today for you as a committee?



How much did you **like** the format?



# Agenda Item 7



## Report of the Chief Auditor

Audit Committee – 14 August 2018

### **Audit Committee Performance Review 2017/18 Draft Action Plan**

<b>Purpose:</b>	This report details the proposed action plan to be implemented to address the key findings that came from the Audit Committee Performance Review 2017/18.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee reviews and approves Audit Committee Performance Review Action Plan for 2017/18.
<b>Report Authors:</b>	Simon Cockings / Paula O'Connor
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Catherine Window

#### **1. Introduction**

- 1.1 The Audit Committee's annual performance review for 2017/18 was facilitated by the Wales Audit Office in June 2018. Eight members of the Audit Committee were present, including the Chair and Vice Chair. The Wales Audit Office auditors were asked by the Chair to note that a number of new Members were present at this meeting and therefore may be unable to respond to questions being asked.
- 1.2 Overall, the outcome of the Performance Review is that the Audit Committee judged the Committee positively with a range of 5.5-7.5 out of a score of 10 for six of the seven (CIPFA) Core Functions. The

Core Function 1 relating to understanding of the Council's assurance framework and risk scored at 3.6. Eleven key findings were raised by the Wales Audit Office for taking forward in 2018/19 that would further strengthen the effectiveness of the Audit Committee.

- 1.3 A summary of the key findings that came out of the performance review and the proposed actions that have been identified to address the key issues can be found in Appendix 1.

## **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 – Key Findings & Proposed Actions from the Audit Committee  
Performance Review 2017/18**

**KEY FINDINGS & PROPOSED ACTION PLAN**  
**AUDIT COMMITTEE PERFORMANCE REVIEW 2017/18**

Key Finding	Proposed Actions	Target Date
<p><b>Assurance Framework</b> – The Audit Committee needs clarity on the Council’s Assurance Framework.</p>	<p>Audit Committee to be provided with a report that outlines the governance and assurance arrangements operating across the Council.</p> <p>Lead Office: Chief Executive</p>	September 2018
<p><b>Risk Register</b> – The Audit Committee needs to see the detail behind the Corporate Risk Register.</p>	<p>Corporate Risk Register to be reported to Audit Committee at future meetings.</p> <p>Lead Officer: Strategic Delivery &amp; Performance Manager</p>	August 2018
<p><b>Annual Governance Statement (AGS)</b> – The Audit Committee would like to see the AGS separated from the Annual Accounts and a draft copy sent to them for comment prior to approval.</p>	<p>Annual Governance Statement received at the July 2018 meeting and comments made by members. The Chair also met with Officers after the meeting to highlight further queries.</p> <p>The Annual Governance Statement to be brought back to Audit Committee as a second draft.</p> <p>Lead Officer: Head of Legal, Democratic Services &amp; Business Intelligence</p>	September 2018
<p><b>Benchmarking</b> – The Chair has provided benchmarking detail to Internal Audit (from other Councils) but there are no plans to visit and meet with other Audit Committees:</p> <p>i) Consider how to best use this benchmarking information.</p> <p>ii) Consider visits to other audit committees to search for good practice.</p>	<p>The Corporate Management Team will consider this further and update the Audit Committee.</p> <p>The Chair has asked for arrangements to be made to visit Cardiff Audit Committee.</p> <p>Lead Officer: Head of Democratic Services</p>	December 2018  September 2018
<p><b>Council Objectives</b> – The Audit Committee would like to see the amount of over-run and deferred audits to be included in the AGS.</p>	<p>As noted above comments and queries will be progressed/actioned by the Head of Legal, Democratic Services &amp; Business Intelligence and the Governance Group.</p> <p>Lead Officer: Head of Legal, Democratic Services &amp; Business Intelligence</p>	September 2018
<p><b>Partnerships</b> – Review the mechanisms for assessing and scrutinising the risk associated with partnerships.</p>	<p>Audit Committee to be provided with a report that outlines the mechanisms for assessing and scrutinising the risks associated with partnerships.</p> <p>Lead Officer: Chief Executive / Head of Legal, Democratic Services &amp; Business Intelligence.</p>	December 2018

Key Finding	Proposed Actions	Target Date
<p><b>Reporting</b> – produce a programme of expected external reports for Audit Committee to receive.</p>	<p>Known expected external reports will be added to the Audit Committee Work Programme.</p> <p>Lead Officer: Strategic Delivery &amp; Performance Manager.</p>	<p>September 2018</p>
<p><b>Recommendations</b> – produce a tracker for the recommendations that arise from the work of internal and external audit so that Audit Committee can effectively monitor progress.</p>	<p>Tracker for recommendations to be developed that will capture internal and external recommendations.</p> <p>To be discussed with Chief Auditor and Chief Finance Officer.</p> <p>Lead Officer: Chief Auditor, Chief Finance Officer</p>	<p>December 2018</p>
<p><b>Wales Audit Office (WAO) escalation process</b> – clarify the process the WAO uses to escalate actions when recommendations have not been completed.</p>	<p>WAO to explain the process at the next Audit Committee Meeting.</p> <p>Lead: Wales Audit Office</p>	<p>September 2018</p>
<p><b>Meeting with WAO</b> – consider who should attend meetings with the WAO as external auditor (just the Chair or the whole committee).</p>	<p>To be discussed by Committee.</p> <p>Lead: Chair of the Audit Committee</p>	<p>September 2018</p>

# Agenda Item 8



## Report of the Chief Auditor

Audit Committee – 14 August 2018

### Internal Audit Annual Report 2017/18

<b>Purpose:</b>	This report reviews the work of the Internal Audit Section during 2017/18 and includes the Chief Auditor's required opinion on the internal control environment for 2017/18 based on the audit testing completed in the year.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee: <ol style="list-style-type: none"><li>1. Review and discuss the work of the Internal Audit Section during 2017/18.</li><li>2. Review the annual review of conformance with the Public Sector Internal Audit Standards.</li><li>3. Consider the Statement of Organisational Independence.</li><li>4. Consider the Chief Auditor's opinion on the internal control environment.</li></ol>
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Catherine Window

## 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps



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

- 1.2 This report reviews the work of the Internal Audit Section in 2017/18 and compares its performance against the Internal Audit Annual Plan for the year which was approved by the Audit Committee on 28 March 2017.
- 1.3 A series of Performance Indicators are used to measure the performance of the Internal Audit Section against agreed targets set at the start of the year and also in comparison with other Welsh Authorities. A review of the Performance Indicators in 2017/18 is included in this report.
- 1.4 This report also contains the Chief Auditor's required opinion on the overall standards of the control environment in operation in the Council based on the testing performed during 2017/18.
- 1.5 This report and the annual opinion on internal control are key elements of assurance that are used in the Council's Annual Governance Statement.

## **2. Review of 2017/18**

- 2.1 A summary of time spent in 2017/18 on the different categories of Internal Audit work is shown in Appendix 1.
- 2.2 As shown in the summary table, there has been a reduction of 194 days (7.9%) in the actual productive audit days achieved against the planned number of productive days.
- 2.3 The loss of productive days was mainly due to the increased level of sickness (+88 days), an increase in administration (+73 days) and an unplanned vacancy (+60 days). It should be noted that in addition, an additional 89 days were lost from the planned productive days due to one member of the team being granted flexible retirement and a reduction in hours early in the financial year. However, this has largely been covered by the use of the planned contingency budget. The overall loss in productive days has also been reduced by less days being spent on training (-23 days) and annual leave (-17 days).
- 2.4 Appendix 1 also shows the impact of the loss of productive days across directorates and other types of audit work.
- 2.5 The original Internal Audit Annual Plan 2017/18 contained 156 audit jobs, of which 121 (78%) were completed to at least draft report stage during the year while a further 13 audits were in progress as at 31/03/18. Taking into account those audits that were in progress at the end of the year, 86% of the audit jobs in the Annual Plan 2017/18 had been completed or were in progress as at 31/03/18.

- 2.6 An audit report was produced for each audit which was discussed and agreed with the client. The reports included recommendations to improve any weaknesses or areas of concern identified during the audit in relation to systems, procedures and controls. During the year 99% of recommendations made were accepted by clients.
- 2.7 A list of the audits finalised each quarter has been included in the Quarterly Monitoring Reports presented to the Audit Committee during the year. A complete list of each audit finalised during 2017/18 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 2.
- 2.8 The amount of time spent on special investigations decreased significantly 2017/18 to 8 days, as in most cases such investigations are now undertaken by the Fraud Function.
- 2.9 A summary of the main investigations undertaken by Internal Audit in 2017/18 is shown in the following table.

