



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5, Guildhall, Swansea

Tuesday, 8 October 2019 at 2.00 pm

**Present:** P O'Connor (Chair) Presided

**Councillor(s)**

C Anderson  
P R Hood-Williams  
M B Lewis  
T M White

**Councillor(s)**

P M Black  
J W Jones  
S Pritchard

**Councillor(s)**

D W Helliwell  
E T Kirchner  
L V Walton

**Officer(s)**

Simon Cockings  
Jeff Fish  
Jeremy Parkhouse  
Jonathon Rogers  
Kelly Small  
Ben Smith  
Debbie Smith  
Nick Williams

Chief Auditor  
Corporate Fraud Team Investigator  
Democratic Services Officer  
Corporate Fraud Team Investigator  
Head of Funding and Information Unit  
Chief Finance Officer / Section 151 Officer  
Deputy Chief Legal Officer  
Director of Education

**Also Present**

Jason Garcia                      Wales Audit Office

**Apologies for Absence**

Councillor(s): O G James

### **41 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: -

Councillors C Anderson, P M Black, D W Helliwell, P R Hood-Williams, J W Jones, E T Kirchner, L V Walton and T M White declared personal interests as school governors in Minute No.44 – Annual Report of School Audits and Director of Education response to Schools Audit Report.

Councillor L V Walton declared a personal interest as a school governor in Minute No.45 – Presentation – Update on Internal Control Environment (including risk management) – Director of Education.

Councillors C Anderson, M B Lewis, and T M White declared personal interests as Members of the Port Health Authority in Minute No.46 – Revenue and Capital Budget Monitoring 1<sup>st</sup> Quarter 2019/20.

Paula O'Connor – Agenda as a whole – Head of Internal Audit to Swansea Bay University Health Board – Personal.

**42 Minutes.**

**Resolved** that the Minutes of the previous meetings of the Audit Committee were approved as correct records.

**43 Corporate Fraud Annual Report 2018/19.**

Jeff Fish and Jonathan Rogers presented a summary of the work completed by the Fraud Function of Internal Audit in 2018/19.

The report provided a 12-month summary of the activities of the Fraud Function for 2018/19, the value of the function and reviewed achievements compared to target outcomes contained in the Fraud Function Anti-Fraud Plan 2018/19. The key activities in 2018/19 covered the following areas of work: -

- Joint work with Department of Work & Pensions' Counter Fraud, Compliance and Debt Service;
- National Fraud Initiative 2018;
- Fraud Awareness;
- Inter-Agency work and Data Exchange.

The Review of the Fraud Function Plan for 2018/19 reported that out of the 9 planned activities, 6 were fully achieved. Appendix 3 of the report provided details of these activities. It was added that for those activities not achieved, due to the teams reduced resources and the requirements of reactive work, particularly employee investigations, had continued to demonstrably restrict the opportunities for proactive work to be undertaken against the plan.

The Committee asked questions of the Officers, who responded accordingly. Discussions centred around the following: -

- The main areas identified in respect of fraud awareness;
- Council properties returned to stock and being available for letting;
- How the bi-annual in-year National Fraud Initiative 2018 system of data matching operates and the use of data matching within the Authority;
- Targeting procurement fraud;
- Concessionary travel fraud / annual audit;
- Working internally with Council departments, e.g. Trading Standards;
- How the Team coped with reduced resources and prioritised certain areas;
- Assurance being achieved in procurement throughout the Council;
- Increasing resources to introduce pro-active work – 'invest to save'.

The Chair thanked the Officers for their report and thanked them for the amount of work they had completed with limited resources.

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

**44 Annual Report of School Audits 2018/19 & Director of Education response to Schools Audit Report.**

Nick Davies, Principal Auditor presented a report which provided a summary of the school audits undertaken by the Internal Audit Section during 2018/19 and identified some common issues found during the audits. Kelly Small, Head of Funding and Information Unit provided responses on behalf of the Director of Education.

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

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

The School Audits Annual Report 2018/19 was attached at Appendix 1.

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

- Evidence in Governing Body Minutes that audit reports had been presented and discussed by Governing Bodies and the follow up process undertaken by the School Funding and Information Unit;
- Confirmation whether all Governing Bodies had been presented with and considered their audit reports during 2017/18;
- The difficulties encountered by schools in the tendering process, i.e. obtaining 3 quotations and obtaining a breakdown of costs from Corporate Building Services which was resulting in schools dropping out of Service Level Agreements (SLA);
- All schools opting out of the Procurement SLA as they felt it was not fit for purpose;
- Review of Contract Procedure Rules;
- The Authority providing a catalogue for schools to purchase supplies;
- Further work being undertaken regarding schools tendering for services and approaching it as a whole job not just a specific job;
- Director of Education obtaining a full list of contracts from Corporate Building and circulating to all Clerks to Governing Bodies;
- School budgets - particularly 85% being spent on staff salaries and 15% on the remainder and setting the appropriate level to justify the risk / time spend on auditing this amount as it is only a small proportion of the budget;
- Quality Control Questionnaire – Internal Audit Section.

**Resolved** that: -

- 1) The content of the report be noted;

- 2) The Head of Funding and Information Unit clarifies if evidence had been received that all Governing Bodies had been presented with and considered their audit reports during 2017/18;
- 3) The Head of Funding and Information Unit clarifies if all remaining schools had provided evidence that their Governing Bodies had been presented with and considered their audit reports during 2018/19;
- 4) The Head of Commercial Services be requested to provide an update regarding providing a catalogue for schools;
- 5) The Director of Education obtains a full list of contracts from Corporate Building and circulates to all Clerks to Governing Bodies.

