



## City and County of Swansea

### Notice of Meeting

You are invited to attend a Meeting of the

## Audit Committee

**At:** Remotely via Microsoft Teams  
<https://bit.ly/2Bqhmmf>

**On:** Tuesday, 30 June 2020

**Time:** 2.00 pm

**Chair:** Paula O'Connor

#### Membership:

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

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#### Agenda

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*Huw Evans*

**Huw Evans**  
**Head of Democratic Services**  
**Tuesday, 23 June 2020**

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**Contact: Democratic Services: - 636923**

# Agenda Item 3



City and County of Swansea

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

Committee Room 5, Guildhall, Swansea

Wednesday, 29 January 2020 at 2.00 pm

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

**Councillor(s)**

C Anderson  
T J Hennegan  
J W Jones  
L V Walton

**Councillor(s)**

P M Black  
P R Hood-Williams  
E T Kirchner  
T M White

**Councillor(s)**

D W Helliwell  
O G James  
M B Lewis

**Officer(s)**

Simon Cockings  
Jeremy Davies  
Nick Davies  
Emma Johnson  
Jeremy Parkhouse  
Jamie Rewbridge

Chief Auditor  
Group Leader Parks and Cleansing  
Principal Auditor  
Service Centre Helpdesk & DBS/SCW Manager  
Democratic Services Officer  
Strategic Manager Leisure Partnerships, Health & Well Being  
Chief Finance Officer / Section 151 Officer  
Deputy Chief Legal Officer  
Service Centre Manager

Ben Smith  
Debbie Smith  
Sian Williams

**Also Present**

Jason Garcia                      Wales Audit Office

**Apologies for Absence**

None.

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**63 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. 68 - Internal Audit Recommendation Follow-Up Report, Quarter 2 2019/20 – School Governor at Clwyd Primary Community School – personal.

Councillor P R Hood-Williams – Minute No. 64 - Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019 – School Governor at Crwys and Cila Primary Schools - personal.

Councillor J W Jones - Minute No. 64 - Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019 – School Governor at Olchfa School - personal.

**64 Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019.**

Simon Cockings, Chief Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July to 30 September 2019.

A total of 25 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 203 audit recommendations were made which management agreed to implement 201, i.e. 99% 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. Details of the grants certified in the quarter were also provided.

Appendix 3 showed that by the end of September 2019, 35% of the planned reviews had been completed to at least draft report stage, with an additional 42% of the planned audits in progress. As a result, approximately 77% of the Audit Plan was either completed or in progress.

It was added that three moderate reports were issued in the quarter and brief details of the significant issues which led to the moderate ratings were provided. These were for the following service areas and progress updates were provided at the meeting: -

- Foreshores & Lettings 2019/20;
- Cleansing Services 2019/20;
- Disclosure & Barring Service 2019/20

Information regarding the follow-ups completed between 1 July 2019 to 30 September 2019 were provided, including the two moderate Young People's Services and Accounts Receivable audits.

The Committee queried why the Village Lane site had no income for parking for a number of years, with arrears dating back approximately 10 years and why this had not been identified in previous audits.

It was also proposed that the Chair writes to Human Resources regarding DBS checks to clarify the time limit for staff to be removed from their job in the event of a negative check.

The Chair queried the significant arrears recorded where no write-off process was in place in respect of the audit of libraries and the lack of appropriate evidence to reconcile overtime payments in respect of the audit of the Food and Safety Division.

**Resolved that: -**

- 1) The contents of the report be noted;
- 2) The Chief Auditor provides the Committee with additional information regarding previous audits at the Village Lane site and why arrears dating back approximately 10 years were allowed to accrue;
- 3) The Chief Auditor provides the Committee with additional information regarding the significant arrears recorded where no write-off process was in place in respect of the audit of libraries and the lack of appropriate evidence to reconcile overtime payments in respect of the audit of the Food and Safety Division;
- 4) The Chair writes to Human Resources regarding DBS checks to clarify the time limit for staff to be removed from their job in the event of a negative check.

**65 Foreshore & Lettings Audit Report 18/19.**

Jamie Rewbridge, Strategic Manager Leisure Partnerships Health Wellbeing presented a report that provided an update on the Foreshore and Lettings audit 2018/2019.

It was outlined that as a result of an internal audit of the service area in 2019, a moderate assurance level was given. Following this, an action plan, provided at Appendix A, was developed to address the issues identified and appropriate implementation steps put in place. It was highlighted that since the date of the audit, Boat Parking had transferred from Cultural Services to Highways & Transportation.

The Action Plan highlighted all the medium risk items only (there were no high-risk actions), progress to date / updated actions in the areas below as follows: -

- Foreshore Lettings
- Langland Beach Huts
- Boat Parking
- Caravan Park

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Langland Beach Huts – Previous booking, cash and receipt systems used and the progress to online bookings;
- Langland Beach Huts – How the income received had matched the budget / ledger;
- Boat Parking – Transfer of the service area to Highways & Transportation; open nature of the Knab Rock site; the need to manage the parking effectively; legally collecting arrears owed / removal of boats when no payment is made; the changes implemented at Knab Rock including weekly inspections and photographs / database / following the new procedures at Southend and Village Lane sites; use of the law of lien, giving owners 3 months to respond to notices.
- Caravan Park – Not allowing any sub-letting of any caravans; logging all invoices / monthly monitoring / allowing various payment plans.

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

**66 Cleansing Service - Findings Update Internal Audit Report 2019/2020.**

Jeremy Davies, Group Leader Parks and Cleansing presented a report which updated the Committee on the audit of the Cleansing Service in the Waste, Parks and Cleansing Service.

It was outlined that as a result of an internal audit of the service area in April 2019, a moderate assurance level was given. Following this, an action plan was developed to address the issues identified and appropriate implementation steps put in place.

The Action Plan highlighted the high / medium risk items, progress to date / updated actions in the areas below as follows: -

- Corporate Flexitime Policy (High Risk)
- Authorised Signatory List for the Service
- Adhering to Corporate Procedure Rules for spends over £5,000
- Staff adhering to the Corporate Travel & Subsistence Policy when submitting mileage claims
- Officer providing evidence of vehicle insurance cover

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Financial Control – Noting the lack of financial control for a period of time;
- Agency Workers – Employment of agency workers (currently 11) and the programme to reduce these numbers and employ trainees. Using agency workers to cover vacancies;
- Use of black bags to empty litter bins by Council staff;
- Swansea BID – Previous lack of a robust enough agreement with Swansea BID and the agreement of new terms going forward;
- Long Term Sickness – Noting the previous long term sickness of a senior member of staff and no arrangements being in place to cover the absence;
- SLA's – Good communication / relationship with Swansea BID / Community Councils;
- Staff Numbers – Over 300 staff being employed within the Parks and Cleansing services and the ongoing review to strengthen the service area.

**Resolved** that: -

- 1) the contents of the report be noted;
- 2) the previous long term sickness of a senior member of staff and no arrangements being in place to cover the absence be noted and highlighted to the Department.

**67 Disclosure and Barring Service - Final Internal Audit Report 2019/20.**

Sian Williams, Service Centre Manager and Emma Johnson, Service Centre Helpdesk & DBS/SCW Manager provided a verbal update to the Committee on the audit of the Disclosure and Barring Service 2019/20.

It was outlined that as a result of an internal audit of the service area in 2019, a moderate assurance level was given. Following this, an action plan was developed to address the issues identified and appropriate implementation steps were put in place.

It was highlighted that the audit contained 5 key summary points and 12 recommendations. 9 of the recommendations had been completed, 1 was pending the completion of the Oracle project, 2 others were also linked to the completion of the Oracle project. It was added that this was the first time the service area had received a moderate audit which was largely due to the significant cutbacks and the transfer of staff to the Oracle project.

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- DBS in Schools – It was noted that a number of school staff DBS' had expired and had not been renewed. It was explained that the renewal was the responsibility of the employee. However, a renewal report was now run 4 months in advance of the DBS end date and was cross referenced with Education lists / copied to the staff members line manager / escalated after 2 months;
- Staff Resources – It was highlighted that following significant budget savings, staff resources within the service area were stretched to the maximum. It was hoped that the situation would improve following the completion of the Oracle project;
- Negative DBS Checks – The length of time employees remained in post following a negative DBS check. It was explained that this was yet to occur but a risk assessment should be completed and the matter passed to Human Resources / Department if this was not done;
- Involvement of Powys County Council – It was explained that Powys County Council had won the tender to host DBS checks and applications were processed on average within 4 days as opposed to weeks previously;
- Follow-up audit - To be undertaken in quarter 4 and would examine any outstanding issues;
- Assurance – That 169 posts identified as requiring a DBS checks had been completed / the areas of the Authority where the individuals worked / whether the member of staff can be suspended if they fail to complete the DBS application;

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

**68 Internal Audit Recommendation Follow-Up Report - Quarter 2 2019/20.**

The Chief Auditor presented a report that provided the Committee with the status of the recommendations made in those audits where the follow-up's has been

undertaken in Quarter 2 2019/20, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.

Appendix 1 provided a summary of the recommendations accepted and implemented. There were no recommendations not accepted and implemented to be reported.

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 Chair commented that the External Audit tracking needed to be more robust and did not provide assurance. She added that a number of External Audit recommendations remained outstanding for two or more years and that more control was required.

Jason Garcia, Wales Audit Office (WAO) commented that any recommendations made by WAO would be automatically followed up the following year.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The need for more robust tracking of External Audit recommendations be referred to the Corporate Management Team for discussion.

**69 Audit Committee Action Tracker Report.**

The Audit Committee Tracker report was provided for information.

**70 Audit Committee Work Plan.**

The Audit Committee Work Plan was reported for information.

The meeting ended at 3.10 pm

**Chair**





City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 2 - Civic Centre, Swansea

Tuesday, 11 February 2020 at 2.00 pm

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

**Councillor(s)**

C Anderson  
P R Hood-Williams  
J W Jones  
T M White

**Councillor(s)**

D W Helliwell  
O G James  
M B Lewis

**Councillor(s)**

T J Hennegan  
P K Jones  
L V Walton

**Officer(s)**

Simon Cockings  
Jeffrey Dong

Tracey Meredith  
Martin Nicholls  
Jeremy Parkhouse  
Richard Rowlands  
Ben Smith

Chief Auditor  
Deputy Chief Finance Officer / Deputy Section 151  
Officer.  
Chief Legal Officer / Monitoring Officer  
Director of Place  
Democratic Services Officer  
Strategic Delivery & Performance Manager  
Chief Finance Officer / Section 151 Officer

**Also Present**

Jason Garcia  
Daniel King

Wales Audit Office  
Wales Audit Office

**Apologies for Absence**

P M Black, E T Kirchner, S Pritchard.

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

In accordance with the Code of Conduct adopted by the City and County of Swansea, no interests were declared.

**72 Minutes.**

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

**Minute No.56 – Overview of the Overall Status of Risk – Quarter 2 2019/20**

The Chair noted that the following remained outstanding: -

- CR 88 – Health and safety / CR101 – How many Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) cases were reported to Health & Safety Executive in 2018 and 2019;
- CR101 – Regional working – have partnerships reviewed their governance arrangements and have they produced their annual reports;
- PE85 – Workforce planning and PE98 – what systems failures had occurred.

**Resolved** that the actions be added to the Action Tracker Report and responses be provided at the next ordinary meeting.

### **73 Scrutiny Work Programme 2019-20.**

Councillor M H Jones, Chair of the Scrutiny Programme Committee (SPC) presented a report which was provided to support the developing relationship between Scrutiny and the Audit Committee and sharing of information.

It was added that the report explained the background and purpose of the Scrutiny Work Programme, which was developed, managed and monitored by the Scrutiny Programme Committee. The report provided the overall agreed Scrutiny Work Programme, including work being carried out through various Scrutiny Panels and Working Groups established by the Committee; the SPC work plan; the work plan of the Service Improvement & Finance Scrutiny Performance Panel; and the Scrutiny Annual Report for 2018-19.

She praised the work of the Scrutiny Committee and Panels and referred to the work of the Scrutiny Team, highlighting the vacancy that had existed in the team since October 2019. She also highlighted the lack of support received by Scrutiny Panels compared to Policy Development Committees (PDC's) and the timing issues encountered when organising pre-decision scrutiny.

The Committee praised Councillor Jones for the manner in which she had chaired the Scrutiny Programme Committee and emphasised the importance and value of scrutiny, particularly when the Scrutiny Team were short staffed.

The Chair commented that problems with staff resource was a widespread issue and she would seek assurance regarding future management.

She added that tracking of external audit recommendations remained an issue. However, the Chair of Scrutiny explained that external audit reports were reported to scrutiny panels, who monitored progress.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The Chair seeks assurance regarding future management of staff and staff resource being an issue throughout the Council;
- 3) Future monitoring of external audit recommendations be discussed further.

**74 Presentation - Update on Internal Control Environment Including Risk Management - Director of Place.**

Martin Nicholls, Director of Place provided a detailed and informative presentation on Governance and Assurance within the Place Directorate. Details provided included:

- Overview of Place Directorate
- Financial Control
- Assurance Framework

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

- Residents' concerns regarding fly-tipping, particularly enforcement and the perceived success of neighbouring authorities in catching / penalising offenders compared to Swansea Council;
- The possibility of the Council using CCTV coverage of known fly-tipping hotspots, using the public to identify offenders and how with evidence, the Council prosecutes offenders;
- Expanding the use of CCTV to include areas of concern highlighted by Ward Councillors;
- Improving the marketing of trade waste services provided by the Authority, the recycling difficulties encountered with trade waste collections and the introduction of a new pricing mix;
- The Council providing additional information regarding recycling to residents;
- The change of delivery of leisure services to Freedom Leisure;
- The proportion of grants that made up gross / net expenditure and the difference if there were no grants available.