Investigation	Outcome
Bishop Vaughan Comprehensive School	At the request of the Head of Financial Services & Service Centre and the Schools Accounting Manager, an investigation was initiated to review the administrative processes at the school. This investigation started in 2016/17 and was concluded in 2017/18. A number of recommendations were made as a result of the investigation and the follow up visit confirmed that good progress had been made in implementing the recommendations with 19 of the 22 recommendations being fully implemented. The implementation of the outstanding 3 recommendations will be checked as part of the next full audit due in 2019/20.
Cwmglas Primary School	At the request of the Head of Financial Services & Service Centre and the Schools Accounting Manager, an investigation was initiated to review the administrative processes at the school. This investigation is currently ongoing.

- 2.10 As well as the planned audit work and special investigations, a number of other pieces of work were undertaken during the year which are shown below:
- i) The Annual Governance Statement 2016/17 was written in consultation with other officers. The Annual Governance Statement reviews whether the Council has complied with its Code of Corporate Governance. The draft Statement was reported to the Audit

Committee on 11/07/17 and to Council for approval on 28/09/17 before being signed by the Chief Executive and Deputy Leader and published with the Statement of Accounts 2016/17. It should be noted the Chief Auditor is no longer responsible for compiling the Annual Governance Statement and from 2017/18 this is the responsibility of the Head of Legal, Democratic Services and Business Intelligence.

- ii) The following grants were audited and certified in 2017/18:
  - Pupil Deprivation Grant 2016/17
  - Education Improvement Grant 2016/17
  - School Uniform Grant 2014/15 - 2016/17
  - Supporting People Programme Grant 2016/17
  - Supporting People Programme Grant Coordinator 2016/17
  - Supporting People Programme Grant Outcomes 2016/17
  - Live Kilometre Grant 2016/17
- iii) A total of 27 unplanned days was spent in 2017/18 undertaking follow up work for those audits receiving moderate assurance audit reports.
- iv) In addition, a total of 129 days were spend completing audits that had been carried forward from 2016/17, and 49 days were spent on audits that had initially been deferred for completion in 2018/19 but were undertaken in 2017/18 due to issues experienced in commencing some audits that had been included on the 2017/18 audit plan.
- v) Sample testing of back pay calculations at the request of Employee Services was undertaken, taking 5 days.
- vi) The sections audit software, Galileo, had to be upgraded in the year which took a total of 15 days.
- vii) A review of the new cashless school meals system, sQuid, was undertaken to ensure our audit testing was appropriately updated following the system's introduction, taking 3 days.

### **3. Follow Ups**

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

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

3.2 Any audits that receive a 'moderate' or 'limited' level of assurance are also reported to the relevant Directorate Performance and Financial

Monitoring (PFM) meeting to allow senior management to monitor the implementation of the recommendations arising from the audit.

- 3.3 The Recommendations Tracker exercise carried out in 2017/18 was reported to the Audit Committee on 12/12/17 where the conclusion was positive with 86% of agreed recommendations implemented by the end of November 2017.
- 3.4 During 2017/18, 6 follow up visits were made and it was found that in all but one case, a number of recommendations had not been fully implemented. It should be noted that in all cases, the reason for failing to fully implement the recommendations related to lack of resources or was due to the fact that the relevant manager or senior manager responsible for implementation had retired since the report had been finalised. Continuity and maintenance of core grip with changing, and more often diminishing, resources is a recognised clear challenge across the Authority. The audits in question are included in the 2018/19 audit plan and hence are due to be reviewed in full this year.
- 3.5 In response to a number of moderate assurance reports being presented to Audit Committee as part of the quarterly monitoring reports, Committee requested that from April 2018 the relevant Head of Service and Service Manager attend the next Committee meeting when details of the report are discussed to update Members as to what action had been taken to address the issues identified.

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

- 4.1 A series of 12 Performance Indicators (PI's) are used to measure the work of the Internal Audit Section. The PI's measure output, quality and cost and are also measured by other local authority Internal Audit Sections across Wales to provide comparable statistics.
- 4.2 The PI's are presented in detail in Appendix 3 which shows that in 2017/18, the Internal Audit Section met or exceeded the target set at the start of the year for 9 out of the 12 PI's. This is a slight improvement on 2016/17 where 8 of the 12 PI's were met or exceeded by the Section.
- 4.3 The PI's where the target was not met in 2017/18 were:
- PI 5 – directly productive time against time available.
  - PI 8 – directly productive time against planned time.
  - PI 9 – average cost per directly chargeable day.
- 4.4 The increased level of sickness and administration has contributed to the failure to achieve PI 5 and PI 8. Sickness absence exceeded the planned budget by 88 days. In addition, administration exceeded the planned budget by 73 days. It should be noted that downtime experienced by the team due to the office move from the Civic Centre to the Guildhall plus

the introduction of new IT equipment were both significant contributing factors to the admin budget being exceeded.

- 4.5 It should also be noted that the approved plan for 2017/18 did not take into account the reduction in planned time that would be available due to one member of staff subsequently being granted flexible retirement and reduced hours early in the financial year by the previous Director of Resources. This resulted in the planned days being reduced by 89 days. In addition, an unexpected vacancy accounted for a further reduction of 60 days from the plan. Had the flexible retirement been accounted for in the original plan, PI 8 would be 93% which would mean the team would have exceeded the target of 90%.
- 4.6 The points above also apply in relation to PI 9 as the increased sickness absence and administration plus the reduction in days from the plan caused by the vacancy and reduced hours resulted in a significant reduction in the number of directly chargeable days. It should also be noted that overall staff costs in year were 8% lower than in 2016/17, in line with planned and agreed savings required to contribute to the overall rebalancing of corporate services budgets.
- 4.7 In previous years, PI data has been compared to the results of other comparable authorities in Wales based on population. However, at the time of writing this report the results from a number of suitable comparator authorities have not been received. This was also the case for the 2016/17 PI results. Because of this, no comparator data has been included in Appendix 3.
- 4.8 Unfortunately, the comparison with other Internal Audit Sections across Wales is becoming less meaningful over time as a number of Authorities no longer collect the data or are only able to provide results for some of the PI's.

## **5. Quality Assurance & Improvement Programme and Statement of Conformance with the PSIAS**

- 5.1 It is a requirement of the PSIAS that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.
- 5.2 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 5.3 The preferred method adopted in Swansea was a self-assessment review subject to external validation using the peer review group established by the Welsh Chief Auditors Group.

- 5.4 The outcome of the peer review was presented to the Head of Financial Services & Service Centre, the Director of Resources and the Chief Executive on 28/03/18 and to Audit Committee on the 10/04/18. In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS and CIPFA Application Note with no significant deviations from the Standards being noted. Some areas for improvement were highlighted as part of the review and the recommendations arising from these have been included in the PSIAS Compliance Report in Appendix 4.
- 5.5 The results of the annual internal assessment of compliance with the PSIAS using CIPFA's detailed Local Government Application Note completed in April 2018 can be found in Appendix 4. In summary there are 334 best practice lines within the PSIAS. The self-assessment review of conformance against the PSIAS revealed that 97% of the best practice of the PSIAS are in place.
- 5.6 In addition to the self-assessment review, as part of the QAIP an action plan is compiled in order to set targets for improvement for the coming year in relation to those PI's that have not been achieved. A copy of the QAIP report and action plan for 2018/19 can be found in Appendix 5.
- 5.7 **The result of the external peer review and the updated internal assessment of conformance against CIPFA's detailed Local Government Application note confirm that the Internal Audit Section of the City and County of Swansea conforms with the International Standards for the Professional Practice of Internal Auditing and all engagements are undertaken in conformance with the Public Sector Internal Audit Standards.**

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

- 6.1 The PSIAS also require the Chief Auditor to confirm the organisational independence of the internal audit activity. As outlined in the self-assessment review, the organisational independence of the Chief Auditor can be confirmed for the following reasons:
- I) The Chief Auditor reports to the Chief Finance Officer (Section 151 Officer), who is a permanent member of Corporate Management Team.
  - II) The Chief Auditor reports functionally to the Audit Committee and has unrestricted access to the Committee.
  - III) As a third tier officer, the Chief Auditor can influence the control environment, has sufficient status to pursue audit issues and provide credible, constructive challenge to management.
  - IV) The Internal Audit Charter is reviewed and approved by Audit Committee and the Corporate Management Team on an annual basis.

- V) The risk-based audit plan is reviewed and approved by Audit Committee on an annual basis.
- VI) The performance of the Internal Audit Function is reported to Audit Committee on a quarterly basis via quarterly monitoring reports, annually as part of the Internal Audit Annual Report and also as part of the QAIP programme.
- VII) The Chief Auditor has no other management responsibilities other than Internal Audit.
- VIII) The Chief Auditor also has unrestricted access to senior management and the Audit Committee and has the ability to report to all levels in his own name which allows the internal audit activity to fulfil its responsibilities.
- IX) The Chief Auditor also has the right of direct access to the Chief Executive as agreed by the Section 151 Officer.