**45 Presentation - Update on Internal Control Environment (Including Risk Management) - Director of Education.**

Nick Williams, Director of Education, provided the Audit Committee with a detailed and informative presentation on Governance and Assurance within the Education Directorate. Details provided included: -

- Overview;
- Assurance Framework;
- Education Net Budgets 2019/20;
- School Governance;
- Governing Bodies;
- Authority Oversight;
- Schools Audits;
- School Balances;
- Use of Excessive Reserves;
- Powers to Intervene;
- Departmental Arrangements;
- Internal Controls / Compliance;
- Risk Management;
- Partnership Working.

The Committee asked a number of questions of the Director, which were responded to accordingly. The following were discussed: -

- The strong position of Swansea schools compared to other in Wales;
- Red, Amber, Green (RAG) Risk levels and the process of agreeing correct levels;
- Performance management process, pay rates of Head Teachers being increased by some Governing Bodies, covering increases in salaries / pension contributions;
- How the Council operates as a landlord in partnership with Head Teachers;
- Budget process undertaken by the Council in relation to schools;
- Reserves held by schools and powers available to the Director of Education to address any problems.

The Chair thanked the Director of Education for his presentation and stated that it had provided the Committee with a thorough understanding of procedures within the Education Directorate. She added that the presentation had also provided

assurance in relation to management controls that are operating within Education and the risks around financial pressures that are being worked through, in conjunction with the Section 151 Officer.

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

**46 Revenue and Capital Budget Monitoring 1st Quarter 2019/20. (For Information)**

Ben Smith, Section 151 Officer presented 'for information' the Revenue and Capital Monitoring 1<sup>st</sup> Quarter 2019/20 Report that was presented to Cabinet on 15 August 2019. The report provided details on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.

He made specific reference to paragraph 2.7, which outlined that no Responsible Officer was authorised to overspend their budget in line with Financial Procedure Rules and to the report recommendations requiring Directors to provide detailed plans to avoid any overspends.

The Committee discussed the following: -

- Contingency Fund 2018/19 and the commitments to the end of the financial year, including using earmarked reserves;
- Directors comments on budget variations and having a more robust, credible approach to specific items;
- Correcting the overspend for 2019/20 and how any overspends will be addressed in future years;
- The impact to the Medium Term Financial Plan if savings were not met and building in reasonable realistic proposals;
- Revenue and capital spending – ensuring no more unbudgeted spend occurs, affordability and use of reserves;
- Capital borrowing and capital projects awaiting for City Deal payments;
- Examining each Directorate and understanding what can / cannot be achieved.

Jason Garcia, Wales Audit Office (WAO) highlighted concerns regarding the failure of the Council to effectively manage its efficiency savings. He also reminded the Committee of their terms of reference and their power to examine the Authority's finances and make recommendations to Council.

The Chair noted the WAO comments and the financial position outlined by the Section 151 Officer. She added that the reports would continue to be discussed by the Committee and expressed concern regarding the financial position of the Authority.

**47 Financial Sustainability Self-Assessment for Wales Audit Office. (Verbal)**

The Section 151 Officer provided a verbal update report on the Financial Sustainability Self-Assessment for the Wales Audit Office (WAO).

He outlined that all 22 Local Authorities in Wales had submitted substantial evidence to WAO and a report was expected early in 2020. He added that he anticipated four

areas of challenge: performance against budget; use of reserves (general & earmarked); levels of borrowing; levels of Council Tax. He expected a challenging message for Local Government.

Jason Garcia (WAO) added that the report would be produced before Council Tax was set. He added that the Council would have to consider future efficiency savings and expressed concern regarding the capital schemes being progressed.

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

**48 Treasury Management Annual Report 2018/19. (For Information)**

The Section 151 Officer presented the Treasury Management Annual Report 2018/19 'for information'.

The Chair stated that in future, similar reports would be circulated outside Committee meetings.

**49 Wales Audit Office - Feedback from Audit Committee Effectiveness Questionnaire.**

Jason Garcia, Wales Audit Office (WAO) provided the Committee with feedback from the workshop annual self-assessment session held on 16 September 2019 and facilitated by WAO.

Appendix 1 provided a questionnaire which covered regularity and length of Audit Committee meetings; outstanding actions from Audit Committee Performance Review 2017-18; and information provided to Audit Committee Members. The responses provided by Members were provided in the report.

It was concluded that the Audit Committee needed to review the answers provided and decide what actions were needed to allow Members to fully discharge their duties under the terms of reference. It was added that once these actions were agreed, Officers should be advised regarding what Members want from them to help them discharge their duties.

The Committee commented on the following: -

- Introducing a timed agenda to manage meeting times more effectively;
- Limit the time for presentations / questions;
- Limit meetings to 2 hours in order to do the reports justice.

The Chair added that she had discussed changes to the Committee with Huw Evans, Head of Democratic Services who had made the following suggestions: -

- 2/3 hour meetings was reasonable;
- Members can be asked regarding starting meetings at 10 am / 2 pm;
- Audit Committee can be moved to a six-week cycle after May 2020 and the Council Constitution would be amended to reflect this change;
- For information reports could be circulated outside the meeting.

She added that she would meet with the Democratic Services Officer in order to progress matters and would continue to meet on a quarterly basis.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) An update report be made to the next scheduled meeting.

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

The Chief Auditor presented the Audit Committee Tracker Report 'for information'.

The Chair noted that some items remained outstanding and she had requested the Chief Auditor to nominate a lead officer / designation for each one.

The meeting ended at 3.45 pm

**Chair**