The Chair thanked the Director of Place for his presentation and stated that it had provided the Committee with a thorough understanding of procedures and had given assurance regarding management controls within the Place Directorate.

**75 Internal Audit Annual Plan Methodology Report 2020/21.**

The Chief Auditor presented the report which provided a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2020/21 being reported to the Special Committee for approval on 10 March 2020.

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

control environment covering corporate governance, risk management and internal control.

Details of the Internal Audit Plan Methodology were outlined and an extract of the PSIAS requirements regarding internal audit planning was provided at Appendix 1, details of Internal Audit Annual Planning Process was provided at Appendix 2 and a copy of the Risk Assessment form used was provided at Appendix 3.

The Committee highlighted that Health & Safety (CR88) did not have any documentation relating to air quality.

The Chair commented upon Workforce Strategy (CR85), particularly the Council agreeing a Strategy with resources at a bare minimum and Regional Working (CR101), particularly providing assurance to partner organisations. Jason Garcia, Wales Audit Office explained that Neath Port Talbot Council provided Scrutiny of the City Deal Joint Committee and Swansea Councillors represented the Authority on the Scrutiny Committee, providing assurance.

The Chief Auditor added that a follow up audit of the City Deal would be undertaken in Quarter 4 and would be reported to a future meeting.

**Resolved** that: -

- 1) the contents of the report be noted;
- 2) the risk owner of Health & Safety (CR88) provide further information outlining why air quality was not included in the risk;
- 3) the Chief Auditor includes a review of Workforce Strategy in the programme of work next year.

## **76 Internal Audit Recommendation Follow-Up Report Quarter 3.**

The Chief 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 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.

It was highlighted that 99% of the audits had been completed and only 1 low risk recommendation remained outstanding.

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

## **77 Governance Group Update Report.**

Richard Rowlands, Strategic Delivery & Performance Manager provided a verbal update on the newly formed Governance Group.

It was outlined that the Group held its first meeting in January 2020 and discussed the following: -

- Senior management assurance statements being discussed by the Group;
- Budget pressures – both external and internal;
- Workforce capacity – including resilience, capability, appraisals, performance and inductions;
- Embedding the principles of Well-being of Future Generations (Wales) Act 2015 into Council business / daily work;
- LAC Issues;
- Partnership Governance – patchy governance issues;
- ICT Disaster Recovery – concerns regarding data breaches;
- Statements providing assurance.

It was added that all of the issues raised would be reviewed by the Group. Directors had a key role and had to ensure their statements were supported, there was a need to involve Heads of Service to provide them with ownership and ensure the process was manageable.

Councillor L V Walton, who represented the Committee on the Group, also commented that Heads of Service taking ownership was positive and suggested that they should countersign the SMAS. She highlighted the significance of all issues, the detail contained in the paperwork from the previous 5 years, that the current SMAS document was an improvement on earlier versions and the need to provide evidence as support.

The next meeting of the Group was scheduled for 11 March 2020 and details would be provided to a future Audit Committee.

The Chair highlighted issues with the timing of the Annual Governance Statement. The Chief Legal Officer stated that the Committee should consider having a six monthly update report next year.

**Resolved** that: -

- 1) the contents of the update be noted;
- 2) the Governance Group will ensure that a six-month update report is provided to the Audit Committee next year.

## **78 Overview of the Overall Status of Risk - Quarter 3 2019/20.**

The Strategic Delivery & Performance Manager presented a 'for information' report which presented an overview of the status of risk in the Council during Quarter 3,

2019/20 to provide assurance to the Committee on the operation of the risk management policy and framework within the Council.

Appendix A provided the Quarter 3, 2019/20 period and compared an overview of the position to Quarter 2, 2019/20. The Corporate and Directorate Risk Registers were provided at Appendix B.

The Committee discussed the following: -

- Reasons for closure – Risks being closed down without full explanations outlining why the risk had closed;
- Staff Resources - Concern that the Strategic Delivery & Performance Manager only had one officer available to work on risk and plans to build knowledge and resilience within the team;
- Risk Owners – The Committee requesting that risk owners to attend future meetings to provide assurance regarding risks;
- Swansea's Natural Resources & Biodiversity, Risk 46 – Provided a comprehensive description of the risk and is a reputational risk for the Authority;
- ICT Disaster Recovery, Risk 224 – current position and the need for the risk owner to address the Committee to provide an update and outline the controls against the risks.

**Resolved** that: -

- 1) the Strategic Delivery & Performance Manager considers the exception reporting format for future meetings;
- 2) the reasons for the closure of a risk be reported to the next Audit Committee meeting.

## **79 Trusts & Charities.**

The Deputy Section 151 Officer presented 'for information' the Trusts and Charities report to provide background information to the Committee on the range of trusts and charities of which the Council is the nominated trustee.

The Council's portfolio of Trusts and Charities was outlined at Appendix 1. It was added that the Council had historically supported these trusts and charities in the provision of professional services on a pro bono basis (Legal, Finance, Democratic Services, IT, Facilities and Education & Social Services) to enable the trust & charity to undertake its objectives. The costs / time associated with this provision has never been quantified and the degree of support and activity between Trusts and Charities varied widely.

Appendix 1 provided the summary of trusts and charities and Appendix 2 gave details of the Trustees Panel. Details of governance and the resources to support the Trusts & Charities were detailed. Reference was also made to the previous pilot scheme taken out with Community Foundation in Wales.

The Committee discussed the following: -

- Dormant Accounts - The number of dormant accounts and the amount of resource required to close down the accounts;
- Morriston Park Fountain - The possibility of transferring funds to the Friends of Morriston Park Group and the amount of resources required to close down the accounts;
- Legal Implications – Legal implications of using funds to support projects other than those covered in the trusts deed.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) Trusts and Charities be the subject of a full Internal Audit Review.

**80 Audit Committee Action Tracker Report.**

The Audit Committee Action Tracker Report was provided for information.

**81 Audit Committee Work Plan.**

The Audit Committee Work Plan was reported for information.

The meeting ended at 3.43 pm

**Chair**



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5, Guildhall, Swansea

Tuesday, 10 March 2020 at 2.00 pm

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

**Councillor(s)**

C Anderson  
P R Hood-Williams  
E T Kirchner

**Councillor(s)**

P M Black  
P K Jones  
M B Lewis

**Councillor(s)**

D W Helliwell  
J W Jones  
T M White

**Officer(s)**

Jonathan Atter  
Mark Barrow  
Adrian Chard

Simon Cockings  
Stuart Davies  
Rob Myerscough  
Jeremy Parkhouse  
Ben Smith  
Debbie Smith  
Gethin Sutton  
Nigel Williams

Headteacher - Gwyrsoydd Primary School  
Fleet Manager  
Strategic Human Resources and Organisational  
Development Manager  
Chief Auditor  
Head of Highways & Transportation  
Area Support Manager  
Democratic Services Officer  
Chief Finance Officer / Section 151 Officer  
Deputy Chief Legal Officer  
Headteacher - Ysgol Pen y Bryn  
Head of Building Services

**Also Present**

Viv Dodd Chair of Governors - Gwyrsoydd Primary School

**Apologies for Absence**

L Walton

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## 82 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 P M Black – Minutes No. 89 – Draft Internal Audit Annual Plan 2020/21 – School Governor at Pentrehafof Comprehensive School – personal.

Councillor P R Hood-Williams – Minute No.83 – Internal Audit Annual Plan 2019/20 – Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019 – Governor of Crwys and Cila Primary Schools – personal.



Councillor J W Jones - Minute No.83 – Internal Audit Annual Plan 2019/20 – Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019 – Governor of Olchfa Comprehensive School – personal.

Councillor M B Lewis – Minute No.89 – Draft Internal Audit Annual Plan 2020/21 – Member of the Port Health Authority – personal.

Councillor T M White – Minute No. 89 – Draft Internal Audit Annual Plan 2020/21 – Member of the Port Health Authority, School Governor at Pentrehafod Comprehensive School and Councillors Expenses & Allowances – personal.

**83 Internal Audit Annual Plan 2019/20 - Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019. (Simon Cockings)**

Simon Cockings, Chief Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2019 to 31 December 2019.

A total of 39 audits were finalised during the quarter. The audits finalised were provided at Appendix 1, which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. Appendix 2 provided a summary of the scope of the reviews finalised during the period.

A total of 482 audit recommendations were made and management agreed to implement 480 recommendations, i.e. 99% of the recommendations made were accepted against a target of 95%. Details of those recommendations that were not accepted were provided at Appendix 3. Details of the grants certified in the quarter were also provided.

Appendix 3 also showed that by the end of December 2019, 59% of the planned reviews had been completed to at least draft report stage, with an additional 33% of the planned audits in progress. As a result approximately 92% of the Audit Plan was either completed or in progress.

It was added that five moderate reports were issued in the quarter and brief details of the significant issues which led to the moderate ratings were provided. These were for the following service areas and progress updates were provided at the meeting: -

- Gwyrosydd Primary School;
- Ysgol Pen-y-Bryn;
- Fleet Maintenance;
- Building Services Plant (Heol y Gors);
- Employment of Agency Staff.

Information regarding the follow-ups completed between 1 October 2019 to 31 December 2019 were provided, including the second follow up of the Young People's Services audit in November 2019, which concluded that significant progress had been made in implementing the outstanding recommendations. Follow up work was also undertaken in relation to the Swansea Bay City Deal.

The Chair and Chief Finance Officer expressed concern regarding the common themes of procurement, purchasing, lack of control, lack of compliance, lack of resources, lack of management control and the lack of IT progress. The Chair added that she would like to see those responsible to be held to account in order for these issues to be addressed.

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

**84 Gwrosydd Primary School Audit Report 2019/20. (Jonathan Atter - Headteacher)**

Jonathan Atter and Viv Dodd, Headteacher and Chair of Governors at Gwrosydd Primary School presented a report that provided an update on the Gwrosydd Primary School Audit Report 2019/20.

It was outlined that as a result of an internal audit of the school in 2019, a moderate assurance level was given. Following this, an action plan, provided at Appendix A, was developed to address the issues identified and appropriate implementation steps put in place.

The follow up Audit in January 2020 acknowledged that 18 of 21 recommendations were being fully implemented. 3 low risk recommendations had not been fully implemented and would be reviewed at the next Audit review. These had now been implemented from the point of view of the school.

The Action Plan highlighted all the high and medium risk items, progress to date / updated actions in the areas below as follows: -

- Banking procedures
- Unofficial funds
- School meal income
- Expenditure
- Inventory
- Computer security

The Committee asked questions of the Headteacher and Chair of Governors in relation to the report and responses were provided accordingly.

Discussions centred around the following: -

- Lack of financial procedures undertaken by the school / Governing Body / lack of awareness of financial procedure;
- How larger items (over £5k) were referred to the Governing Body, breaches caused by cumulative spends on providing supply cover / covering utility bills, lack of official orders on SIMS and how no spends of over £5k were made without the knowledge of the Headteacher;
- Auditing of the school fund, how everything was clear and transparent and VAT issues highlighted;

- Lack of procurement advice available to schools and acceptance of oversights made in respect of cumulative spend;
- How all spends made were for the benefit of the School and its pupils;
- How the Headteacher kept the Governing Body informed of spending and had managed to obtain items outside of the formal ordering process, e.g. several whiteboards for £150, saving the School significant expenditure;

The Chair thanked the Headteacher and Chair of Governors for attending the meeting and for providing assurance. She added that the control of cumulative spend was critical and that procurement advice available to schools required strengthening, particularly the lack of official orders which had become a regular theme.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The Chief Auditor notes the regular occurrence of lack of official orders on SIMS in future school audits.

#### **85 Ysgol Pen y Bryn Audit Report Update 2019/20. (Gethin Sutton - Headteacher)**

Gethin Sutton, Headteacher of Ysgol Pen Y Bryn presented a report that provided an update on the Ysgol Pen Y Bryn Audit Report 2019/20.

It was outlined that as a result of an internal audit of the school in 2019, a moderate assurance level was given. The report highlighted only five Medium Risk items as there were no High Risk actions to address. All items were listed in the Management Action Plan at Appendix A, which details all recommendations, Medium Risk, Low Risk and recommended Good Practice, as well as the associated actions taken to remove them.

A follow up visit in January noted that good progress had been made although 7 of the 25 recommendations had not been fully implemented, including 2 Medium Risks, 4 Low Risks and 1 Good Practice. The Headteacher provided a progress update regarding the outstanding actions and explained that the delay had been caused by him having to take time off to recover from an operation. He confirmed that only 1 action was not fully implemented.