## 7. Internal Control Opinion

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

Opinion / Level of Assurance	As at 31/03/17		As at 31/03/18		Variation	
	No.	%	No.	%	No.	%
Good/High	89	23.7	110	28.4	21	4.7
Satisfactory/Substantial	252	67.2	244	63.1	-8	-4.1
Adequate/Moderate	31	8.3	31	8.0	0	-0.3
Unsatisfactory/Limited	3	0.8	2	0.5	-1	-0.3
<b>Total</b>	<b>375</b>	<b>100.0</b>	<b>387</b>	<b>100.0</b>	<b>12</b>	<b>0.0</b>

- 7.5 The table shows a small increase in the overall number of audits included in Internal Audit Plan as a result of the annual consultation exercise.

- 7.6 A pleasing trend which has been identified for the past two years of an increase in the number of audits receiving a high level of assurance has continued this year. There has also been a small decrease in the number of audits with a substantial, moderate or limited level of assurance.
- 7.7 There are 14 audits which are classed as fundamental which are undertaken on either an annual or bi-annual basis. Following the audits completed in 2017/18, 13 of the 14 fundamental audits have a high level of assurance and 1 has a substantial level of assurance.
- 7.8 **Overall, based on the audit testing completed in 2017/18, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2017/18 which would have a material impact on the Council's financial affairs or the achievement of its objectives.**

## **8. Equality and Engagement Implications**

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

## **9. Financial Implications**

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

## **10 Legal Implications**

- 10.1 There are no legal implications associated with this report

### **Background Papers: Internal Audit Plan 2017/18**

- Appendices:** Appendix 1 Internal Audit – Plan 2017/18 Summary  
Appendix 2 Internal Audit – Audits Finalised 2017/18  
Appendix 3 Internal Audit – Performance Indicators 2017/18  
Appendix 4 Internal Audit – PSIAS Compliance Report  
Appendix 5 Internal Audit – QAIP 2017/18  
Appendix 6 Internal Audit – Audit Opinion Ratings / Levels of Assurance



## INTERNAL AUDIT PLAN 2017/18 - SUMMARY

Categories of Audit Work	Actuals 2016/17		Plan 2017/18		Actuals 2017/18		Variation 2016/17	
	Days	%	Days	%	Days	%	Days	%
People	354	13.0	441	17.9	422	17.1	-19	-0.8
Place	353	12.9	294	11.9	271	11.0	-23	-0.9
Corporate Services	212	7.8	180	7.3	103	4.2	-77	-3.1
Systems Audits	360	13.2	294	11.9	194	7.9	-100	-4.0
Computer Audits	57	2.1	89	3.6	31	1.3	-58	-2.3
Contract Audits	0	0.0	8	0.3	0	0.0	-8	-0.3
Projects and Special Investigations								
1. Projects	243	8.9	138	5.6	167	6.7	28.59	1.2
2. Special Investigations	85	3.1	0	0.0	8	0.3	7.64	0.3
Miscellaneous Audits	0	0.0	10	0.4	10	0.4		
Cross Cutting Audits	2	0.1	155	6.3	4	0.2	-151	-6.1
Jobs c/fwd from 2016/17	0	0.0	0	0.0	129	5.2	129.43	5.2
Unexpected Follow Up Work	0	0.0	0	0.0	27	1.1	27.33	1.1
Jobs brought back from deferred list	0	0.0	0	0.0	49	2.0	49.16	2.0
<b>Productive Days</b>	<b>1666</b>	<b>61.0</b>	<b>1609</b>	<b>65.1</b>	<b>1415</b>	<b>57.3</b>	<b>-194</b>	<b>-7.9</b>
Other Activities								
1. Staff Training	60	2.2	76	3.1	53	2.1	-23	-0.9
2. Holidays & Public Holidays	409	15.0	424	17.2	407	16.5	-17	-0.7
3 Sick and Special Leave	236	8.6	66	2.7	154	6.2	88	3.6
4. Admin, Planning, Control, Clerical Support e	211	7.7	188	7.6	261	10.6	73	3.0
5. Contingencies	80	2.9	91	3.7	0	0.0	-91	-3.7
6. Secondments	0	0.0	0	0.0	0	0.0	0	0.0
7. Vacancies	45	1.6	0	0.0	60	2.4	60	2.4
8. Voluntary Reduction in Hours	0	0.0	0	0.0	89	3.6	89	3.6
9. Maternity Leave	0	0.0	0	0.0	0	0.0	0	0.0
10. Staff Appraisals	0	0.0	0	0.0	0	0.0	0	0.0
11. Non Audit Work	23	0.8	16	0.6	31	1.3	15	0.6
<b>Non Productive Days</b>	<b>1064</b>	<b>39.0</b>	<b>861</b>	<b>34.9</b>	<b>1055</b>	<b>42.7</b>	<b>194</b>	<b>7.9</b>
<b>Total Days</b>	<b>2730</b>	<b>100.0</b>	<b>2470</b>	<b>100.0</b>	<b>2470</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2017/18

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Education Planning & Resources	Bishopston Primary School	28/04/17	High	3	3	0
Education Planning & Resources	Pengelli Primary School	10/05/17	High	7	7	0
Finance & Delivery	Accounts Payable	15/05/17	High	5	5	0
Finance & Delivery	Council Tax	07/06/17	High	0	0	0
Highways & Transportation	Highways - Business Case, Tender & Evaluation	20/04/17	High	3	3	0
Highways & Transportation	Swansea Marina	12/05/17	High	5	5	0
Financial Services & Service Centre	Pension Fund Investments	21/11/17	High	0	0	0
Cultural Services	Spot Checks	03/11/17	High	0	0	0
Legal, Democratic Services & Business Intelligence	Scrutiny	23/10/17	High	0	0	0
Housing & Public Protection	Renewal Areas	13/10/17	High	0	0	0
Child & Family Services	Western Bay Adoption Service	11/12/17	High	4	4	0
Education Planning & Resources	Craigcfnparc Primary	19/12/17	High	1	1	0
Education Planning & Resources	Glais Primary	18/12/17	High	1	1	0
Education Planning & Resources	Capital Planning and Delivery Unit	20/12/17	High	1	1	0
Financial Services & Service Centre	Teachers Pensions 17/18	27/10/17	High	2	2	0
Planning & City Regeneration	Planning - AONB	16/10/17	High	2	2	0
Child & Family Services	Safeguarding	14/08/17	High	4	4	0
Education Planning & Resources	Birchgrove Primary	08/09/17	High	2	2	0
Education Planning & Resources	Pentrehafod Comprehensive	03/07/17	High	7	7	0
Corporate Building Services	Heol-y-Gors Depot - Estimating	05/09/17	High	4	4	0
Financial Services & Service Centre	Swansea Bay Port Health Authority	06/07/17	High	9	8	1
Financial Services & Service Centre	Corporate Risk Register	12/09/17	High	0	0	0
Corporate Building Services	Tendering - CBS	23/08/17	High	0	0	0
Child & Family Services	Adoption Allowances	04/01/18	High	3	3	0
Housing & Public Protection	Housing Rents	12/01/18	High	4	4	0
Education Learner Support Service	Ethnic Minority Achievement Unit	22/01/18	High	5	5	0
Education Learner Support Service	LAC Coordinator	29/01/18	High	5	5	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2017/18

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Education Planning & Resources	Pontarddulais Comprehensive School	01/02/18	High	4	4	0
Legal & Business Intelligence	Debt Recovery Process - Legal	19/02/18	High	7	7	0
Digital & Transformation	Change Control - Oracle	26/02/18	High	2	2	0
Financial Services & Service Centre	Short term Care	05/03/18	High	4	4	0
Highways & Transportation	Clydach - Finance & Admin	06/03/18	High	3	3	0
Digital & Transformation	ICT Data Storage	13/03/18	High	3	3	0
Education Planning & Resources	Cefn Hengoed Comprehensive School	15/03/18	High	4	4	0
Education Planning & Resources	Penyrheol Comprehensive School	21/03/18	High	10	10	0
Education Planning & Resources	YGG Bryn Tawe	14/03/18	High	3	3	0
Communications & Customer Engagement	Corporate Complaints	20/06/17	Substantial	5	5	0
Education Learner Support Service	Stepahead Educaiton Centre	23/05/17	Substantial	12	12	0
Education Learner Support Service	Arfryn Education Centre	23/05/17	Substantial	12	12	0
Education Learner Support Service	KS4 Education Centre	23/05/17	Substantial	12	12	0
Education Planning & Resources	St Thomas Primary School	10/04/17	Substantial	13	13	0
Education Planning & Resources	Casllwchwr Primary School	30/05/17	Substantial	16	16	0
Education Planning & Resources	Wauarlwyydd Primary School	30/05/17	Substantial	15	15	0
Education Planning & Resources	St Joseph's Cathedral Primary School	14/06/17	Substantial	11	11	0
Education Planning & Resources	YGG Gellionnen	19/06/17	Substantial	16	16	0
Housing & Public Protection	Townhill DHO	11/05/17	Substantial	13	13	0
Housing & Public Protection	Sketty DHO	26/06/17	Substantial	13	13	0
Informaiton & Business Change	Procurement of IT	08/05/17	Substantial	15	15	0
Planning & City Regeneration	Swansea Mobility Hire	23/05/17	Substantial	17	16	1
Highways & Transportation	Advance Payments Code	27/06/17	Substantial	2	2	0
Child & Family Services	Nant-y-Felin Children's Home	21/07/17	Substantial	24	24	0
Child & Family Services	Business Support Team - Child & Family	14/07/17	Substantial	10	10	0
Adult Services	Supporting People Team	08/09/17	Substantial	10	10	0
Financial Services & Service Centre	Debt Recovery (Social Services)	09/08/17	Substantial	10	10	0
Education Planning & Resources	Bishopston Comprehensive	21/09/17	Substantial	18	18	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2017/18

