



City and County of Swansea

Minutes of the Special **Audit Committee**

Committee Room 5, Guildhall, Swansea

Monday, 16 September 2019 at 2.00 pm

Present: P O'Connor (Independent Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
M B Lewis

Councillor(s)

D W Helliwell
J W Jones
L V Walton

Councillor(s)

T J Hennegan
E T Kirchner

Officer(s)

Jeremy Parkhouse
Nick Davies
Gavin Evans
Tracey Meredith

Democratic Services Officer
Principal Auditor
Young People Services Manager
Chief Legal Officer / Monitoring Officer

Also Present

Jason Garcia
David Williams

Wales Audit Office
Wales Audit Office

Apologies for Absence

Councillor(s): P M Black, O G James, P K Jones and T M White

28 **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 T J Hennegan - Minute No.29 - Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 April 2019 to 30 June 2019 – Governor of Clwyd Primary School – personal.

Councillor P R Hood-Williams - Minute No.29 - Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 April 2019 to 30 June 2019 – Governor of Crwys Primary School – personal.

Councillor J W Jones - Minute No.29 - Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 April 2019 to 30 June 2019 – Governor of Olchfa Comprehensive School – personal.

Councillor M B Lewis - Minute No.29 - Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 April 2019 to 30 June 2019 – School Governor – personal.

Councillor L V Walton - Minute No.29 - Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 April 2019 to 30 June 2019 – School Governor of Dylan Thomas Community School – personal.

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

29 Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 April 2019 to 30 June 2019.

Nick Davies, Principal Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2019 to 30 June 2019.

A total of 28 audits were finalised during the quarter. The audits finalised were provided in Appendix 1, which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. A total of 248 audit recommendations were made which management agreed to implement them all, i.e. 100% of the recommendations made were accepted against a target of 95%. Appendix 2 provided a summary of the scope of the reviews finalised during the period.

It was added that discussions were still ongoing with the audit management software provider regarding the practicalities of introducing a new Performance Indicator and the Principal Auditor added that this process had now been introduced and would be discussed in the Quarter1 Follow Up Report for 2019/2020. Details of grants certified during the quarter were also reported.

Appendix 3 showed each audit included in the Audit Plan approved by Committee in April 2019 and identified the position of each audit as at 30th June 2019. 20% of the planned reviews had been completed to at least draft report stage, with an additional 34% of the planned audits in progress. As a result approximately 54% of the Audit Plan was either completed or in progress.

It was highlighted that one moderate report for Young People's Services 2019/20 was issued in the quarter and details of the significant issues which led to the moderate rating were provided.

The Chair expressed her appreciation for the additional information provided in the report.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The Principal Auditor circulates the detail of the Accounts Payable audit report finding regarding duplicate payments and the scope of the audit examining information governance.

30 Internal Audit Moderate Rating Follow Up Report - Young People's Services 2019/20. (Verbal)

Gavin Evans, Young People's Services Manager provided a verbal update regarding the moderate audit rating received by Young People's Services 2019/20. He explained that the recommendations arising from the audit had been reviewed and an action plan had been completed ready for the follow-up audit scheduled in November 2019.

He provided an update on the following key areas: -

- P-Card Expenditure – All staff within the Business Support Team had received training.
- Inventories – A number of issues had been reviewed and a new system had been introduced. However, it was recognised that some elements were still not compliant. There were 4 posts dealing with inventories, 2 of which had been vacant but had been filled since the audit and the new staff had been fully trained.
- Unofficial Funds – These involved small accounts e.g. tuck shops which lacked compliance. This had been reviewed, staff had been trained and were now fully aware of the requirements.
- Disclosure and Barring Service (DBS) Checks – The audit had highlighted a systematic issue linked with youth club staff. An additional system had been re-installed which would run alongside the current system which would pick up DBS details. It was added that the area would undergo a significant restructure over the next 6 months but measures were in place to ensure all DBS checks were completed correctly.

The Principal Auditor confirmed that an Authority wide audit of DBS Checks was in the current Audit Plan and currently underway.

The Committee discussed the following: -

- Good work being done at youth clubs throughout Swansea;
- The need for written reports to be provided in future;
- DBS Checks being a very high risk area for the Authority and the need for the follow-up audit to address the issues raised;
- Management of data;
- The amounts of money involved with duplicate payments and the need for accuracy when collecting information.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The issues highlighted, particularly surrounding DBS Checks, be addressed in the follow-up audit in November 2019;
- 3) Written reports be provided in future moderate audits.