The Action Plan highlighted all the high and medium risk items, progress to date / updated actions in the areas below as follows: -

- Unofficial funds
- Expenditure
- Management of delegated resources
- Bank reconciliations
- Inventory
- Mini buses
- Computer security

The Committee asked questions of the Headteacher in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Closure of dormant flexible saver account highlighted in the audit;
- Official orders being raised in advance for all expenditure to ensure authorisation / non-order payments being restricted to utilities / teaching supply invoices only;
- Monitoring of the school budget going forward;
- Attendance at a conference in Swansea by school representatives, the significant benefit this had brought to the senior team;
- Concern regarding the cost of attendance / overnight accommodation when teachers worked in Swansea, decision to cease attending future conferences by the school and the Chair's unease with the school's previous attendance / justification of the cost of attendance;
- How all spends made were for the benefit of the School and its pupils.

The Chair thanked the Headteacher for attending the meeting and for providing assurance. She stressed the importance of complying with internal control systems to safeguard the school and its teaching staff.

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

## **86 Fleet Maintenance Audit Report 2019/20. (Mark Barrow)**

Stuart Davies, Head of Highways and Transportation and Mark Barrow, Fleet Manager presented a report that provided an update on the Fleet Maintenance Audit Report 2019/20.

It was outlined that as a result of an internal audit of the service area in 2019, a moderate assurance level was given. The report addressed 1 high risk and 1 medium risk within the Final Internal Audit Report provided at Appendix A. All other risks were either low risk or good practice. An Action Plan was developed and was provided at Appendix B.

The Action Plan highlighted all the high risk, medium risk, low risk, good practice and progress to date / updated actions in the areas below as follows: -

- Purchase cards (P-Cards)
- Stores – Oil, tools & tyres
- Expenditure
- Third party recharges / income
- Inventory
- Petty cash

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Compliance with Council's Contract Procedure Rules (CPR), particularly all eligible single or aggregated expenditure being subject to competitive tender or quotations or obtaining a CPR 20 waiver if this was not possible;
- Implementing all the actions within the Action Plan by March 2021;
- Working in partnership with Neath Port Talbot County Borough Council in specialist areas by 2021;
- Inability due to lack of resources to introduce a system of independent review / spot checks to confirm parts / oil requisitioned from the Stores had been fitted to the relevant vehicle, the continued need to trust highly skilled / qualified employees in ensuring all vehicles were road worthy and legal and the option of introducing six monthly checks;
- Materiality risk in respect of consumables and management controls;
- Supervision of work / shop floor procedures undertaken;
- Audit / stock control measures / contracts awarded for tyre provision under appropriate CPR / possibility of introducing bar coding for stock control;
- Significant ongoing work managing the fleet;
- Sub contract / non-contract spend / lack of control with the ordering of supplies / introduction of new stores system.

The Chair thanked the Officers for providing the update and assurance. She highlighted the lack of control, particularly in respect of stores / ordering and added that based on materiality of expenditure that consideration be given to retrospective checks on usage / costs. The Chair suggested that Officers seek further advice from the Chief Auditor to introduce appropriate level of controls.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The Officers liaise with the Chief Auditor regarding the retrospective nature of checking.

**87 Building Services Plant - Findings Update - Internal Audit Report 2019/20.  
(Robert Myerscough)**

Nigel Williams, Head of Building Services and Rob Myerscough, Area Support Manager – Transport provided an update on the Building Services Plant – Findings Update Internal Audit 2019/20.

As a result of an internal audit on the Building Services Plant function carried out in 2019, an assurance level of moderate was given. Following this, an action plan, provided at Appendix A, was developed to address the issues identified and appropriate implementation steps put in place. Appendix B provided a graph of plant items out.

The Action Plan provided at Appendix A highlighted all the high, medium and low risk items, progress to date / updated actions in the areas below as follows: -

- Plant records
- Movement of Plant

- Orders and payment of invoices
- Recharges
- Red diesel

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Regular sample testing of stock to confirm that records maintained were accurate, progress made and bi-annual testing;
- Management / coding of plant / store items;
- The Service challenging itself to make improvements / provide assurance;
- Significant improvements made by the service;
- Testing of all electrical items on a quarterly basis and maintaining a register of the stock;
- Possibility of introducing bar reader for plant items.

The Chair thanked the Officers for presenting the update report and for providing assurance through the significant improvements made, particularly in respect of stock / plant management.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The service area further investigates the introduction of a bar reader in respect of stock management.

## **88 Employment of Agency Staff - Audit Report 2019/20. (Adrian Chard)**

Adrian Chard, Strategic HR & OD Manager and Ben Smith, Chief Finance Officer, presented a report which outlined the actions arising from the Employment of Agency Staff Audit Report 2019/20.

As a result of an internal audit on the Employment of Agency Staff carried out in 2019, an assurance level of moderate was given. Actions had been taken to address the issues identified and appropriate implementation steps put in place.

An Action Plan provided highlighted all the medium risk items only (there were no high-risk actions), progress to date / updated actions. The current Agency Workers Policy was provided at Appendix A.

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Concern regarding that the period April to November 2018 was reviewed and not a more up to date period,
- Non-compliance with policies and procedures throughout the Authority, potentially during the last 12 months;
- The delay in obtaining relevant information from departments;
- Lack of up to date information available regarding non-compliance and spend;

- Agency workers being employed in certain sections for over 12 months / vacancies not being filled and Agency workers still being employed in those areas;
- There were approximately 150 agency workers posts currently in the Authority which cost a significant amount;
- Lack of internal control and introducing triggers to ensure procedural compliance;
- Detailed testing due to occur during the Quarter 1 follow-up audit.

The Chair thanked the Officers for presenting the report and expressed concern regarding the lack of accountability and control throughout the Authority with regard to the employment of agency workers.

**Resolved** that: -

- 1) The content of the report be noted;
- 2) The Strategic HR & OD Manager provides up to date agency worker numbers, levels of non-compliance and cost to the Authority and this detail be reported to the next meeting in the Audit Committee Tracker report.

**89 Draft Internal Audit Annual Plan 2020/21. (Simon Cockings)**

The Chief Auditor presented the Draft Internal Audit Annual Plan for 2020/21 for consideration, prior to the final plan coming to Committee in April 2020 for approval.

Appendix 1 provided the draft Internal Audit Annual Plan 2020/21(Summary) and Appendix 2 provided the Draft Internal Audit Annual Plan 2020/21.

The Chair commented that following discussions with the Chief Auditor, critical issues like governance, risk management, partnerships and delegated decision-making were included in the plan. She also reiterated that she had concerns regarding procedures and wide scale non-compliance. The Committee also commented upon a pattern of non-compliance and silo working.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) Any potential additional items be highlighted to the Chief Auditor.

**90 Audit Committee Action Tracker Report. (For Information) (Jeremy Parkhouse)**

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

The Chair stated that she was scheduled to meet with the Chief Executive on 16 March 2020 to discuss some outstanding issues.

**91 Audit Committee Work Plan. (For Information) (Jeremy Parkhouse)**

The Audit Committee Work Plan was reported for information.

The meeting ended at 4.10 pm

**Chair**





City and County of Swansea

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

Remotely via Microsoft Teams

Tuesday, 26 May 2020 at 2.00 pm

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

**Councillor(s)**

C Anderson  
P R Hood-Williams  
J W Jones  
L V Walton

**Councillor(s)**

P M Black  
O G James  
M B Lewis  
T M White

**Councillor(s)**

D W Helliwell  
P K Jones  
S Pritchard

**Officer(s)**

Simon Cockings  
Huw Evans  
Adam Hill  
Jeff Fish  
Jeremy Parkhouse  
Richard Rowlands  
Ben Smith

Chief Auditor  
Head of Democratic Services  
Deputy Chief Executive / Director of Resources  
Corporate Fraud Team Investigator  
Democratic Services Officer  
Strategic Delivery & Performance Manager  
Chief Finance Officer / Section 151 Officer

**Apologies for Absence**

J Garcia

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### 92 Meeting Adjournment Request.

The Chair welcomed all in attendance to the first Audit Committee to be held under the Coronavirus (Wales) Regulations 2020.

Tracey Meredith, Chief Legal Officer / Monitoring Officer outlined that an ICT issue over the weekend had led to the server connection with Modern.gov (the Authority's Agenda Software) being severed. This meant that the Audit Committee agenda was not available for Committee Members and the public to view on the Authority's Webpages between 19.45 on 22/05/20 and 09.05 on 26/05/20. As such, the Authority had not complied with the requirements of Access to Information and advised that the meeting be adjourned.

It was proposed that the meeting stand adjourned until Monday, 1 June 2020 at 10.00am.

**Resolved** that the meeting stand adjourned until Monday, 1 June 2020 at 10.00am.

The meeting ended at 2.03 pm

**Chair**



City and County of Swansea

## Minutes of the Adjourned **Audit Committee**

Remotely via Microsoft Teams

Monday, 1 June 2020 at 10.00 am

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

**Councillor(s)**

C Anderson  
P R Hood-Williams  
L V Walton

**Councillor(s)**

P M Black  
O G James  
T M White

**Councillor(s)**

D W Helliwell  
S Pritchard

**Officer(s)**

Simon Cockings  
Huw Evans  
Jeff Fish  
Adam Hill  
Tracey Meredith  
Jeremy Parkhouse  
Richard Rowlands  
Ben Smith

Chief Auditor  
Head of Democratic Services  
Corporate Fraud Team Investigator  
Deputy Chief Executive / Director of Resources  
Chief Legal Officer / Monitoring Officer  
Democratic Services Officer  
Strategic Delivery & Performance Manager  
Chief Finance Officer / Section 151 Officer

**Also Present**

Jason Garcia                      Wales Audit Office

**Apologies for Absence**

None.

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### 93 **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 P M Black, P R Hood-Williams, J W Jones and T M White declared personal interests as school governors in Minute No.95 – Internal Audit Strategy and Annual Plan 2020/21.

Councillors C Anderson, M B Lewis and T M White declared personal interests as members of the Port Health Authority in Minute No.95 – Internal Audit Strategy and Annual Plan 2020/21.

**94 Internal Audit Charter 2020/21. (Simon Cockings)**

Simon Cockings, Chief Auditor presented a report which sought to approve the Internal Audit Charter 2020/21. He specifically highlighted the Charter outlined in Appendix 1 of the report, which included the following: -

- Definition of Internal Audit;
- Role and Function of Internal Audit;
- Scope of Internal Audit;
- Independence of Internal Audit;
- Consultancy Role of Internal Audit;
- Fraud, Bribery and Corruption Role of Internal Audit;
- Internal Audit Resources; and
- Quality Assurance and Improvement Programme

The Chief Auditor confirmed that he had no other management responsibility which restricted the independence of the Internal Audit.

The Committee queried that in light of proposed legislative changes, how the relationship between the Audit Committee and Scrutiny would be managed and emphasised the need to avoid duplication.

**Resolved** that the Internal Audit Charter 2020/21 be approved.

**95 Internal Audit Strategy & Annual Plan 2020/21. (For Information) (Simon Cockings)**

The Chief Auditor presented a report that sought approval of the Internal Audit Plan and Internal Audit Strategy for 2020/21.

The Internal Audit Strategy was provided at Appendix 1, a summary of the Internal Audit Plan 2020/21 at Appendix 2 and a list of audits planned for the year at Appendix 3, along with the planned days for each audit and the perceived risk.

He added that for 2020/21, the Internal Audit Section comprised of 9.1 full time equivalents plus the Chief Auditor, the same level of resources as 2019/20. This gave a total number of available days of 2,366. It was highlighted that the plan provided sufficient coverage across departments.

A discussion ensued and centred around the following: -

- The effect of Covid 19 on the Audit Plan going forward, how staff had worked during lockdown and the expectation that the Plan results would be effected;
- Audit of grants received and monitoring these going forward;
- Managing the workload contained in the Audit Plan, prioritising areas of highest risk.

The Chair stated that the Audit Plan was very ambitious but it would be impacted by Covid 19. It was noted that some area had a limited number of days for review and

may require in-year adjustment. She added that it was important to review the Plan throughout the year and proposed that quarterly updates be provided to the Audit Committee. She concluded that the Plan was a high risk for the Authority and sufficient coverage was needed to provide assurance at the end of the year.

**Resolved** that: -

- 1) the Internal Audit Plan and Strategy for 2020-21 be approved;
- 2) Quarterly updates be provided throughout 2020-21.

**96 Draft Audit Committee Annual Report 2019/2020. (Simon Cockings)**

The Chief Auditor presented the Draft Audit Committee Annual Report 2019-2020.

The Chair stated that there were amendments required to the report and proposed that the report be deferred until the next Audit Committee meeting.

**Resolved** that the report be deferred to the next Audit Committee meeting.

**97 Internal Audit Annual Report 2019/2020. (Simon Cockings)**

The Chief Auditor presented a report which reviewed the work of the Internal Audit Section during 2019-20 and included the Chief Auditor's required opinion on the internal control environment for 2019-20 based on the audit testing completed in the year.

A summary of the time spent in 2019-20 on the different categories of Internal Audit work was provided at Appendix 1. He made reference to 93% of the audit assignments on the Annual Plan 2019-20 being completed or in progress as at 31 March 2020.

A complete list of each audit finalised during 2019-20, along with the level of assurance, the number of recommendations made and accepted were outlined in Appendix 2 and the performance indicators 2019-20 were detailed in Appendix 3.

Details of the following were provided: -

- Follow up work completed;
- Performance indicators;
- Quality assurance and improvement programme and statement of conformance with the Public Sector Internal Audit Standards (PSIAS);
- Statement of organisational independence;
- The Chief Auditor's opinion on the work completed in 2019-20.