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Highways & Transportation	Swansea Bus Station	19/07/17	Substantial	3	3	0
Financial Services & Service Centre	Accounts Receivable	06/07/17	Substantial	14	14	0
Human Resources & Organisational Development	Officers Expenses	18/08/17	Substantial	12	12	0
Cultural Services	Art Gallery	04/09/17	Substantial	28	28	0
Poverty & Prevention	Play Team	12/09/17	Substantial	7	7	0
Cultural Services	Archives	29/09/17	Substantial	15	15	0
Housing & Public Protection	Voids Team - HPU	09/08/17	Substantial	7	7	0
Cultural Services	Brangwyn Hall	18/10/17	Substantial	26	26	0
Cultural Services	Morrison Leisure Centre	08/11/17	Substantial	19	19	0
Waste Management & Parks	Parks Buildings	29/11/17	Substantial	3	3	0
Corporate Building Service	Corporate Energy Unit	14/11/17	Substantial	11	11	0
Adult Services	CREST	10/10/17	Substantial	9	9	0
Education Planning & Resources	Brynmill Primary	24/10/17	Substantial	12	12	0
Education Planning & Resources	Plasmarl Primary	20/11/17	Substantial	6	6	0
Education Planning & Resources	Parkland Primary	23/11/17	Substantial	8	8	0
Education Planning & Resources	Clase Primary	27/10/17	Substantial	8	8	0
Education Planning & Resources	Gendros Primary	17/10/17	Substantial	6	6	0
Education Planning & Resources	Gorseinon Primary	07/12/17	Substantial	10	10	0
Education Planning & Resources	Llangyfelach Primary	17/10/17	Substantial	13	13	0
Education Planning & Resources	Penllergaer Primary	11/12/17	Substantial	5	5	0
Education Planning & Resources	Craigfelen Primary	04/12/17	Substantial	13	13	0
Education Planning & Resources	Ynystawe Primary	19/12/17	Substantial	12	12	0
Education Planning & Resources	YGG Tan-y-Lan	14/12/17	Substantial	20	20	0
Highways & Transportation	Home to School Transport	18/12/17	Substantial	14	14	0
Education Learner Support Service	EOTAS Pathways	28/11/17	Substantial	7	7	0
Education Improvement	Challenge Advisors	04/01/18	Substantial	6	6	0
Financial Services & Service Centre	Direct Payments - Adult and Child & Family	17/01/18	Substantial	3	3	0
Education Planning & Resources	St Illtyd's RC Primary School	24/01/18	Substantial	9	9	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2017/18

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Education Planning & Resources	Ysgol Crug Glas	24/01/18	Substantial	5	5	0
Education Learner Support Service	Music Service	25/01/18	Substantial	11	11	0
Education Planning & Resources	Llanrhidian Primary School	29/01/18	Substantial	7	7	0
Education Planning & Resources	Pentre'r Graig Primary School	29/01/18	Substantial	12	12	0
Education Planning & Resources	Oystermouth Primary School	30/01/18	Substantial	10	10	0
Education Planning & Resources	Whitestone Primary School	09/02/18	Substantial	10	10	0
Education Planning & Resources	Tre Uchaf Primary School	09/02/18	Substantial	15	15	0
Education Learner Support Service	Home Tuition Service	09/02/18	Substantial	7	7	0
Waste Management & Parks	Waste Enforcement	09/02/18	Substantial	12	12	0
Adult Services	Staff Development & Training Section	15/02/18	Substantial	11	11	0
Education Planning & Resources	YGG Lon Las	16/02/18	Substantial	10	10	0
Education Planning & Resources	Clydach Primary School	19/02/18	Substantial	10	10	0
Financial Services & Service Centre	Cashiers Office	01/03/18	Substantial	9	9	0
Education Planning & Resources	Blaenymaes Primary School	06/03/18	Substantial	20	20	0
Cultural Services	Branch Libraries	09/03/18	Substantial	15	15	0
Education Planning & Resources	Ysgol Gymraeg y Cwm	12/03/18	Substantial	14	13	1
Education Planning & Resources	Pontybrenin Primary School	13/03/18	Substantial	14	14	0
Financial Services & Service Centre	Accounts Receivable	13/03/18	Substantial	13	13	0
Adult Services	Home Care	14/03/18	Substantial	14	14	0
Education Planning & Resources	YGG Tirdeunaw	20/03/18	Substantial	13	13	0
Education Planning & Resources	Cwmrhydyceirw Primary School	23/03/18	Substantial	10	10	0
Adult Services	Client & Property Finance	26/03/18	Substantial	7	7	0
Planning & City Regeneration	Development & Physical Regeneration	29/03/18	Substantial	7	7	0
Education Learner Support Services	Catering HQ	15/08/17	Moderate	29	29	0
Cultural Services	Penyrheol Leisure Centre & Complex	22/08/17	Moderate	36	36	0
Highways & Transportation	Concessionary Bus Fares	30/11/17	Moderate	2	2	0
Cultural Services	Penlan Leisure Centre	10/11/17	Moderate	26	26	0
Waste Management & Parks	Specialist Park Services	29/11/17	Moderate	8	8	0
Child & Family Services	Independent Agency Placements	05/10/17	Moderate	12	12	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2017/18

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Highways & Transportation	Fleet Maintenance	24/10/17	Moderate	9	9	0
Highways & Transportation	Taxi Framework Contracts	19/10/17	Moderate	5	5	0
Adult Services	Social Services - Social Care Contracts	05/03/18	Moderate	1	1	0
<b>Total</b>				<b>1051</b>	<b>1048</b>	<b>3</b>