31 Internal Audit Recommendation Follow-up Report Q1 2019/20.

The Principal Auditor presented a report to allow Committee to monitor the implementation status for those audits that have been subject to a follow up review in the quarter.

Appendix 1 provided a summary of the recommendations accepted and implemented. Appendix 2 provided details of recommendations not accepted and implemented.

In addition, the report provided further details of standard follow-up procedures, fundamental audits, non-fundamental audits, Chief Auditors Group PI's and External Audit recommendation tracking.

The Committee discussed the follow up procedures, particularly regarding the follow-up of recommendations not completed.

The Chair commented that efficiency savings could be made in respect of low risk / best practice recommendations. The Principal Auditor stated that managers receive a follow up email asking them to confirm that all recommendations had been implemented for audits that had received a high or substantial level of assurance. Any reviews receiving a moderate or limited level of assurance were subject to a follow up visit, whereby the medium and high risk areas were re-tested.

Resolved that the contents of the report be noted.

32 Draft Audit Committee Annual Report 2018/19.

The Chair presented the draft Audit Committee Annual Report 2018/19.

She expressed her thanks to the Chief Auditor and Democratic Services for their support.

The Chair highlighted the Committees progress in the previous 12 months in addressing the Wales Audit Office recommendations to strengthen the Committees effectiveness in fulfilling the Committee's terms of reference.

She referred to the presentation on the Council's Assurance Framework by Adam Hill, Deputy Chief Executive which provided assurance but was also an area for improvement in the development of the assurance framework.

She also praised Richard Rowlands, Strategic Delivery and Performance Manager for developing the new electronic risk management process / system and commented that it would be unlikely that the new system would become fully implemented and operational for some time. The current status meant that the Audit Committee was unable to fully review the effective development and operation of risk management in the Council and the Chair requested that the Council note the position.

She highlighted the proposed review of the Council's financial position by the Wales Audit Office, emphasising the high risk of the significant financial challenges facing the Authority. The Chair commented that the Authority should ensure that recovery plans are developed to ensure the Council plans and overspends are addressed.

Resolved that: -

- 1) The draft report be agreed and forwarded to Council for approval;
- 2) The Section 151 Officer updates the next Audit Committee on recovery plans in respect of the significant financial challenges facing the Authority.

33 Annual Governance Statement.

Tracey Meredith, Chief Legal Officer provided a 'for information' report which updated the Audit Committee on the final version of the Annual Governance Statement included within the Statement of Accounts.

She added that following discussion between the Chair of Audit and the Chief Legal Officer, Audit Committee comments around governance had been incorporated into the finalised Annual Governance Statement attached at Appendix A. The Annual Governance Statement was presented to full Council as part of the Statement of Accounts on 29 August 2019.

She highlighted the requirement for a Member of the Audit Committee to be a member of the Annual Governance Group and outlined that the terms of reference had been drafted and were awaiting approval from the Deputy Chief Executive. She added that the draft terms of reference included oversight of the Senior Management Assurance Statements and assisting in consideration of the significant governance issues going forward. Jason Garcia, Wales Audit Office commented that the role would give independent assurance to the Committee.

Resolved that Councillor LV Walton be elected as the representative of the Audit Committee on the Annual Governance Group for 1 year only.

34 Audit Committee Action Tracker Report. (For Information)

The report was provided 'for information'.

35 Audit Committee Work Plan. (For Information)

The report was provided 'for information'.

36 Progress addressing Wales Audit Office Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities. (For Information)

The report was provided 'for information'.

37 Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales Report. (For Information)

The report was provided 'for information'.

38 Wales Audit Office Report - Local Government Services to Rural Communities. (For Information)

The report was provided 'for information'.

39 Local Government Services to Rural Communities. (For Information)

The report was provided 'for information'.

40 Presentation - Wales Audit Office - Review of Audit Committee Effectiveness.

Jason Garcia and David Williams, Wales Audit Office and the Principal Auditor facilitated a session to allow the Audit Committee to complete a review of its effectiveness during 2018/19.

The Principal Auditor provided a presentation on the work of Internal Audit and a group session followed where Members were requested to complete questionnaires on how the Committee was organised and the information provided in the meetings.

Due to time constraints, it was proposed that the Wales Audit Office presentation be provided at the next scheduled meeting.

Resolved that: -

- 1) The Wales Audit Office presentation be provided to the next scheduled meeting;
- 2) Questionnaires be circulated to Councillors who had not attended the meeting;
- 3) The presentation provided by the Principal Auditor be circulated to the Committee;
- 4) Wales Audit Office provide feedback from the questionnaires at the next scheduled meeting.

The meeting ended at 4.05 pm

Chair