The Section 151 Officer referred to substantial and moderate levels of assurance within his service and informed the Committee of his intention to strengthen these areas.

The Committee discussed the following: -

- The report being very positive, particularly before Covid 19 and the good job being done by the Chief Auditor and his Internal Audit team;
- The excellent progress made in relation to work completed throughout the year by Internal Audit;
- Additional resources being provided to Accounts Receivable.

The Chair thanked and congratulated the Chief Auditor and Internal Audit staff for completing a huge programme of work.

**Resolved** that the Internal Audit Annual Report 2019-20 be approved.

**98 Internal Audit Recommendation Tracking Quarter 4 Report 2019/2020. (Simon Cockings)**

The Chief Auditor presented a 'for information' report which provided the Committee with the status of the recommendations made in those audits where the follow-up's had been undertaken in Quarter 4, 2019-20. The report allowed the Audit Committee to monitor the implementation of recommendations made by Internal Audit.

**99 Internal Audit Section - Fraud Function Anti-Fraud Plan for 2020/2021. (Jeff Fish / Jonathan Rogers)**

Jeff Fish, Corporate Fraud Team Investigator presented the report on the Anti-Fraud Plan for 2020/2021. He noted that the Anti-Fraud Plan for 2020/2021 remained very similar to 2019/20 and outlined its aims. He added that the work of the Team was largely reactive and highlighted the impact of Covid 19 upon the work of the team, including the different types of fraud being encountered during the lockdown and the continued large amount of routine work.

Appendix 1 provided the Anti-Fraud Risk Assessment Checklist 2020/21, Appendix 2 provided the Anti-Fraud Statement 2020/21 and Appendix 3 provided the Anti-Fraud Plan 2020/21.

The Committee discussed the following: -

- The balanced approach being undertaken by the Team and ensuring that employees of the Authority were claiming all benefits they were entitled to claim;
- The different types of scams being encountered;
- How the lockdown had affected the working practices of the Team

The Chair commented on the lack of proactive work being undertaken and added that the absence of this work was a risk for the Council.

**Resolved** that the Anti-Fraud Plan for 2020-21 be approved.

**100 Draft Annual Governance Statement. (Richard Rowlands)**

Richard Rowlands, Strategic Delivery & Performance Manager provided the Draft Annual Governance Statement 2019-20 report for review by the Audit Committee, prior to the report being forwarded to Council as part of the Statement of Accounts.

He referred to the Annual Governance Statement provided at Appendix A, how the Authority had complied with the 'Framework for Good Governance in Local Government', the establishment of the Annual Governance Group, internal sources of assurance, the work of the Audit Committee and the list of proposed actions to be undertaken in 2020-21.

Councillor L V Walton, the Audit Committee representative on the Annual Governance Group commented on the background work undertaken by the Group, the significant governance issues linked to the Framework which were contained in the report and the numbers contained in the risk register.

The Committee queried why there was no reference to Policy Development Committees in the report and the Chair highlighted minor typographical errors at paragraphs 9.12 and 9.13 of the report, which would be amended.

**Resolved** that the Annual Governance Statement 2019-20, subject to the typographical changes and the reference to Policy Development Committees highlighted above, be endorsed and referred to Council for approval.

**101 Performance Management Framework. (For Information) (Richard Rowlands)**

The Strategic Delivery & Performance Manager provided a 'for information' report on the Council's Performance Management Framework.

The report provided an introduction to the Framework and outlined how it fitted into the Council's overall governance arrangements. It was highlighted that the Council's Framework provided a key element of the governance arrangements and the principles of good governance based on the 'Delivering Governance in Local Government' framework published by CIPFA and SOLACE in 2016.

The main elements of the Performance Management Framework were provided and included:

- Corporate Plan
- Service Plans
- Appraisals
- Performance Monitoring

The Chair referred to the performance management diagram and highlighted the recurring theme of the inability to achieve savings and how officers / staff were held to account.

It was explained that performance management was reviewed by both the Corporate Management Team and Scrutiny, which provided a level of accountability and challenge.

**102 Wales Audit Office - Annual Audit Summary 2019. (Jason Garcia)**

Jason Garcia, Wales Audit Office (WAO) presented the Annual Audit Summary 2019 report. It was outlined that WAO completed work each year to meet the following duties:

- Audit of Accounts
- Value for Money
- Continuous Improvement
- Sustainable Development Principle

It was added that in order to meet their duties, WAO completed specific projects but also relied upon other audit work including the work of other regulators such as Care Inspectorate Wales and Estyn.

The findings of the audit work completed in respect of the audit of City & County of Swansea 2018-19 Accounts, value for money, continuous improvement, well-being of future generations examinations and other inspectorates was provided.

**103 Wales Audit Office - Financial Sustainability Assessment 2019-20. (Jason Garcia)**

Jason Garcia, Wales Audit Office (WAO) presented the Financial Sustainability Assessment 2019-20 report for the City & County of Swansea.

It was outlined that WAO assessed the sustainability of all Welsh councils' short to medium-term financial position, which included a focus upon the financial strategy of each council as well as reviewing financial indicators of each council's financial position regarding performance against the budget; delivery of savings plans; use of reserves; Council Tax; and borrowing.

Exhibit 1 provided background information regarding the Council and Exhibit 2 provided the sources of revenue of the Council.

WAO concluded that overall, the Council continued to face a significant financial challenge and needed to deliver its savings plans at the pace and scale required, whilst controlling service spending within budgets. This would remove the reliance upon one-off central financing measures to otherwise successfully balance the overall budget.

The reasons for arriving at the above conclusion and a detailed analysis of each area of investigation were outlined in the report.

Exhibit 4 provided the projected funding gap the Council had identified for the period 2020-21 to 2023-24 and Exhibit 5 provided the amount of overspend / underspend relative to the total net revenue budget. Exhibits 7, 8 and 9 contained the amount of



reserves against the annual budget, Council Tax collection rates and details of Council borrowing.

Ben Smith, Section 151 Officer stated that the report focussed upon money being withdrawn from reserves in order to cover budget overspends and highlighted that the Council had also deposited funds into the reserves, particularly capital funds. This had allowed the Authority to finance projects such as the Field Hospital built on Fabian Way.

Councillor R C Stewart, Leader of the Council commented that the report was balanced and added that the Authority had achieved a balanced budget this year and had introduced strict directorate rules whereby any budget overspends had to be financed by the directorate concerned.

He also highlighted that these savings had to be met in the context of the austerity cuts, which required over £70m of savings, he also paid tribute to the Section 151 Officer and his staff for their work and focussed upon the very positive outturn position this year.

The Committee discussed the following: -

- Use of reserves to cover budget overspends and the relatively low amounts of money involved;
- Utilising earmarking reserves for specific purposes and not using reserves to fund budget overspends;
- Councillors having the opportunity to compare the report with other Welsh authorities;
- The Authority using reserves and not delivering on identifying and achieving revenue budget savings;
- The Council's poor track record in delivering savings;
- The positive results achieved in the 2019/20 financial year;
- The adequate level of reserves highlighted by WAO.

The Chair added that the report was fair, balanced and did not contain any surprises due to Committee being kept well informed regarding progress.

**104 Wales Audit Office Proposals for Improvement: Six-month Status Update - July 2019 - December 2019. (For Information) (Richard Rowlands)**

The Wales Audit Office Proposals for Improvement Six-month Update July – December 2019 report was provided 'for information'.

It was confirmed that Scrutiny would challenge and follow-up the progress made.

**105 Revenue and Capital Budget Monitoring 3rd Quarter 2019/20. (For Information) (Ben Smith)**

The Revenue and Capital Budget Monitoring 3<sup>rd</sup> Quarter 2019/20 report was provided 'for information'.

**106 Audit Committee Action Tracker Report. (For Information) (Jeremy Parkhouse)**

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

The Chief Auditor confirmed that a check of the DBS system had been added to the Internal Audit workplan.

**107 Audit Committee Work Plan. (For Information) (Jeremy Parkhouse)**

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

The meeting ended at 12.06 pm

**Chair**

# Agenda Item 5



## Report of the Deputy Chief Executive

Audit Committee – 30 June 2020

### A Review of Partnerships in the City and County of Swansea

<b>Purpose:</b>	This report provides an overview of some of the key Partnerships and describes the arrangements for both governance and the assessment of risks and issues.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Recommendation(s):</b>	It is recommended that:  The committee review and discuss this report.
<b>Report Author:</b>	Adam Hill
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

#### 1. Introduction

- 1.1 The main aim of this paper is to outline the background and context into Partnership working in Swansea, to identify some of the key Partnerships and to describe their governance arrangements including arrangements for assessing risks and outcomes.
- 1.2 There are a large number of Partnerships and collaborative groups which Swansea Council participate in, which vary in terms of their scale, scope and structure. It is not therefore the intention of this paper to identify and describe each Partnership or collaboration, but to focus on formally constituted Partnerships and those groups which have a significant impact on the work of the Council in terms of resource requirements and outcomes for local residents.

## **2.0 Background**

- 2.1 The partnership landscape locally, regionally and nationally is crowded and complex, with many areas of duplication and different arrangements for assessing risks and outcomes. Partnership arrangements in the Council reflect national and regional arrangements which have been driven by Welsh Government legislation and new policy developments.
- 2.2 A working group on Local Government in Wales commissioned a review of Strategic Partnerships in Wales in July 2019. The review aimed to examine whether there were any unnecessary complexity or duplication and to identify opportunities for simplification and rationalisation. Although the review is ongoing, feedback from Local Authorities, partners and individual interviewees have confirmed that Partnership arrangements are complex and burdensome, and the demands on senior leaders (professional and managerial) as well as corporate partnership support were significant.
- 2.3 Interim findings also revealed that some Partnerships were better resourced than others and there were examples of 'mission creep' for existing Partnerships with expectations that existing Partnerships take on new priorities outside of or ill-fitting with their original remit, particularly when their agendas and capacity were already overstretched. Moreover, examples were also cited where the most appropriate Partnerships were not always approached for new priorities or funding due to the lack of clarity and understanding about their roles.

## **3.0 Partnerships in Swansea**

- 3.1 A Scrutiny Inquiry into Regional Working concluded that (as of September 2017) the Council was involved in more than 100 Partnerships, which required 594 days of Officer days per year and a cash contribution from the Council of £496,110 (cash contribution to partnership working not equivalent Officer time or any payment in kind). An analysis of the Partnerships reveals that there was a mixture of formally constituted Partnerships, sub groups of Partnerships, informally constituted groups and other forms of collaborative working groups across the Council and working with partners.
- 3.2 The Inquiry resulted in a number of recommendations which were used to develop a Cabinet Action Plan. Work is ongoing in relation to implementing the recommendations of the Inquiry including work to improve and strengthen governance arrangements, influencing the Welsh Government agenda in relation to regional working and seeking to assess the value of Council's involvement in respective Partnerships.
- 3.3 A report on the annual progress made by three key regional Partnerships; ERW (Education through Regional Working), the West Glamorgan Regional Partnership and the Swansea Bay City Deal was considered by the Council in July 2019. Although the report identifies that good progress

has been made in some areas (albeit at different rates), the report also identifies a number of challenges for each of the regional collaborations. Each of the three key regional Partnerships have frameworks for assessing risks and outcomes albeit different ones.

#### **4.0 ERW (Education through Regional Working)**

- 4.1 ERW (Education through Regional Working) was established in 2014, as a result of the Welsh Government's introduction of the National Model for Regional Working (Welsh Government 2014). The model aimed to provide a regional single school improvement service for each of the constituent Local Authorities. Welsh Government placed a requirement on Local Authorities to participate in consortia arrangements, including shared consortium services, or suffer financial penalties, including the withdrawal of Better Schools Funding.
- 4.2 ERW is one of four regional education consortia established in Wales and covers the South West and Mid Wales including Swansea, Talbot, Carmarthenshire, Pembrokeshire, Ceredigion and Powys Councils. Key functions of ERW include; developing school improvement strategies that improve learning and teaching and leads to improvements to pupil attainment at all levels and across all contexts. It includes data collation, analysis, and delivery of the model of national categorisation. It also includes supporting the development of school leadership and delivery of the new Curriculum for Wales 2022 and the Welsh Medium Education Strategy. The programme is managed by a Managing Director and supported by a Senior Leadership Team, a Curriculum Team, a Secondary Specialists Team and a Central team.
- 4.3 ERW is governed by a Joint Committee, whilst statutory responsibility is retained by constituent Local Authorities. The Joint Committee is made up of the five local authority Council Leaders and is advised by the Executive Board of Directors, external school improvement experts, Head teacher representatives and the Managing Director. The Joint Committee regularly reviews the Corporate Risk register which contains strategic business risks (threats) to the achievement of the ERW's Vision and Aims. Corporate business risks (threats) are scored against the risk (threats) evaluation matrix using the probability and impact criteria. The Corporate Risk Register is a live document which is subject to regular review by the ERW Managing Director and formally reviewed by the ERW Executive Board.
- 4.4 The work of ERW is scrutinised by an ERW Scrutiny Councillor Group which is made up of the Chairs and Vice Chairs of the five Local Authorities' Education Scrutiny Bodies. The purpose of the group is to support consistent and effective scrutiny across the six Local Authorities, providing critical and objective challenge and contributing to effective governance.