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Human Resources & Organisational Development	Employee Vetting	01/04/15	Substantial	7	7	0
Human Resources & Organisational Development	Pensions 2014/15	07/04/15	Substantial	6	6	0
Education Planning & Resources	Penyrheol Comprehensive School	08/04/15	High	3	3	0
Cultural Services	Active Swansea	09/04/15	High	2	2	0
Education Planning & Resources	Music Service	09/04/15	Moderate	14	14	0
Economic Regeneration & Planning	Economic Development Admin	10/04/15	Substantial	4	4	0
Finance & Delivery	Council Tax 2014/15	13/04/15	High	4	4	0
Education Planning & Resources	Gowerton Comprehensive School	13/04/15	High	3	3	0
Finance & Delivery	Construction Industry Tax Scheme	14/04/15	Substantial	3	3	0
Cultural Services	Foreshore & Lettings - Allotments	14/04/15	Substantial	12	12	0
Communications & Customer Engagement	Communications & Public Relations	15/04/15	High	4	4	0
Information & Business Change	Physical & Environmental Controls	15/04/15	Substantial	6	6	0
Education Planning & Resources	Pontlliw Primary School	15/04/15	High	1	1	0
Legal, Democratic Services & Procurement	Land Charges	25/04/15	High	2	2	0
Education Planning & Resources	Talycopa Primary School	30/04/15	High	2	2	0
Education Planning & Resources	Gowerton Primary School	18/05/15	Substantial	5	5	0
Waste Management & Parks	Grounds Maintenance - Stores/Ordering	18/05/15	Substantial	6	6	0
Education Inclusion	Behaviour & Learning Support	20/05/15	Substantial	13	13	0
Finance & Delivery	Accounts Receivable 2014/15	22/05/15	Moderate	12	12	0
Finance & Delivery	Accounts Payable 2014/15	01/06/15	High	5	5	0
Finance & Delivery	Leasing	04/06/15	High	1	1	0
Finance & Delivery	Business Rates 2014/15	16/06/15	High	3	3	0
Finance & Delivery	Petty Cash Accounts	17/06/15	Substantial	9	9	0
Finance & Delivery	Civic Centre Cash Office	23/06/15	High	5	5	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Education Planning & Resources	Cila Primary School	29/06/15	Substantial	4	4	0
Adult Services	Use of Taxis	29/06/15	High	3	3	0
Education Planning & Resources	Arts in Education	01/07/15	Substantial	5	5	0
Adult Services	Victoria Park Kiosk	01/07/15	Moderate	11	11	0
Finance & Delivery	Main Accounting System 2014/15	02/07/15	High	0	0	0
Education Planning & Resources	Sketty Primary School	07/07/15	Substantial	3	3	0
Highways & Transportation	Streetworks	08/07/15	Limited	15	15	0
Housing & Public Protection	Leasehold Properties	14/07/15	Substantial	17	17	0
Highways & Transportation	CTU - Fleet Hire/Spot Hire	16/07/15	Substantial	4	4	0
Education Inclusion	Education Welfare Service	17/07/15	Substantial	3	3	0
Social Services Directorate Services	Staff Development & Training Section	23/07/15	Substantial	10	9	1
Adult Services	Community Alarms Service	29/07/15	Moderate	10	10	0
Adult Services	Integrated Community Equipment Service	29/07/15	Moderate	15	15	0
Adult Services	Suresprung	29/07/15	Moderate	22	22	0
Education Planning & Resources	Dylan Thomas Community School	03/08/15	High	6	6	0
Housing & Public Protection	Gorseinon District Housing Office	05/08/15	High	4	4	0
Human Resources & Organisational Development	Officers Expenses	05/08/15	Substantial	9	9	0
Human Resources & Organisational Development	Payroll 2014/15	05/08/15	Moderate	17	17	0
Social Services Directorate Services	PARIS System	06/08/15	High	6	6	0
Adult Services	Home Care	13/08/15	Substantial	10	10	0
Information & Business Change	Education Internet Controls	24/08/15	Substantial	9	9	0
Corporate Building & Property Services	Facilities Management	24/08/15	Substantial	14	14	0
Education Inclusion	Education Other Than at School	25/08/15	Substantial	12	12	0
Housing & Public Protection	Burials & Cremations	27/08/15	Substantial	7	7	0
Education Planning & Resources	Birchgrove Comprehensive School	28/08/15	High	2	2	0
Housing & Public Protection	Housing Partnerships	22/09/15	High	0	0	0



## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Communications & Customer Engagement	Executive Board Support	02/10/15	Substantial	7	7	0
Housing & Public Protection	Trading Standards	05/10/15	Moderate	17	17	0
Housing & Public Protection	West Cross District Housing Office	06/10/15	Substantial	16	16	0
Poverty & Prevention	Young Peoples Service	09/10/15	High	12	12	0
Cultural Services	Bishopston Sports Centre	13/10/15	Substantial	9	9	0
	Swansea Children's Centre & Mayhill Family Centre	13/10/15	Moderate	27	27	0
Poverty & Prevention						
Finance & Delivery	Taxation - VAT	13/10/15	High	4	4	0
Economic Regeneration & Planning	Rural Development Plan	26/10/15	High	1	1	0
Cultural Services	Outdoor Leisure Spot Checks	27/10/15	Moderate	7	7	0
Cultural Services	Pentrehafod Pool and Sports Hall	28/10/15	Moderate	7	7	0
Finance & Delivery	Bank Reconciliation	02/11/15	High	0	0	0
Housing & Public Protection	Eastside District Housing Office	02/11/15	Substantial	12	12	0
Human Resources & Organisational Development	Teachers Pensions 2015/16	02/11/15	High	1	1	0
Education Planning & Resources	Cleaning Facilities	04/11/15	Substantial	10	10	0
Education Planning & Resources	Civic Centre Catering	05/11/15	Substantial	15	15	0
Housing & Public Protection	Sheltered Housing Service	09/11/15	Substantial	7	7	0
Education Planning & Resources	Townhill Community Primary School	03/12/15	Substantial	4	4	0
Education Planning & Resources	Hendrefoilan Primary School	08/12/15	Substantial	7	7	0
Education Planning & Resources	Bishop Gore Comprehensive School	10/12/15	Substantial	19	19	0
Highways & Transportation	Car Parks	10/12/15	Moderate	30	28	2
Commercial Services	Contracts Register	24/12/15	Substantial	2	2	0
Finance & Delivery	Capital Accounting 2015/16	07/01/16	High	2	2	0
Highways & Transportation	Central Transport Unit - Fuel	22/01/16	Substantial	5	5	0
Highways & Transportation	Clydach Depot - Plant	22/01/16	Substantial	12	12	0
Education Planning & Resources	Penclawdd Primary School	22/01/16	Substantial	8	8	0
Education Planning & Resources	Gors Community Primary School	25/01/16	Substantial	16	16	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Waste Management	Parks Central Operations	25/01/16	Substantial	2	2	0
Education Planning & Resources	Knelston Primary School	27/01/16	Substantial	11	11	0
Education Planning & Resources	YGG Y Login Fach	29/01/16	Substantial	8	7	1
Finance & Delivery	Treasury Management 2014/15	02/02/16	High	3	3	0
Education Planning & Resources	YGG Bryniago	03/02/16	Substantial	3	3	0
Housing & Public Protection	Housing Rents 2015/16	10/02/16	High	9	9	0
Human Resources & Organisational Development	Pensions 2015/16	15/02/16	Substantial	7	7	0
Legal & Democratic Services	Acceptance of Tenders	23/02/16	High	5	5	0
Education Planning & Resources	Newton Primary School	23/02/16	Substantial	7	7	0
Education Planning & Resources	St Helens Primary School	24/02/16	High	4	4	0
Education Planning & Resources	Trallwn Primary School	24/02/16	High	1	1	0
Child & Family Services	Taxi Authorisation	02/03/16	Substantial	12	12	0
Education Planning & Resources	Portmead Primary School	03/03/16	Moderate	25	25	0
Adult Services	Unified Assessment of Care	03/03/16	Moderate	8	8	0
Cultural Services	Grand Theatre (including Catering)	08/03/16	Moderate	25	23	2
Finance & Delivery	Pension Fund Investments 2015/16	08/03/16	High	0	0	0
Education Planning & Resources	Waun Wen Primary School	09/03/16	Substantial	5	5	0
Human Resources & Organisational Development	Flexicards Machines & Security	11/03/16	Moderate	22	22	0
Finance & Delivery	School Bank Reconciliations	22/03/16	High	1	1	0
Finance & Delivery	Income Tax - Self Employed & Miscellaneous	24/03/16	Substantial	11	8	3
				<b>776</b>	<b>767</b>	<b>9</b>