- 4.5 A report considered by Cabinet in March 2020 on the future working arrangements of school improvement in Swansea suggested that ERW has struggled to function effectively as a consortia since its inception. The challenges ERW have faced have been as a result of the size and diversity of the geographical area, several changes in managerial and political leadership, staffing issues, increasing disengagement and the dissatisfaction with arrangements and the performance of the organisation expressed by key partners and the compartmentalisation of school improvement which not align to economic developments and skills. Neath Port Talbot issued their intention to leave the consortia in 2019 which came into effect at the end of March 2020, leaving the five authorities.
- 4.6 The introduction of the Local Government and Elections (Wales) Bill by the Welsh Government in 2019 has provided an opportunity to reconfigure a new framework and arrangements for regional working. Although collaboration is still a requirement, local Councils now have the discretion to determine the most effective model. Cabinet have agreed in principle for a new model of school improvement to be based on the Swansea Bay City Deal footprint ( which includes Swansea, Neath Port Talbot, Carmarthenshire and Pembrokeshire) and to withdraw from the current consortium arrangement by 1 April 2021. Discussions are ongoing with City Deal partner Councils and the Welsh Government to agree the future collaboration arrangements for school improvement.

## **5.0 The West Glamorgan Regional Partnership**

- 5.1 The West Glamorgan Regional Partnership (formerly Western Bay) was established in 2012. The Social Services and Well Being Act (Wales) 2014, placed a statutory duty on Local Authorities and Health Boards to produce a regional plan to meet the health and social care needs of the population and focus on opportunities for prevention and early intervention. The West Glamorgan Regional Partnership is one of seven Regional Partnerships for Health and Social Care services across Wales. Currently, the West Glamorgan Regional Partnership consists of Swansea, Neath Port Talbot Councils and the Swansea Bay University Health Board.
- 5.2 The West Glamorgan Regional Partnership Board is not an autonomous decision making body and therefore any decisions arising from the Board requires Cabinet and Health Board endorsement. Each of the constituent Local Authorities have their own internal scrutiny processes to reflect organisational individual accountability. Currently there are no joint scrutiny arrangements. The West Glamorgan Regional Partnership Board consists of Local Authority Leaders, the Chairman of the Health Board, Cabinet Member Portfolio holders, Chief Executives of the Local Authorities and the Chief Executive of the Health Board, Directors of Social Services, the Director of Strategy for the Health Board and representatives from Education, Housing, the Third Sector, Carers, Providers and Service Users.

- 5.3 The West Glamorgan Regional Partnership Board is supported by three Transformation Boards; Adult Transformation Board, Integrated Transformation Board (covering issues that straddle across Adults and Children such as Carers) and Children and Young People Transformation Board. Each board has membership from the Local Authorities, Health Board, Third Sector and Citizen's. The West Glamorgan Regional Partnership Programme Team is led by a Programme Director who works under the direction of the West Glamorgan Regional Partnership Board. The West Glamorgan Programme focusses solely on the delivery of strategic transformation across Health and Social Care. The priorities of the programme include the development of community services that support older people to stay well at home, the development of a Hospital to Home service which is in the current climate is remodelled as the Rapid Discharge Process, safely reducing looked after children numbers, improving mental health support and improving outcomes for individuals with a learning disability and development of regional strategy for dementia and carers.
- 5.4 Every project and work stream within the programme has a strategic lead which helps drive the change at both a strategic and political level. The Regional Programme supports collaborative working between statutory partners and the third and independent sectors along with representation from Citizens and Carers. A Regional Coproduction Group was established 2018 which supports the programme to ensure that coproduction is embedded across the programme and to develop a strategy for increasing awareness and involvement of citizens in the Partnership's activities.
- 5.5 Overall, the Partnership has a good track record of delivery, reducing costs and improving outcomes. An independent evaluation of Intermediate Care Services (part of the Community Services programme) undertaken by Cordis Bright in 2017, concluded that the new model and approach has resulted in a significant reduction in the number of unplanned hospital admissions of people aged 65yrs + in the region. and has saved around £4.9 million. Similarly, it has been estimated that the Commissioning for Complex Needs Programme has also realised savings in the region of £5 million, whilst also supporting people to live more independently and achieve their personal well-being goals. The Programme has also won a number of national awards.
- 5.6 As a result of the Coronavirus (COVID-19) pandemic, new governance arrangements have been introduced as a response to the situation across the West Glamorgan footprint to manage the crisis through the establishment of the Covid-19 Silver Community Command. This group has replaced the Transformation Boards in the interim, in addition to the introduction of a number of new work streams to respond to specific issues which report through to the Silver Covid-19 Community Meetings.

5.7 These extraordinary new governance arrangements for West Glamorgan Partnership have been established in the form of a new Health and Social Care Interface Board and an Extraordinary Regional Partnership Board with the statutory partners as the decision makers.

## **6.0 Swansea Bay City Deal**

6.1 Although there is no statutory requirement for the Council to participate in the Swansea Bay City Deal, both the UK Government and Welsh Government Policy frameworks encourage local Council participation in the development of regional economic development partnerships. The Swansea Bay City Deal represents a £1.3 billion investment in the regional economy and includes Swansea, Carmarthenshire, Neath Port Talbot Council and Pembrokeshire Councils.

6.2 It has been estimated that the Swansea Bay City Deal will create over 10,000 high quality jobs in the region over the next 15 years. The City Deal consists of 11 transformational projects which subject to business case approvals, will be funded by the UK Government, the Welsh Government, the public sector and the private sector. It is envisaged that the City Deal will transform the City Region into a centre of excellence for the application of digital technologies, life science and well-being, energy and advanced manufacturing. City Deal funding is made up of £241 million from the UK and Welsh Governments, £396 million from other public sector funding, and £637 million from the private sector.

6.3 City Deal projects include a City and Waterfront Digital District in Swansea, the 'Yr Egin' creative sector hub in Carmarthen, Life Science and Well-being Campuses, a Centre of Excellence in Next Generation Services, a Steel Science centre, a Factory of the Future development, a Life Science and Well-being Village, and Pembroke Dock Marine, which will include an off-shore testing area for marine energy technologies. A Homes as Power Stations project is also planned across the region and a Skills and Talent Initiative which aims to give local people a pathway to access the well-paid employment opportunities.

6.4 The Swansea Bay City Deal is being led by Carmarthenshire Council, Swansea Council, Neath Port Talbot Council and Pembrokeshire Council - together with the Abertawe Bro Morgannwg and Hywel Dda University Health Boards, Swansea University, the University of Wales Trinity Saint David, and private sector partners. The Swansea Bay City Deal is overseen by a Joint Committee. The role of the Joint Committee is to develop and implement appropriate governance structures for City Deal projects, planning and agreeing the City Deal's strategy and delivery, and managing the performance of the City Deal programme.

6.5 Membership of the Joint Committee is made up of the Leaders of the 4 Councils, the Chairman of the City Deal's Economic Strategy Board (Non-Voting co-optee), and senior representatives of Swansea University, the University of Wales Trinity Saint David, (Non-Voting co-optees) Swansea



Bay University Health Board (Non-Voting Co-optee), and Hywel Dda University Health Board.

- 6.6 An Economic Strategy Board has been established to provide strategic direction for the City Deal and strategic advice to the Joint Committee on matters relating to the Swansea Bay City Region. Its functions are to monitor progress of City Deal delivery, oversight of business case production and consideration of regional added value and to identify opportunities for investment. Membership of the Economic Strategy Board is made up from representatives of the private sector who are experts in energy, life sciences, skills, manufacturing, housing and business.
- 6.7 An internal review and an independent review of the Swansea Bay City Deal were commissioned by the Welsh Government and the UK Government during 2019 with a number of recommendations to improve the governance arrangements of the programme including the appointment of a Managing Director for the City Deal Regional Office.
- 6.8 A Programme Board has been established to prepare recommendations for the overall City Deal programme, to oversee performance and project delivery, advise on the strategic direction of the Economic Strategy Board and work on a regional basis to improve public services, especially in the areas of economic development, housing, regeneration, transport, planning and strategic land use. The Programme Board consists of the Chief Executives from all four regional councils and co-opted representatives from Swansea University, the University of Wales Trinity Saint David, Hywel Dda University Health Board, and Swansea Bay University Health Board.
- 6.9 A detailed Programme Risk Register has been developed for the Swansea Bay City Deal Programme and is managed, revised and updated by the Regional Office. The risk register is updated on a quarterly basis or as otherwise required. The Programme Board reviews the risk register at each Programme Board meeting and escalates key risks to the attention of Joint Committee via a risk register summary and will be tabled at every Joint Committee meeting. Each Swansea Bay City Deal project carries its associated risks which are mitigated throughout the application and delivery process. A detailed risk analysis has been undertaken for all projects by the Project Delivery Lead as part of the development of the 5 case business model process, with a project specific Risk Register established to assist in the ongoing management and mitigation of all risks. These are made available to Joint Committee as project business cases develop.
- 6.10 A Joint Scrutiny Committee has been established to scrutinise the Swansea Bay City Deal. Its functions are to scrutinise the City Deal, to consider whether the City Deal is operating in accordance to the Joint Committee Agreement and to monitor progress and make recommendations. The Joint Scrutiny Committee is made

up from 12 members in total - 3 each from the 4 Councils and does not include Executive Members.

## **7.0 Swansea Public Service Board (PSB)**

7.1 Swansea Public Services Board is a partnership of public service agencies who work together collectively to improve local social, economic, environmental and cultural well-being. The four statutory members of the Board are Swansea Bay University Health Board, Natural Resources Wales, the Fire and Rescue Service and the Council.

7.2 The Board also involves other organisations that have an interest in the well-being of the area for example the Police and the Universities. Support for the partnership arrangements is provided by the City and County of Swansea. The Well-Being of Future Generations (Wales) Act 2015 has placed a requirement on every local Council area in Wales to have a Public Services Board (PSB) and to conduct an Assessment of Well-being and produce a Local Well-being Plan.

7.3 Swansea's Local Well Being Plan focuses on four key objectives, the Early Years, Live Well and Age Well, Working with Nature and Stronger Communities. Each objective has an identified Lead Officer from a statutory partner and an action plan. Lead Officers produce a highlight report and an update risks at every meeting of the Joint Committee. The governance arrangements for Swansea's PSB were reviewed in 2019 aiming to streamline the structure, improve accountability and achieve a more efficient use of resources.

7.4 The Review recommended a change in governance arrangements and to replace existing structures with a Joint Committee - to fulfil basic statutory requirements consists of Statutory Members of the Partnerships and invited participants and the establishment of a wider Partnership Forum in order to encourage wider participation from stakeholders. The Review also included a revised terms of reference for the PSB and a Memorandum of Understanding which sets out arrangements regarding the relationships between the various organisations that work together to deliver the Local Well-being Plan's Local Wellbeing Objectives.

7.5 The various work streams have a risk log that is reviewed at each meeting of the Joint Committee and the Strategic Lead Officer for each of the work streams also attends the Councils Scrutiny Committee to be scrutinised on the years activities.

## **8.0 Other Key Partnerships in Swansea**

8.1 There are a number of other key Partnerships in Swansea which involve the Council working with external partners and internally with partnerships across the Council. Partnerships between the Council and other external partners include; the Safer Swansea Partnership, the Regional Learning

Partnership, the Regional Transport Forum, the Wales Road Reduction Casualty Partnership and many more. In addition there are new Partnerships under development such as the Western Gateway which transcend typical collaborative footprints and political boundaries across Wales.

## **9.0 Safer Swansea Partnership**

- 9.1 The Safer Swansea Partnership was been established in 1998 as a result of the Crime and Disorder Act 1998. It has a statutory responsibility to undertake an annual review of Crime and Disorder in the local area and then to identify measures to reduce these problems and direct resources to address them. It is a multi-agency partnership co-chaired by the Council and Police.
- 9.2 The Safer Swansea Strategy was revised in 2018 to incorporate new and emerging challenges such as domestic violence, substance misuse, child sexual exploitation, human trafficking, modern day slavery, radicalisation and extremism. The strategic priorities focus on; Violence against women, domestic abuse and sexual violence, Substance misuse, Safe, confident and resilient communities, Evening and Night Time Economy and Hate Crime and Community tension monitoring.
- 9.3 The Safer Swansea Steering Group is the management and leadership group for the Safer Swansea Partnership where all key decisions are made on behalf of the Partnership. It provides leadership on the Safer Swansea strategy and liaison with the Police and Crime Commissioner on funding and strategy. The membership of the Steering Group consists of key representatives from statutory partners and other organisations with an interest and influence in community safety issues.
- 9.4 The Strategy is delivered within a multi-agency, partnership framework. The priorities identified in the Safer Swansea Strategy priorities form the basis of a four year action plan which outline outcomes and identifies leads and key partners who can contribute to progressing the actions and the outcomes identified. Each of the strategic objectives have different arrangements for monitoring progress and managing risk, although overall progress is reported to the Safer Swansea steering group and outlined in an annual report.
- 9.5 In addition to the four year action plan, priority areas identified by the PSB are channelled to the Safer Swansea partnership and then monitored through the PSB. A recent example of this is the Swansea High Street initiative.
- 9.6 The Safer Swansea Partnership has links and interdependencies to a number of other regional collaborations including Community Cohesion, Contest and Western Bay Safeguarding Boards. The Safer Swansea Partnership also has a number of links and interdependencies to local partnerships such as Channel, Prevent, Asylum Seekers and Refugees,

the Public Protection Executive Board and the Children and Young People Partnership Board.

- 9.7 The Safer Swansea Partnership is overseen by the Public Services Board and an update report along with issues and risks

## **10.0 Regional Skills Partnerships (RSPs)**

- 10.1 Regional Skills Partnerships are voluntary, non-statutory board made up of employers, education providers and others. The boards make recommendations to Welsh Government on full-time college and apprenticeship courses and learner numbers. The partnerships are tasked by Welsh Government to produce a 3-year Regional Employment and Skills Plan (RESP) and reports on progress.
- 10.2 There are three RSPs across Wales which were created at a different times between 2007 to 2014, and each have evolved independently, shaped by their own regions and more lately, their respective City and Growth Deals. Swansea is part of the South West and Mid Wales Regional Learning and Skills Partnership (RLSP): which is linked to the Swansea Bay City Deal and is providing support to the proposed Growing Mid Wales Partnership.
- 10.3 The South West and Mid Wales Regional learning and Skills Partnership was established in 2007, originally to bring together training providers and ESF funded projects together to deliver a skills programme for the region that would increase the number of people with higher level skills and encourage people with no skills at all to participate within the programmes available.
- 10.4 In 2015 the partnership re-established itself as an employer led organisation working with Further Education, Work Based learning, Apprenticeship and Higher Education, Careers Wales, DWP, Third Sector and the City and Growth Deals..The RLSP is a voluntary partnership working through Carmarthenshire County Council as the financial accountable body.
- 10.5 Welsh Government have recently commissioned a review into RSPs with a view to explore how well the partnerships were working and to make clear and constructive recommendations on improving their work and effectiveness in line with the developments of the new Economic Growth Deals across Wales.
- 10.6 The RSP is also tasked with leading on the skills strand of the city deal and is currently developing the daft business case due to be considered by the joint committee in the coming months.

## **11.0 Regional Transport Forum**

- 11.1 Although Welsh Government removed the requirement for Councils to produce Regional Transport Plans in collaboration in 2014, Councils are still required to produce Local Transport Plans relevant to their own areas with discretion to work collectively to produce Joint Local Transport Plan. The Regional Transport Forum for South West Wales was established in 2014 and is a collaborative body made up of the four South West Wales Local Authorities, working with a range of providers and users of transport in and beyond the region. It provides a framework within which strategic transport issues could be planned and delivered.
- 11.2 The four Local Authorities prepared and submitted a joint Local Transport Plan covering the period 2015 – 2020 and was endorsed by the Swansea Bay City Region Board and approved by the Welsh Government in 2015.
- 11.3 At the end of 2019 it was agreed that this forum would sit as a sub group of the City Deal Board and operate under their Governance structure.

## **12.0 Conclusions**

- 12.1 This paper does not provide a comprehensive overview of all Partnerships and collaborative arrangements in which the Council participates. Instead it provides a description of some the key Partnerships which are significant in terms of scale, cost and outcomes.
- 12.2 It also provides a description of the different forms, structures of Partnership working and processes for managing risks and assessing outcomes. It also highlights the different drivers including statutory requirements placed on Councils which mandate the requirement to work collaboratively. The Partnership landscape locally, regionally and nationally is both crowded and complex and whilst there is evidence of some benefits gained from working collaboratively, there also remains a number of challenges for the Council in Partnership working.
- 12.3 The introduction of the Local Government and Elections Bill (Wales) in November 2019 provides an opportunity to re-think collaborative working for the Council, however risks remain that the challenges related to Partnership working will persist or become further complicated without clarity of purpose, process and outcome at a national, regional and local level.

## **13. Equality and Engagement Implications**

- 13.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

13.2 Our Equality Impact Assessment process ensures that we have paid due regard to the above.

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

#### **14. Financial Implications**

14.1 There are no financial implications associated with this report.

#### **15. Legal Implications**

15.1 There are no legal implications associated with this report.

**Background Papers:** None.

**Appendices:** None.

# Agenda Item 6



## Report of the Section 151 Officer

Audit Committee – 30 June 2020

### Appointment of an Additional Lay Member to the Audit Committee

<b>Purpose:</b>	To consider the appointment of an additional Lay Member to the Audit Committee and if deemed appropriate, recommend to Council that an additional Lay Member should be recruited.
<b>Recommendation:</b>	It is recommended that Audit Committee Members consider the proposal to appoint an additional Lay Member to the Audit Committee and if necessary make a recommendation to Council accordingly.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance, Access to Services
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

#### 1. Introduction

- 1.1 The Local Government (Wales) Measure 2011 requires that each council shall appoint an Audit Committee in line with the recommendation made by CIPFA in 2005.
- 1.2 The Welsh Government has provided statutory guidance covering the functions and membership of the Audit Committee. A copy of the guidance is attached in Appendix 1.

- 1.3 The City and County of Swansea has had an Audit Committee for a number of years and the Measure requires that a lay member is appointed to the Audit Committee. Up to a third of the Committee's membership can be comprised of lay members but there must be at least one lay member.
- 1.4 The Audit Committee currently has one Lay Member, who is also the Chair of the Committee. Following the completion of a benchmarking exercise comparing the number of Lay Members appointed to other Local Authority Audit Committees across Wales, the proposal has been put forward to appoint one additional Lay Member to the City and County of Swansea's Audit Committee. Members should also be made aware of the fact that adding an additional lay member will help ensure the committee is better equipped to meet possible proposed legislative changes to the committee structure that are currently out for consultation.
- 1.5 Audit Committee Members were first asked to consider this proposal in December 2019. Members discussed the proposals and agreed to revisit the issue at a later date. If Members agree to appoint an additional Lay Member, the recommendation of the Audit Committee will be presented to Council who will ultimately decide whether to commence the recruitment process.

## **2. Role of the Audit Committee**

- 2.1 The Local Government (Wales) Measure 2011 guidance requires the Audit Committee to have the following statutory functions
  - Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs.
  - Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.
  - Oversee the authority's audit arrangements and review its financial statements.

The attached guidance provides further details on the functions and role of Audit Committees.

- 2.2 In addition, an authority can confer other functions on the Committee which it deems suitable for it. The Audit Committee can decide how it wants to carry out its functions but it must have regard to the statutory guidance issued by the Welsh Government under Section 85 of the Local Government (Wales) Measure 2011.

## **3. Membership and Appointment of Lay Members**

- 3.1 Paragraphs 9.24 to 9.28 of the attached guidance deal with membership of Audit Committees.



- 3.2 In particular, paragraph 9.27 relates to the appointment of Lay Members and states:
- (a) Lay Members should be independent from the council and have no business connection with it, although knowledge of how local government functions would be a definite advantage.
  - (b) In appointing Lay Members whose political allegiances are well known, local authorities should consider if this compromises the independence from the council a Lay Member should possess.
- 3.3 The guidance recommends a Lay Member should not be appointed for more than two full terms of a local authority. Any Lay Member with voting rights is subject to the provisions of the authority's Code of Conduct for Members

#### **4. Applications and Shortlisting Process**

- 4.1 If the Audit Committee approves the proposal to seek the appointment of an additional Lay Member, a report will be presented to Council recommending the appointment. If approved by Council, the following recruitment process will commence as outlined below.
- 4.2 In order to comply with legislation, an advert will be published in the local press to advertise the position. In addition, to promote greater awareness and encourage wider applications, details of the position will also be sent to as many stakeholder organisations as possible.
- 4.3 Applicants will be required to complete an applications form with the following questions:
- (a) Employment Details (if self employed please state name of business or similar)
  - (b) Please state your background, experience knowledge and qualifications.
  - (c) Why you are a suitable candidate and what can you bring to the role?
  - (d) Please demonstrate your "Strong personal integrity and respect for others".
  - (e) Please demonstrate your "Ability to act with discretion".
  - (f) Please demonstrate your "Ability to evaluate facts and evidence and form objective judgements".
  - (g) Please demonstrate your "Understanding of the Local Government functions".

- (h) Please demonstrate that you are “An effective listener and that you have good communication skills”.
- (i) Please demonstrate your “Ability to work as part of a Team”.
- (j) Please demonstrate your “Understanding of the purpose and value of an audit function in a public sector organisation”.
- (k) Have you had any previous or current business connections with the Council?
- (l) Have you had any previous or current political allegiances which are relevant to this appointment?
- (m) Are you related to a Member or Officer of the Council?
- (n) Are you able to commit to attending a minimum of five meetings a year?
- (o) Do you have business or other interests, including membership or affiliation of any political or other organisation, which could cause real or observed conflict with the duties and responsibilities of the role?

4.4 The applications received will be presented to the Committee to decide on a shortlist of applicants to be interviewed. In considering a shortlist for interview, Members will wish to consider the whether applicants are able to demonstrate:

- Relevant knowledge and experience; a finance / accounting / auditing background is desirable but not essential.
- An understanding of Local Government, structures, governance models and risk management.
- An independent, enquiring, challenging approach.
- An ability to grasp complex facts and figures.
- A commitment to the role.

4.5 If none of the applicants are able to demonstrate a comprehensive response to the above in their submitted applications, questions at interview will need to elicit fuller responses.

4.6 Shortlisted candidates would be interviewed by the Appointments Committee and if appropriate, the Appointments Committee would make a recommendation to Council to appoint the successful candidate as an additional Independent Lay Person to the Audit Committee.

4.7 Council would consider the recommendation from the Appointments Committee, and if appropriate would appoint the successful candidate.

## **5 Equality and Engagement Implications**

5.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

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

## **6. Financial Implications**

6.1 There are no financial implications associated with this report.

## **7. Legal Implications**

7.1 The relevant legislative provisions are set out in the report. The Audit Committee cannot hold a legal meeting until at least one lay member has been appointed to the Committee.

7.2 Councillors may recall that The Local Government and Elections (Wales) Bill proposes that 1/3 of the membership of the Governance and Audit Committee should be lay members.

**Background Papers:** None.

**Appendices:** Appendix 1 – Statutory Guidance made under Section 85 of the Local Government (Wales) Measure 2011

## **Chapter 9 Audit Committees**

### **Statutory Guidance made under Section 85 of the Local Government (Wales) Measure 2011**

#### **Introduction**

9.1 Part 6 of the Measure, deals with Overview and Scrutiny, including, at Chapter 2 of that Part, Audit Committees. The Welsh Government's intention through these provisions was to ensure that all local authorities in Wales would have an audit committee (as has been recommended by the Chartered-Institute of Public Finance and Accountancy [CIPFA] since 2005). Our view is that audit committees are positive features which should help improve strategic planning and facilitate both scrutiny and challenge within the structures of a council.

#### **What the Measure requires**

9.2 Sections 81 to 87 make provision for audit committees. They require each county or county borough council to appoint an audit committee with the following functions:

- Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs;
- Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements;
- Oversee the authority's audit arrangements and review its financial statements.

9.3 In addition to these statutory functions, a local authority can confer other functions on the committee which it deems suitable for it. Each audit committee can decide **how** it wants to carry out its functions, but in doing so it **must** have regard to this guidance.

9.4 The full council should decide who to appoint as members of its audit committee and it can determine that up to a third of its members are to be from outside the council. In fact, at least one member of the committee **must** be a lay member. It is permissible for only one of the committee's members to be from the council's executive, and this must not be the leader (or elected mayor). The council **must** have regard to this guidance when determining the membership of its audit committee.

9.5 The chair of the committee is to be decided upon by the committee members themselves. It can be a councillor or a lay member but, in the former case, must not be a councillor who belongs to a group with members in the executive. An exception to this is where there are no opposition groups, in which case any of the committee's

members may become chair except for any member of the committee who is also a member of the executive. All committee members, including lay members, have the right to vote on any issue considered by the committee.

9.6 Any officer or member called to attend an audit committee meeting must do so. They must answer any questions asked of them save ones which they could refuse to answer if they were in court. The committee can invite other persons to attend before it, but anyone else so invited to attend is under no compulsion to do so.

9.7 The audit committee is subject to normal arrangements of openness. Meetings should be held in public, agendas and reports should be published and available for inspection. The exception to this is where “exempt items” are being considered, which are chiefly matters which involve discussions concerning named individuals or commercial in confidence matters.

9.8 The committee must meet at least once a year and must also meet if the full council so decides, or if at least a third of the committee’s members require that a meeting be held. Beyond these stipulations, the committee can meet whenever it likes.

### **Functions of an audit committee**

9.9 The Assembly Government has previously endorsed CIPFA’s publication “*Audit Committees: Practical Guidance for Local Authorities*” and continues to do so, together with their publication “*A toolkit for Local Authority Audit Committees*”.

9.10 Although the former publication is somewhat dated (published in 2005) its principles are still valid. Local authorities are advised to view those documents as being complimentary to this guidance.

### **Reviewing the authority’s financial affairs**

9.11 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of its financial affairs. Putting in place the audit committee and providing it with the duty to keep the authority’s financial affairs under review must be viewed as assisting in the fulfilment of this requirement.

9.12 This is an area which is given close attention by the authority’s external auditors and ties in with the duty of the audit committee to oversee the arrangements for internal and external audit, and also the need to monitor the internal control and risk management arrangements made by the authority.

9.13 Local authorities should make their own arrangements, probably in their constitution, to provide for clear demarcation between the role of an audit committee and that of a relevant scrutiny committee. The audit committee role would currently

be more to seek assurance that the budgetary control systems (as an internal control) of the council are working, rather than the actual scrutiny of spend and this may serve as acceptable demarcation between the role of the audit committee and that of a scrutiny committee.