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Adult Services	Use of Taxis	29/06/15	High	3	3	0
Adult Services	Victoria Park Kiosk	01/07/15	Moderate	11	11	0
Adult Services	Community Alarms Service	29/07/15	Moderate	10	10	0
Adult Services	Integrated Community Equipment Service	29/07/15	Moderate	15	15	0
Adult Services	Suresprung	29/07/15	Moderate	22	22	0
Adult Services	Home Care	13/08/15	Substantial	10	10	0
Adult Services	Unified Assessment of Care	03/03/16	Moderate	8	8	0
Child & Family Services	Taxi Authorisation	02/03/16	Substantial	12	12	0
Commercial Services	Contracts Register	24/12/15	Substantial	2	2	0
Communications & Customer Engagement	Communications & Public Relations	15/04/15	High	4	4	0
Communications & Customer Engagement	Executive Board Support	02/10/15	Substantial	7	7	0
Corporate Building & Property Services	Facilities Management	24/08/15	Substantial	14	14	0
Cultural Services	Active Swansea	09/04/15	High	2	2	0
Cultural Services	Foreshore & Lettings - Allotments	14/04/15	Substantial	12	12	0
Cultural Services	Bishopston Sports Centre	13/10/15	Substantial	9	9	0
Cultural Services	Outdoor Leisure Spot Checks	27/10/15	Moderate	7	7	0
Cultural Services	Pentrehafod Pool and Sports Hall	28/10/15	Moderate	7	7	0
Cultural Services	Grand Theatre (including Catering)	08/03/16	Moderate	25	23	2
Economic Regeneration & Planning	Economic Development Admin	10/04/15	Substantial	4	4	0
Economic Regeneration & Planning	Rural Development Plan	26/10/15	High	1	1	0
Education Inclusion	Behaviour & Learning Support	20/05/15	Substantial	13	13	0
Education Inclusion	Education Welfare Service	17/07/15	Substantial	3	3	0
Education Inclusion	Education Other Than at School	25/08/15	Substantial	12	12	0
Education Planning & Resources	Penyrheol Comprehensive School	08/04/15	High	3	3	0
Education Planning & Resources	Music Service	09/04/15	Moderate	14	14	0
Education Planning & Resources	Gowerton Comprehensive School	13/04/15	High	3	3	0
Education Planning & Resources	Pontlliw Primary School	15/04/15	High	1	1	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Education Planning & Resources	Talycopa Primary School	30/04/15	High	2	2	0
Education Planning & Resources	Gowerton Primary School	18/05/15	Substantial	5	5	0
Education Planning & Resources	Cila Primary School	29/06/15	Substantial	4	4	0
Education Planning & Resources	Arts in Education	01/07/15	Substantial	5	5	0
Education Planning & Resources	Sketty Primary School	07/07/15	Substantial	3	3	0
Education Planning & Resources	Dylan Thomas Community School	03/08/15	High	6	6	0
Education Planning & Resources	Birchgrove Comprehensive School	28/08/15	High	2	2	0
Education Planning & Resources	Cleaning Facilities	04/11/15	Substantial	10	10	0
Education Planning & Resources	Civic Centre Catering	05/11/15	Substantial	15	15	0
Education Planning & Resources	Townhill Community Primary School	03/12/15	Substantial	4	4	0
Education Planning & Resources	Hendrefoilan Primary School	08/12/15	Substantial	7	7	0
Education Planning & Resources	Bishop Gore Comprehensive School	10/12/15	Substantial	19	19	0
Education Planning & Resources	Penclawdd Primary School	22/01/16	Substantial	8	8	0
Education Planning & Resources	Gors Community Primary School	25/01/16	Substantial	16	16	0
Education Planning & Resources	Knelston Primary School	27/01/16	Substantial	11	11	0
Education Planning & Resources	YGG Y Login Fach	29/01/16	Substantial	8	7	1
Education Planning & Resources	YGG Bryniago	03/02/16	Substantial	3	3	0
Education Planning & Resources	Newton Primary School	23/02/16	Substantial	7	7	0
Education Planning & Resources	St Helens Primary School	24/02/16	High	4	4	0
Education Planning & Resources	Trallwn Primary School	24/02/16	High	1	1	0
Education Planning & Resources	Portmead Primary School	03/03/16	Moderate	25	25	0
Education Planning & Resources	Waun Wen Primary School	09/03/16	Substantial	5	5	0
Finance & Delivery	Council Tax 2014/15	13/04/15	High	4	4	0
Finance & Delivery	Construction Industry Tax Scheme	14/04/15	Substantial	3	3	0
Finance & Delivery	Accounts Receivable 2014/15	22/05/15	Moderate	12	12	0
Finance & Delivery	Accounts Payable 2014/15	01/06/15	High	5	5	0
Finance & Delivery	Leasing	04/06/15	High	1	1	0
Finance & Delivery	Business Rates 2014/15	16/06/15	High	3	3	0
Finance & Delivery	Petty Cash Accounts	17/06/15	Substantial	9	9	0
Finance & Delivery	Civic Centre Cash Office	23/06/15	High	5	5	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Finance & Delivery	Main Accounting System 2014/15	02/07/15	High	0	0	0
Finance & Delivery	Taxation - VAT	13/10/15	High	4	4	0
Finance & Delivery	Bank Reconciliation	02/11/15	High	0	0	0
Finance & Delivery	Capital Accounting 2015/16	07/01/16	High	2	2	0
Finance & Delivery	Treasury Management 2014/15	02/02/16	High	3	3	0
Finance & Delivery	Pension Fund Investments 2015/16	08/03/16	High	0	0	0
Finance & Delivery	School Bank Reconciliations	22/03/16	High	1	1	0
Finance & Delivery	Income Tax - Self Employed & Miscellaneous	24/03/16	Substantial	11	8	3
Highways & Transportation	Streetworks	08/07/15	Limited	15	15	0
Highways & Transportation	CTU - Fleet Hire/Spot Hire	16/07/15	Substantial	4	4	0
Highways & Transportation	Car Parks	10/12/15	Moderate	30	28	2
Highways & Transportation	Central Transport Unit - Fuel	22/01/16	Substantial	5	5	0
Highways & Transportation	Clydach Depot - Plant	22/01/16	Substantial	12	12	0
Housing & Public Protection	Leasehold Properties	14/07/15	Substantial	17	17	0
Housing & Public Protection	Gorseinon District Housing Office	05/08/15	High	4	4	0
Housing & Public Protection	Burials & Cremations	27/08/15	Substantial	7	7	0
Housing & Public Protection	Housing Partnerships	22/09/15	High	0	0	0
Housing & Public Protection	Trading Standards	05/10/15	Moderate	17	17	0
Housing & Public Protection	West Cross District Housing Office	06/10/15	Substantial	16	16	0
Housing & Public Protection	Eastside District Housing Office	02/11/15	Substantial	12	12	0
Housing & Public Protection	Sheltered Housing Service	09/11/15	Substantial	7	7	0
Housing & Public Protection	Housing Rents 2015/16	10/02/16	High	9	9	0
Human Resources & Organisational Development	Employee Vetting	01/04/15	Substantial	7	7	0
Human Resources & Organisational Development	Pensions 2014/15	07/04/15	Substantial	6	6	0
Human Resources & Organisational Development	Officers Expenses	05/08/15	Substantial	9	9	0
Human Resources & Organisational Development	Payroll 2014/15	05/08/15	Moderate	17	17	0

## INTERNAL AUDIT SECTION - AUDITS FINALISED 2015/16

Head of Service	Audit	Date Finalised	Opinion Rating	Recommendations		
				Made	Agreed	Not Agreed
Human Resources & Organisational Development	Teachers Pensions 2015/16	02/11/15	High	1	1	0
Human Resources & Organisational Development	Pensions 2015/16	15/02/16	Substantial	7	7	0
Human Resources & Organisational Development	Flexicards Machines & Security	11/03/16	Moderate	22	22	0
Information & Business Change	Physical & Environmental Controls	15/04/15	Substantial	6	6	0
Information & Business Change	Education Internet Controls	24/08/15	Substantial	9	9	0
Legal & Democratic Services	Acceptance of Tenders	23/02/16	High	5	5	0
Legal, Democratic Services	Land Charges	25/04/15	High	2	2	0
Poverty & Prevention	Young Peoples Service	09/10/15	High	12	12	0
Poverty & Prevention	Swansea Children's Centre & Mayhill Family Centre	13/10/15	Moderate	27	27	0
Social Services Directorate Services	Staff Development & Training Section	23/07/15	Substantial	10	9	1
Social Services Directorate Services	PARIS System	06/08/15	High	6	6	0
Waste Management & Parks	Parks Central Operations	25/01/16	Substantial	2	2	0
Waste Management & Parks	Grounds Maintenance - Stores/Ordering	18/05/15	Substantial	6	6	0
				<b>776</b>	<b>767</b>	<b>9</b>

INTERNAL AUDIT - PERFORMANCE INDICATORS 2017/18

APPENDIX 3

Performance Indicator			2016/17		2017/18		2018/19
			Target	Actual	Target	Actual	Target
1	Audit Assignments achieved against planned	%	75	50	75	78	75
2	Clients satisfied with quality of audit service	%	98	99	98	99	98
3	Audit recommendations accepted against made	%	95	98	95	99	95
4	Audits completed within planned time	%	70	58	70	72	70
5	Directly productive time against time available	%	65	62	65	61	60
6	Average period - from response to final report	Days	3	2	3	1	3
7	Average period - closing meeting to draft report	Days	10	6	10	2	10
8	Directly productive time achieved against planned time	%	90	90	90	88	90
9	Average cost per directly chargeable day	£	278	280	278	300	278
10	Staff turnover rate	%	15	10	15	8	15
11	Staff costs per 1,000 population	£	2,093	1,906	2,070	1,738	2,050
12	Staff costs per £m gross revenue expenditure (inc. HRA)	£	651	626	650	554	650

Note that comparator figures were not included for 2016/17 due to lack of responses from the Welsh Chief Auditors Group.

Similarly, no comparator figure have been included for 2017/18 due to the lack of responses from comparable Authorities based on population size and organisation scale





## Report of the Chief Auditor

Audit Committee – 14 August 2018

# Internal Audit – Public Sector Internal Audit Standards Compliance Report 2017/18

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.

The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is complying with the PSIAS. Part of the internal assessment involves an annual review of compliance with the PSIAS using the detailed checklist included in Cipfa's Local Government Application Note. The annual self-assessment also fulfils the requirement established in the Accounts and Audit (Wales) Regulations 2014 for an annual assessment of the effectiveness of the Internal Audit service.

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

The first external assessment in Swansea was completed in quarter 4 2017/18. The assessment method adopted was a self-assessment subject to external validation using the peer review group established by the Welsh Chief Auditors Group. The validation was completed by Cardiff Council.