### **Risk management, internal control and corporate governance**

9.14 The attention to this matter should raise the profile of risk management as a necessary control tool within the authority as a whole. By providing regular review, the audit committee forms a significant part of the authority's corporate governance structure.

9.15 The authority should adopt a Statement of Purpose for its audit committee along the lines included in Chapter 2 of the CIPFA guidance, ensuring that the committee is given a prime role in ensuring that effective corporate governance is central to the organisation's procedures. As such, the audit committee should have access to the Annual Governance Statement and Corporate Governance Strategy. A high profile for the audit committee should help to raise public confidence that the authority has a solid approach towards its financial and organisational propriety.

9.16 The audit committee will need to report on the adequacy of the authority's risk management and internal control arrangements, and comment on their effectiveness, as well as following up on risks identified by auditors and requiring reports as to action taken in response. This means that the authority must ensure that audit committees are provided with all copies of auditor's reports, or the summary finding if felt more appropriate.

### **Internal and external auditors**

9.17 A properly operating audit committee should provide the authority's chief finance officer with advice which can serve to bolster the work of internal and external auditors. The committee can ensure that audit reports are kept in the authority's mind, so timing of meetings might be planned so as to effectively follow-up auditors' recommendations.

9.18 The audit committee will expect to input into the planning of the internal audit priorities, approving the annual programme of audits and ensuring that the internal auditors have the necessary resources to conduct their work effectively. They will want to meet with the Head of Internal Audit and receive his/her annual report.

9.19 The audit committee should also receive the reports from the external auditors and follow up their recommendations during the year. The committee should have a role in agreeing the authority's response to the auditor's letters or reports as well as being able to meet with the external auditor.

9.20 In addition, the audit committee should receive and consider reports from any other regulators or inspectors. In respect of these, the authority will need to ensure

there is no unnecessary duplication between the audit committee and any overview and scrutiny committee in considering such reports.

### **Financial statements**

9.21 Before their approval by the authority, the audit committee should consider and comment on the authority's certified draft financial statements. They will want to see to what extent the statements take cognisance of audit reports during the year, and changes in accounting policy and internal control mechanisms. Audit committees may approve the financial statements themselves where local authorities have delegated that power to them under regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended).

9.22 CIPFA's "toolkit" should be used to assist in the proper scrutiny of these statements.

9.23 Reports and recommendations by the audit committee should be considered by full council in particular, as well as the executive.

### **Membership**

9.24 The rules within section 15 *et seq* of the Local Government and Housing Act 1989 do not apply to audit committees. It is not therefore a statutory requirement to ensure that political balance is achieved when the committee members are appointed. The authority must however decide how many non-councillors should be appointed to the committee, and all members of the committee should display independence of thinking and unbiased attitudes, and must recognise and understand the value of the audit function. It is strongly recommended that the balance of members of the committee is at least as favourable to non-executive groups as would be achieved by political balance rules. It will help the authority if the audit committee has the appearance of independence from the leadership.

9.25 All new members will need to be provided with induction training. Although it is to be hoped that appointed councillors would have some relevant expertise, this cannot be guaranteed. What will be important, though, is to try and ensure that members do not have any other responsibilities which might conflict with their audit role. That might be particularly the case in the choice of any executive member on the committee. It may also mean that the members should not have too many other commitments, in general in terms of committee membership because of the significant commitment which being a member of the audit committee implies. All members should receive adequate training and development, and particular attention should be paid to the section on training and awareness in the CIPFA "toolkit".

9.26 The audit committee should try and ensure that they appoint a member as chair who will be strong and experienced enough to lead the questioning which the committee will have to perform.

9.27 There must be at least one lay member on the committee but they could constitute up to a third of the membership if an authority so decided. Whatever recruitment method is employed, lay members should be independent from the council and have no business connection with it, although knowledge of how local government functions would be a definite advantage. In appointing lay members whose political allegiances are well known, local authorities should consider if this compromises the independence from the council a lay member should possess. It is recommended that councils follow a public recruitment exercise, similar to that used to appoint members of standards committees, to recruit their lay members. It is recommended that a lay member should not be appointed for more than two full terms of a local authority. Any lay member with voting rights is subject to the provisions of the authority's Code of Conduct for Members.

9.28 As a committee of the council, meetings of the audit committee should be open to the public, except when exempt matters are being discussed.



# Agenda Item 7



## Report of the Chair of the Audit Committee

Audit Committee – 30 June 2020

### Draft Audit Committee Annual Report 2019/20

<b>Purpose:</b>	This report provides the draft Audit Committee Annual Report 2019/20 Municipal year.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation:</b>	It is recommended that the Audit Committee review and discuss the Audit Committee Annual Report 2019/20 so that any suggested amendments can be made prior to the final version being presented to Council.
<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



# **Draft Audit Committee Annual Report 2019/20**

**City & County of Swansea**

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

- 1.1 At the time of writing this report the Council is facing unprecedented and challenging times as a result of the Covid-19 virus. As a result some Audit Committee meetings have been cancelled to enable valuable staff resource to be deployed to areas of greatest need. The Chair acknowledges that Council are endeavouring to maintain continuity of governance arrangements through this challenging time.
- 1.2 The Chair pays tribute to all staff and officers of the Council as well as the Council Partners' for their commitment and work being achieved to maintain services and support in such challenging circumstances.
- 1.3 This report provides an overview of the Audit Committee's work in the municipal year 2019/20. On 11th June 2019 the Audit Committee considered the election of Chair for 2019-20 Municipal Year where it was resolved that Paula O'Connor be elected Chair. At the same meeting Councillor P R Hood-Williams was elected Vice-Chair for the 2019-20 Municipal Year.
- 1.4 I am pleased to present this report prepared by the Chief Auditor and Democratic Services that reflects on the work of the Audit Committee. It also contains progress made by the Audit Committee in addressing the Wales Audit Office recommendations following their review of the Committee's performance against best practice CIPFA framework in September 2019.
- 1.5 In the 2018/19 Annual Report the Audit Committee gave an ongoing commitment to progressing the necessary action to address the Wales Audit Office recommendations. The Committee at every meeting reviewed progress against those recommendations with the aim of developing and strengthening the Committee's effectiveness in fulfilling the Committee's terms of reference.
- 1.6 The presentation on the Assurance Framework and the reporting on the Council's Risks was a significant step forward in 2018/19 in improving the Committee's ability to reflect on the effectiveness of governance, risk management and control that supports and informs the Council's Annual Governance Statement. However, the development and roll out of a new electronic risk management system was delayed during the year and the Chair and Audit Committee members have expressed concern that in the absence of a robust system that this will need to be highlighted in the Council's Annual Governance Statement at the year end.
- 1.7 We have reviewed the work programme at each Committee meeting, taking account of risk and priorities.
- 1.8 The Chair and Chief Internal Auditor attended the All Wales Audit Committee Chairs network in October 2019. The Network was established across all local Authorities in Wales, to bring together Chairs in an environment where there is opportunity to network, share ideas and problem solve with peers performing similar roles. The WGLA sponsored the event, and agenda items were delivered by WAO and CIPFA, with contributions from Heads of Internal Audit and Chairs. Within the governance item the Network received a particularly informative overview of the proposed changes to the role of the Audit Committee through the Draft Local Government and Elections (Wales) Bill. The Bill proposes to expand the remit of the Committee, through a renaming of the

Committee as Governance and Audit Committee, and expanding its responsibilities into areas of performance management. The Bill also proposes changes to the composition of the Committee, with minimum proportions of lay members (1/3 of Committee) and the requirement for a lay chairperson. The Committee will be keen to understand how its responsibilities may increase through the Bill, and to ensure it effectively responds and continues to discharge its role comprehensively. The Wales Audit Office will be asked to deliver a session of practical guidance and support to our next Chairs' Network, scheduled for July 2020. The Network will meet again in July 2020.

- 1.9 The Audit Committees progress in addressing the Wales Audit Office recommendations is appended to this report at Appendix 3.
- 1.10 The Audit Committee terms of reference states that the Committee “oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.”
- 1.11 The Committee received the 2019/20 Internal Audit Plan and Charter on 9th April 2019 and has received reports regularly during the year from the Chief Internal Auditor. The Chair has expressed her gratitude to the Chief Auditor in responding to a request to enhance the detail in the reports to provide further understanding of the work undertaken and the risks identified. During 2019/20 the Chief Auditor reported a number of Moderate Assurance audit reports that resulted in those responsible attending Audit Committee to give assurance that appropriate action was being taken where significant weaknesses in control were identified.
- 1.12 The Wales Audit Office presented their 2019 Audit Plan to the Audit Committee on 9th April 2019, and has provided the Committee with regular updates to their work. In 2017/18 the Chair suggested that consideration be given to developing a tracker to give focus to improved completion of external audit recommendations. This work is yet to be completed but the Chair acknowledges that Scrutiny Committee has the opportunity to challenge non implementation of recommendations as well as the Audit Committee.
- 1.13 The Chair has met during the period with the Deputy Chief Executive, S151 Officer, Monitoring Officer, Chief Internal Auditor and the Wales Audit Office. A meeting is being arranged with the Chief Executive to communicate Audit Committee concerns in a number of key risk areas that include, robustness of Directorates saving plans, workforce pressures, risk management arrangements and reporting of risk to Audit Committee, production of annual governance statement and the role of the Governance Group.
- 1.14 At the meeting on 9th April 2019 the Committee received the Corporate Fraud Team's Anti-Fraud Plan for 2019/20 that was similar to the plan in 2018/19. The Corporate Fraud Team informed the Committee that the work of the Team was largely reactive due to the limited resource. The Committee endorsed the plan subject to ongoing review of the resource position by the Council's Corporate Management Team and referral to Council for approval.
- 1.15 The Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer) presented the draft Annual Governance Statement 2018/19 at the meeting in August 2019. A final version was received at the Audit Committee on 16<sup>th</sup> September 2019 and the Audit Committee agreed that the Statement

be endorsed and referred to Council for Approval. The draft Annual Governance Statement for 2019/20 was presented to the Audit Committee in June 2020, prior to being reported to Council for approval.

- 1.16 The Chair attended the Scrutiny Panel Conference 10th June 2019 and also Scrutiny Panel on 8th July 2019.
- 1.17 The Committee discussed the concern regarding the cost of the capital programme, the level of reserves, the risk to the Authority and the need to scrutinise the risk. Also, it was noted that a recovery plan should be developed on how the Council plans to deal with overspends and that the Audit Committee should be provided with regular budget variation reports. The Chief Finance Officer / Section 151 Officer agreed to provide this information to future meetings.
- 1.18 Looking forward to 2020/21, the unprecedented challenges that are ongoing with the Covid-19 virus will clearly have an impact on the Council's governance and finance arrangements during the early to mid-part of the year. The April 2020 meeting of the Audit Committee was cancelled. However, it is clear that maintaining performance and managing the financial challenges the Council faces will continue as will the need to address the demands emerging from Covid-19. Within this context, the importance of an effective Audit Committee remains critical and the Committee is committed to enhancing its effectiveness through an ongoing training programme, delivering against the Wales Audit Office efficiency improvements and liaising with Officers to enhance the information that the Committee receives. The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the critical challenges that the Council faces.

## **2. Role of Audit Committee**

- 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.
  - Make reports and recommendations in relation to the Authority's financial affairs.
  - Review and assess the risk management, internal control and corporate governance arrangements of the Authority.
  - Make reports and recommendations to the Authority on the adequacy and effectiveness of those arrangements.
  - Oversee the Council's internal and external audit arrangements and review the financial statements prepared by the Authority.
- 2.3 The Measure also requires Councils to have Lay Member in their Audit Committee. Currently, the Chair of Audit is the only Lay Member of the Audit Committee. It should be noted that the Committee is currently in the process of discussing proposals to increase the number of Lay Members on the

committee in anticipation of the introduction of new legislative requirements set out in the Local Government and Elections (Wales) Bill.

- 2.4 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 as show in Appendix 1.
- 2.5 This draft report describes the assurance that has been gained by the Audit Committee from various sources during 2019/20 and also outlines a number of other areas where briefings have been provided to the Committee.
- 2.6 The draft Audit Committee Annual Report 2019/20 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.
- 2.7 The draft report will be amended for any comments made at this meeting with the final report being presented to the Audit Committee for formal approval. The Chair will then present the Annual Report to Council later in the year.

### **3 Work of the Audit Committee in 2019/20**

- 3.1 The Audit Committee has received regular reports in relation to standard agenda themes and receives reports of interest based on risk, governance and internal control measures. Each aspect is reported on below.

#### **Standard Items**

##### Internal Audit Assurance

- 3.2 The Audit Committee approved the Internal Audit Charter 2019/20 and 2020/21 as required by the Public Sector Internal Audit Standards.
- 3.3 The Audit Committee also approved the Internal Audit Annual Plan 2020/21 and has received quarterly monitoring reports from the Chief Auditor showing progress against the 2019/20 Audit Plan.
- 3.4 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. A second quarterly report was also introduced in year to allow the Committee to review and monitor the implementation of the recommendations made in the internal audit reports that had been issued.
- 3.5 From April 2018 the relevant Head of Service and Service Manager (or Headteacher and Chair of Governors) have been 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.