In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS, with no significant deviations from the Standards being noted. Some areas for improvement were highlighted as part of the review, as previously reported. The action plan arising from the peer review has been included in Appendix 3 for information.

The results of the annual internal self-assessment of compliance with the PSIAS using Cipfa's detailed Local Government Application Note can be found in the table in Appendix 1.

Further details in relation to areas where the Service has been self-assessed as non-compliant or partly-compliant can be found in Appendix 2.



In summary there are 334 best practice lines within the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken during April 2018 by the Chief Auditor revealed that 97% of the best practice of the PSIAS was in place.

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

Standard	Conformance			Total
	Y	N	P	
1. Definition of Internal Audit	3			3
2. Code of Ethics	12		1	13
<b>3. Attribute Standards</b>				
1000. Purpose, Authority and Responsibility	23			23
1100. Independence and Objectivity	26	2	1	29
1200. Proficiency and Due Professional Care	21			21
1300. Quality Assurance and Improvement Programme	27			27
<b>4. Performance Standards</b>				
2000. Managing the Internal Audit Activity	45	1		46
2110. Nature of Work	31			31
2200. Engagement Planning	55	3		58
2300. Performing the Engagement	21		1	22
2400. Communicating Results	55			55
2500. Monitoring Progress	3	1		4
2600. Communicating the Acceptance of Risks	2			2
<b>Total</b>	<b>324</b>	<b>7</b>	<b>3</b>	<b>334</b>
<b>Percentage</b>	<b>97%</b>	<b>2%</b>	<b>1%</b>	<b>100%</b>

<b>Summary of Part/Non-Compliance</b>					
<b>Ref</b>	<b>Conformance with the Standard</b>	<b>Y</b>	<b>P</b>	<b>N</b>	<b>Evidence</b>
<b>2</b>	<b>Code of Ethics</b>				
	<p><b>Confidentiality</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p>		P		Files are not locked away at night or when the office is left unattended although public access to the office is unlikely due to position within the Guildhall which is no longer accessible by the public.
<b>3</b>	<b>Attribute Standards</b>				
<b>3.2</b>	<b>1100 Independence and Objectivity</b>	Y	P	N	
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?			N	The Council's Employee Performance Management Policy states that the annual performance appraisal should be carried out by the immediate line manager.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			N	Feedback from the Chair of the Audit Committee is not sought as part of the Chief Auditor's annual performance appraisal.
	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?		P		Audits are rotated amongst staff but there is no specific policy to rotate audits as experience in particular areas is felt to be advantageous and knowledge base is deemed to be more efficient from a client perspective.
<b>4</b>	<b>Performance Standards</b>				
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>				
	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			N	An assurance mapping exercise has not been carried out.

<b>4.3</b>	<b>2200 Engagement Planning</b>				
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?			N	Unclear as to what this means.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?			N	Unclear as to what this means.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?			N	Unclear as to what this means.
<b>4.4</b>	<b>2300 Performing the Engagement</b>				
	Does the CAE control access to engagement records?		P		Working papers are either held on paper files or on the Galileo Audit Management System. Paper files are held in the Internal Audit room but are not locked away when the room is unattended. However, unauthorised access to the files is unlikely due to the position of the room within the Guildhall. The permission of the Chief Auditor is required before access to records is granted to someone outside the Section.
<b>4.6</b>	<b>2500 Monitoring Progress</b>				
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?			N	A report/memo is provided to the service manager and Head of Service recording the results of the follow up visit but the original level of assurance is not revised on the basis of the follow up visit. The level of assurance will be reviewed when the next full audit of the service is completed. However, if any significant issues were identified during a follow up audit, they would be reported to the service management, senior management and the Audit Committee if appropriate.

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

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

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

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



**Report of the Chief Auditor**

**Audit Committee – 14 August 2018**

**Internal Audit – Quality Assurance and Improvement Programme 2017/18**

**1. Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for all providers of public sector internal audit services in the UK.
- 1.2 It is a requirement of the PSIAS that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.
- 1.3 The establishment of a QAIP will allow the evaluation of the operations of Internal Audit and identify any areas for improvement. The QAIP should allow for quality to be assessed at both individual member of staff level and at the team level.
- 1.4 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 1.5 The results of the QAIP will provide evidence to all relevant stakeholders that the City and County of Swansea's Internal Audit Section is
  - Performing its work in accordance with its Internal Audit Charter which is consistent with all aspects of the PSIAS i.e. the Mission of Internal Audit, Definition of Internal Audit, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Attribute and Performance Standards.
  - Operating in an efficient and effective manner.

- Is adding value and continually improving internal audit operations.
- 1.6 The QAIP should be based on the following key elements to ensure compliance with the Standards:
- Supervision of the work undertaken by internal auditors as an ongoing process throughout the year.
  - Internal reviews or self-assessments to appraise the quality of the audit work and compliance with the PSIAS which is usually undertaken on an annual basis.
  - External reviews carried out by a qualified independent person to appraise the quality of the audit work and compliance with the PSIAS which must be completed at least once every 5 years.

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

- 2.1 The following systems and procedures have been established to form the internal assessment ongoing review element of the QAIP.
- Policies and procedures have been established to guide staff in the performance of their internal audit duties. Guidance in policies and procedures is provided to internal audit staff by the Chief Auditor, Principal Auditor and Senior Auditors. The Team also has access to a set of guidance notes and templates that are stored on a shared drive for staff to refer to when necessary.
  - Audit work is allocated to staff based on their level of skills, experience and competence. A quarterly Audit Plan is prepared by the Principal Auditor which allocates audit assignments to staff and is reviewed by the Chief Auditor before being issued.
  - A Lead Auditor is assigned to each audit and will be either the Principal Auditor or a Senior Auditor. The role of the Lead Auditor is to supervise and monitor progress in completion of the audit and to complete a quality assurance review to ensure that the work has been completed to the required level and complies with the PSIAS. The level of supervision required will depend upon the competence and experience of the auditor.
  - The Lead Auditor will also review the draft and final report to ensure it fully reflects the findings of the audit and includes appropriate recommendations and level of assurance.
  - All draft and final reports are subject to review by the Principal Auditor prior to being issued.
  - A Quality Control Questionnaire is issued with the final report to the client to obtain their feedback on the audit. Any issues identified in the completed QCQ are discussed with the auditor and action taken where required.



- A comprehensive set of Performance Indicators are maintained as shown in Appendix 1. The PI's are measured at team and individual level with targets being set at the start of each year. The PI's measured at individual auditor level are monitored on a quarterly basis by the Principal Auditor and Chief Auditor and any issues identified are discussed with the auditor and action taken where necessary. The team PI's are monitored annually and are reported to the Chief Finance Officer and the Audit Committee in the Internal Audit Annual Report.
- An action plan has also been produced as part of this report as shown in Appendix 2 to provide some justification in relation to those PI's that have not been achieved, together with proposed action that will be taken in 2018/19 to try and rectify this going forward.
- The Welsh Chief Auditors Group collects performance indicator information from across Wales which is used to compare performance against other similarly sized internal audit teams.
- Performance indicator information is also used as part of the annual appraisal process under the Employee Performance Management Policy. All employees receive an annual appraisal which is a competency based process that reviews performance and training and development needs.
- Use is made of available training programmes to keep staff up to date with professional practice and to meet any skill shortages identified. Particular use is made of the annual training programme put together by the South Wales Chief Auditors Group.

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

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

- A quarterly review of progress made against the Annual Audit Plan is made by the Chief Auditor to ensure the Section is meeting its aims and objectives. The results of the review are reported to the Chief Finance Officer and the Audit Committee in the quarterly Internal Audit Monitoring Report.
- The Chief Auditor completes an annual self-assessment of compliance with the PSIAS using the detailed checklist included in CIPFA's Local Government Application Note.
- The annual self-assessment also fulfils the requirement established in the Accounts and Audit (Wales) Regulations 2014 for an annual assessment of the effectiveness of the Internal Audit service.
- The annual self-assessment was completed in July 2017 and this formed the basis for the external assessment validation that was completed in quarter 4 2017/18. A self-assessment review of conformance against the

PSIAS was undertaken during April 2018 by the Chief Auditor revealed that 97% of the best practice of the PSIAS was in place.

#### **4. External Assessments**

- 4.1 An external assessment of compliance with the PSIAS must be completed at least once every 5 years and may either be a full external assessment or a self-assessment which is subject to independent external validation.
- 4.2 The format of the external assessment must be considered fully by the Chief Auditor and discussed with the Audit Committee. If an independent validation is to be used, the person or team appointed must be appropriately qualified, have sufficient knowledge of the PSIAS and there must be no conflicts of interest or impairment to objectivity.
- 4.3 The external assessment in Swansea was undertaken during quarter 3 and quarter 4 2017/18 with the preferred method being a self-assessment subject to an external validation using the peer review group established by the Welsh Chief Auditors Group. This approach was agreed with the Chief Finance Officer and was approved by Audit Committee on the 8 August 2017.
- 4.4 As agreed by the Welsh Chief Auditors Group, the external assessment saw Chief Auditors acting as independent assessors of other Internal Audit Sections arranged on a random basis.
- 4.5 The outcome of the external assessment was presented to the then Head of Financial Services & Service Centre (now the Chief Finance Officer), the Director of Resources and the Chief Executive on 28/03/18 and to Audit Committee on the 10/04/18. In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS and CIPFA Application Note with no significant deviations from the Standards being noted.
- 4.6 The external assessment must be undertaken at least every 5 years, so the next assessment will be completed in 2022/23.

#### **5 Reporting**

- 5.1 The Chief Auditor will report the outcome of the periodic internal assessment to the Chief Finance Officer and the Audit Committee on an annual basis.
- 5.2 The results of the external assessment will also be reported to the Chief Finance Officer and the Audit Committee when received along with an Action Plan to address any issues raised in the report. The Action Plan will be subject

to regular monitoring with progress being reported to the Chief Finance Officer and the Audit Committee.

- 5.3 The Chief Auditor will only use the phrase 'Conforms with International Standards for the Professional Practice of Internal Auditing' in reports where the results of the QAIP support the statement.

## INTERNAL AUDIT – PERFORMANCE INDICATORS

No.	Performance Indicator		Target 2017/18	Actual 2017/18	Achieved/ Not Achieved
1	Audit assignments achieved against planned	%	75	78	Achieved
2	Clients at least satisfied with quality of audit service	%	98	99	Achieved
3	Audit recommendations accepted against made	%	95	99	Achieved
4	Audits completed within planned time	%	70	72	Achieved
5	Directly productive time against time available	%	65	61	Not Achieved
6	Average period from client response to issue of final report	Days	3	1	Achieved
7	Average period from closing meeting to issue of draft report	Days	10	2	Achieved
8	Directly productive time achieved against planned time	%	90	88	Not Achieved
9	Average cost per directly chargeable day	£	278	300	Not Achieved
10	Staff turnover rate	%	15	8	Achieved
11	Staff cost per 1,000 population	£	2,070	1,738	Achieved
12	Staff cost per £m gross revenue expenditure (incl HRA)	£	650	554	Achieved

## INTERNAL AUDIT – SUMMARY OF ACTIONS 2018/19

PI	Target / Result	Justification	Action to be taken 2018/19
5 - Directly productive time against time available	65% / 62%	Due primarily to an increase in budgeted sickness absence and unplanned vacancy we experienced a significant reduction in the number of productive days.	Sickness will continue to be monitored throughout 2018/19.
8 - Directly productive time achieved against planned time	90% / 88%	Directly productive available time reduced by 89 days part time not planned for in the 2017/18 initial plan due to 1 FTE reducing to 0.6 FTE. Vacancy of 60 days also reduced productive time available from planned 2470 to 2321. Increase in non-productive other activities from planned of 861 to 906 due to increased sick leave etc. Marginally not met the PI.	Non-productive time to be monitored throughout 2018/19.
9 - Average cost per directly chargeable day	£278 / £300	Directly chargeable days reduced by increase in Part Time and Vacancy as above. Plus increased non-productive time as above. Overall costs in terms of salary costs have reduced in year by 8%.	Costs will continue to be monitored throughout 2018/19.

## AUDIT OPINION RATINGS / LEVELS OF ASSURANCE

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

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

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

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

# Agenda Item 9



## Report of the Chief Auditor

Audit Committee – 14 August 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>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

#### 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 actions agreed 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

### **Appendices:**

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>17/07/18 Min 20 – Draft Annual Governance Statement 2017/18</b>	
The Chair and Head of Legal, Democratic Services & Business Intelligence discuss amendments to the Annual Governance Statement (AGS) 2017/18. An amended version it to be circulated to Audit Committee. A special meeting should be called to approve the amended version if necessary.	Suggested amendments have been discussed and an amended version will be distributed to Committee once completed.
The Chair is to discuss the term 'sustainable savings' in the AGS with the Head of Financial Services & Service Centre.	
<b>17/07/18 Min 20 – Draft Statement of Accounts 2017/18</b>	
A briefing note is to be provided to the Committee on the position of Charitable Trust Funds to provide clarity on why they are not included in the Statement of Accounts.	Chief Treasury & Technical Officer has been informed of this request and is due to discuss with the Chair.
<b>26/06/18 Min 17 – Audit Committee Review of Performance 2017/18</b>	
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.	
The Committee resolved to attend an Audit Committee of another public body. Mid and West Wales Fire Authority was proposed and agreed. It was also proposed that the Chair and Vice Chair visit an Audit Committee of another Local Authority, with RCT CBC being proposed.	
<b>12/06/18 Min 5 – Internal Audit Monitoring Report Quarter 4 2017/18</b>	
Deferred audits relating to governance and risk to be undertaken in Q1 or Q2 2018/19.	Committee have already been made aware that these two audits have been prioritised in Q1 & Q2. Both audits were started in Q1 and are underway. Results will be reported back to Committee via the Quarterly Report in due course.

GDPR should be added to the 2018/19 audit programme and the Committee should be advised if the Council is GDPR compliant.	GDPR was already included on the 2018/19 audit programme following the consultation exercise and review of risk registers to inform the planning of the 18/19 audit plan. This has also been prioritised in Q1. Results of the audit will be reported back to Committee via the Quarterly Report in due course.
<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.	Issues identified were discussed and covered as part of the Performance Review on 26/06/18. CLOSED
<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.
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>
<p><b>08/03/18 Min 67 – Internal Audit Monitoring Report – Moderate Reports</b></p>	
<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>
<p><b>08/03/18 Min 68 – Amendments to Contract Procedure Rules</b></p>	
<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. Chief Auditor discussed proposed amendments with Head of Commercial Services on 30/07/18.</p>
<p><b>12/12/17 Min 53 – Good Governance When Determining Significant Service Changes</b></p>	
<p>The impact of the proposed cuts included in the 2018-19 budget and the potential impact upon the Internal Audit Section was discussed. It was resolved that the Chair, on behalf of the Audit Committee, writes to the Chief Executive highlighting concern regarding the potential impact of the proposed cuts on the Internal Audit Section.</p>	<p>Letter was sent to the Chief Executive on 20/12/17 as requested. Letter and response presented to Committee on 08/03/18 for information. – CLOSED</p>

<b>12/12/17 Min 56 – Internal Audit Monitoring Report Q2 17/18</b>	
The appropriate Head(s) of Service are requested to attend the next scheduled meeting in order to update the Committee regarding the progress in respect of their moderate audit ratings.	As agreed at the meeting on the 08/03/18 those HoS that have received reports with moderate assurance ratings will be invited to attend the next committee meeting to explain how they are addressing the issues identified. Staggered invitations commenced from 10/04/18 meeting, and as they arise going forward. - CLOSED
<b>26/09/17 – Procurement in Schools</b>	
A meeting to be arranged with Procurement and Education representatives do discuss procurement issues at schools as identified in the Annual Report of School Audits. An update on Procurement is to be provided in the February meeting.	Meeting was held with representatives from Education, Procurement and Audit on 18/01/18. Feedback from the meeting provided to Audit Committee on 08/03/18. CLOSED
<b>11/07/17 – Performance Review Development of the Audit Committee</b>	
In relation to the Audit Committee Performance Review findings, the Chair of the Audit Committee is to investigate the possibility of reinstating regional working groups for Chairs/Audit Committee Members to consider joint training and benchmarking possibilities.	Due to the departure of the previous Chair, no action has been taken to date. This and other development actions will be picked up as part of the next Performance Review initially scheduled for June 2018 with the new Chair in post. -CLOSED
<b>11/07/17 Min 16 – Draft Statement of Accounts</b>	
The Section 151 Officer be requested to provide Committee with an update regarding the funding of reserves and overall good financial management.	Section 151 Officer is due to attend the December meeting to provide an update on the review of reserves and overall budget monitoring/control. - CLOSED
<b>20/06/17 Min 5 – Work Programme</b>	
A description to accompany items within the Work Programme be provided in future.	Standard agenda items have been highlighted in bold in the workplan. CLOSED

# Agenda Item 10



## Report of the Chief Auditor

Audit Committee – 14 August 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>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

#### For Information

#### 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

**Appendices:**

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 - Draft	Internal Audit Monitoring Report Q1 2018/19  Audit Committee Review of Performance 2017/18 Action Plan - Final	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 - CCS  Letters of Representation CCS & Pension Fund	Draft Statement of Accounts 2017/18 - Pension Fund		Trusts & Charities Update Report	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).*