- 3.6 The Internal Audit Annual Report for 2018/19 was reported to the Audit Committee in August 2019 and the Internal Audit Annual Report for 2019/20 was reported to the Audit Committee in May 2020. Both reports included a review of actual work completed compared to the Annual Plan.
- 3.7 The Internal Audit Annual Reports for both 2018/19 and 2019/20 also included the Chief Auditor's opinion on the internal control environment which in both cases, stated that based on the audit testing carried out reasonable assurance could be given that the systems of internal control were operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.
- 3.8 However, it should be noted that the Audit Committee has raised concern with risk management arrangements across the Council. In addition, the Committee has also commented upon the weaknesses in internal control that are emerging as a result of staff resource pressures and reductions.
- 3.9 The Internal Audit Annual Report of School Audits 2018/19 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.

#### Annual Governance Statement 2018/19 & 2019/20

- 3.10 The draft Annual Governance Statement for 2018/19 was presented to the Audit Committee in August 2019 and the final version was presented in September 2019. The draft Annual Governance Statement for 2019/20 was presented to the Audit Committee in June 2020, prior to being reported to Council for approval.
- 3.11 A Governance Group was established by the Council in 2018/19 comprising of the Deputy Chief Executive, Chief Finance Officer, Monitoring Officer and Strategic Delivery and Performance Manager. A member of the Audit Committee was also appointed to the Group in 2019/20. The Group is tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective across the Council. However, it should be noted that there have been very few meetings of the Governance Group throughout 2019/20 and as a result there has been little focus on the Annual Governance Statement throughout the year.
- 3.12 This presentation of the draft Annual Governance Statements gave the Committee the opportunity to review and comment upon the Statements to ensure that they properly reflected the assurances provided to the Committee.

#### Annual Statement of Accounts 2018/19 & 2019/20

- 3.13 The Chief Finance and Section 151 Officer presented the draft Statement of Accounts 2018/19 for the Council in August 2019. Officers answered a number of queries raised by members of the Committee. Due to the Covid-



19 pandemic, the draft Statement of Accounts for 2019/20 are due to be presented to the Committee in quarter two 2020.

- 3.14 Following completion of the audit of the Statement of Accounts 2018/19, the Wales Audit Office presented its ISA 260 reports on the audit of financial statements of the Council to the Audit Committee prior to the report going to Council. The report 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.

#### External Audit Assurance

- 3.15 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 reports outlined the progress being made in financial and performance audit work to the Committee.

- 3.16 The Wales Audit Office also provided assurance to the Audit Committee by presenting the following reports:

- Audit Enquiries to Those Charged with Governance and Management
- ISA 260 Report 2018/19
- Progress addressing Wales Audit Office Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities.
- Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales.
- Local Government Services to Rural Communities.
- Wales Audit Office Audit Plan 2020

- 3.17 The Wales Audit Office Annual Audit Summary 2019 Report was presented to the Audit Committee on 26/05/20. The report praised the achievements of the Council in delivering the draft Annual Statement of Accounts for 2018/19 in May 2019 well ahead of the June deadline, which were noted as being good quality. The auditors gave an unqualified opinion on the Council's financial statements on 30 August 2019, 16 days ahead of the statutory deadline.

- 3.18 The report stated that the Wales Audit Office was satisfied that the Council has put in place proper arrangements to secure value for money from the resources it uses. However, it noted that significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position.

- 3.19 During 2019/20 the Wales Audit Office undertook a review of financial sustainability across all 22 Welsh Councils to assess the sustainability of councils' short to medium-term financial position. The report concluded that the Council continues to face a significant financial challenge and highlighted the fact that it needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets, thus removing

reliance on one off central financing measures to otherwise successfully balance the overall budget.

- 3.20 Through additional work with the Council, the Wales Audit Office report states that they have gained increased assurance that, through its Reshaping Board, senior management is providing a focused strategic input to support the transformation agenda and the delivery of associated financial savings. The report also noted that the better than anticipated Welsh Government funding settlement will to some extent ease, but not address the financial pressure facing the Council in the 2020-21 financial year.
- 3.21 The report concluded that the Council recognises the extent of the continuing financial challenge and the transformation required to its service delivery over the immediate and longer term. Accordingly, the Council is undertaking a fundamental review and refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace. The Wales Audit Office will be further reviewing these new transformation arrangements as part of their 2020 Audit Programme.

#### Implementation of Audit Recommendations

- 3.22 An important role undertaken by the Audit Committee is monitoring the implementation of agreed audit recommendations arising from both internal and external audit.
- 3.23 The implementation of any Internal Audit recommendations arising from the fundamental audits is reported to the Audit Committee in the Recommendations Tracker report. For 2018/19, the results of the tracker exercise showed that 76% of agreed recommendations had been implemented by 30<sup>th</sup> September 2019.
- 3.24 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 up audits are reported to the Audit Committee in the quarterly Internal Audit Monitoring Reports.
- 3.25 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.

#### Governance and Risk Management

- 3.26 The Local Government (Wales) Measure 2011 makes the overview of risk management a function of the Audit Committee
- 3.27 A training presentation was made to the Committee on Risk Management during the year.

- 3.28 The Strategic Delivery & Performance Manager also provided regular updates to the Committee in relation to Risk Management throughout the year via the quarterly Overall Status of Risk Reports.
- 3.29 During the year, the Chair has not had access to the Corporate and Directorate Risk Registers, but members have had access to the Corporate and Directorate Risk Registers. The Corporate and Directorate Risk Registers were also presented to committee periodically throughout the year. However, it should be noted that a new Risk Management System was introduced in December 2019.
- 3.30 Following the introduction of the new electronic risk management system, work is ongoing to ensure the new system is embedded in the risk management processes of the Council. The committee members have access to the new system but are awaiting training. In addition, the committee has highlighted the fact that at present the reports available from the new system are not sufficient in providing an appropriate level of detail and assurance. The Strategic Delivery and Performance Manager is working to enhance the reports that are available from the system. Members have also highlighted concerns in relation to risks being 'closed' without the reason for closure being recorded on the system.
- 3.31 It should be noted that the Authority's external auditors highlighted some concerns in relation to the risk management controls across the Authority in the year. The committee also highlighted some concerns in relation to the time taken to roll out the new Risk Management System during the year. This remains one of the key areas of focus for the Audit Committee in 2020/21.
- 3.32 The Committee also received a presentation from the Deputy Chief Executive which outlined the Council's Governance Framework and has received one update from the Governance Group during the year. A member of the Audit Committee was also appointed to the Governance Group in the year.
- 3.33 In addition, all Directors attended Audit Committee to provide an update on the internal control environment and risk management within each of their directorates.

#### Relationship with Scrutiny Function

- 3.34 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.
- 3.35 The Chair of the Scrutiny Programme Committee has attended the Audit Committee to provide an update on the work of Scrutiny.

3.36 The Chair of the Audit Committee has also attended the Scrutiny Programme Committee to provide an update on the work of the Audit Committee.

#### Anti-Fraud

3.37 A Corporate Fraud Function was established during 2015/16 within the Internal Audit Section. The Corporate Fraud Annual Plan 2020/21 was due to be presented to the Committee in April 2020 prior to the meeting being cancelled. This will be presented to the Committee at a later meeting. The Corporate Fraud Function Annual Report 2018/19 was presented to the Audit Committee in October 2019. The Fraud Function Annual Report for 2019/20 is due to be presented later in the 2020/21 Municipal Year.

#### Audit Committee Briefings

3.38 The Audit Committee received a number of briefings during 2019/20 as noted below:

- Corporate Risk Policy & Framework
- Revenue Financial Outturn 2018/19
- Annual Report of School Audits 2018/19
- Revenue and Capital Quarterly Budget Monitoring Reports
- Review of Revenue Reserves
- Update on Trusts and Charities
- Treasury Management Annual Report 2018/19
- Treasury Management Interim Year Report 2019/20
- Scrutiny Work Programme 2019/20
- Internal Audit Annual Plan Methodology 2020/21
- Internal Audit Charter 2020/21
- Internal Audit Strategy & Annual Plan 2020/21

#### Audit Committee Training

3.39 Following discussions with Democratic Services, it was agreed that repeated annual training in core areas was no longer necessary. Instead, Members agreed that specific training should be arranged based on training needs. As a result, training was provided in the follow areas:

- Risk Management
- Financial Management & Accounting
- External Audit

3.40 The training in 2019/20 was delivered in short sessions prior to the start of each committee meeting.

3.41 A listing of all areas that were reviewed by the committee in 2019/20 can be found in Appendix 2.

#### **4 Audit Committee Review of Effectiveness 2019/20**

- 4.1 The Audit Committee's annual review of effectiveness was undertaken in September 2019 and was facilitated by the Wales Audit Office.
- 4.2 The Performance Review 2018/19 Action Plan is included at Appendix 3. The Plan was drafted following feedback from the workshop annual self-assessment session held on 16 September 2019. Wales Audit Office also presented a report on their findings at the Committee meeting held on 8 October 2019, 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.

#### **5. Looking Ahead**

- 5.1 As the Chair has indicated in her foreword, the financial challenges facing the Council will continue as will the need to increase performance. Within this context, the importance of an effective Audit Committee remains critical and the Committee is committed to enhancing its effectiveness through an ongoing training programme, delivering against the Wales Audit Office efficiency improvements and liaising with Officers to enhance the information that the Committee receives. The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the critical challenges that the Council faces.
- 5.2 Following the Chair's attendance at the all Wales Chair of Audit Committee Network event on 11th October 2019, good practice or lessons to share/learn will be discussed at Audit Committee. The group are due to meet again at some point in the summer subject to the Covid-19 situation. However, the group continues to share best practice and advice outside of the arranged meetings.

#### **6. Committee Membership & Attendance**

- 6.1 The membership of the Audit Committee during 2019/20 consisted of one Lay Member and 13 Non Executive Councillors elected by Council. Independent Members are appointed for no more than two administrative terms with Council Members reappointed annually.
- 6.2 The Committee is serviced by Council Officers, principally the Chief Finance Officer/Section 151 Officer, Chief Legal Officer, Strategic Delivery & Performance Officer, Chief Auditor and Democratic Services. Representatives from the WAO also attend Audit Committee meetings.
- 6.3 During 2019/20 the Committee has followed a structured workplan which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee

includes a lay member as required by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee.

6.4 The Audit Committee met on 8 occasions throughout the municipal period 2019/20 on the following dates: 11<sup>th</sup> June, 13<sup>th</sup> August, 16<sup>th</sup> September, 8<sup>th</sup> October, 10<sup>th</sup> December, 29<sup>th</sup> January, 11<sup>th</sup> February, 10<sup>th</sup> March. Note that meeting scheduled for the 14<sup>th</sup> April was cancelled due to Covid-19. Over the course of the year, attendance at the meetings was 76%.

6.5 Committee Member attendance in 2019/20 is shown in the following table:

<b>Attendance 2019/20</b>	<b>Possible</b>	<b>Actual</b>
<b>Independent Lay Members</b>		
Mrs Paula O'Connor (Chairperson)	8	8
<b>Non-Executive Councillors</b>		
Councillor Paxton Hood-Williams (Vice Chairperson)	8	8
Councillor Cyril Anderson	8	7
Councillor Terry Hennegan	8	5
Councillor Erika Kirchner	8	6
Councillor Oliver James	8	4
Councillor Jeff Jones	8	8
Councillor Peter K Jones	8	5
Councillor Mike Lewis	8	7
Councillor Lesley Walton	8	7
Councillor Mike White	8	7
Councillor Sam Pritchard	8	3
Councillor Peter Black	8	3
Councillor Will Thomas	1	1
Councillor David Helliwell	7	7

6.6 There was one change to the membership of the Audit Committee during 2019/20. Cllr. David Helliwell joined the Committee in June 2019 replacing Cllr. Will Thomas.

6.7 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.

## 7. Future Audit Committee Meetings

- 7.1 Historically Audit Committee meetings had been arranged on a 2 monthly basis. However, as agreed by the Head of Democratic Services, the Council Diary for the current municipal year includes Audit Committee meetings on a monthly basis.
- 7.2 Additional/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.

## 8. Audit Committee Contact Details

<b>Paula O'Connor</b> Chair of Audit Committee	<a href="mailto:Chair.Audit@swansea.gov.uk">Chair.Audit@swansea.gov.uk</a>
<b>Councillor Paxton Hood-Williams</b> Vice Chair of Audit Committee	<a href="mailto:Cllr.Paxton.Hood-Williams@swansea.gov.uk">Cllr.Paxton.Hood-Williams@swansea.gov.uk</a> 01792 872038
<b>Ben Smith</b> Section 151 & Chief Finance Officer	<a href="mailto:Ben.Smith@swansea.gov.uk">Ben.Smith@swansea.gov.uk</a> 01792 636409
<b>Jeff Dong</b> Interim Deputy Section 151 & Chief Finance Officer	<a href="mailto:Jeffrey.Dong@swansea.gov.uk">Jeffrey.Dong@swansea.gov.uk</a> 07810438119/ 07811847582
<b>Simon Cockings</b> Chief Auditor	<a href="mailto:Simon.Cockings@swansea.gov.uk">Simon.Cockings@swansea.gov.uk</a> 01792 636479
<b>Jason Garcia</b> Wales Audit Office	<a href="mailto:Jason.Garcia@audit.wales">Jason.Garcia@audit.wales</a>
<b>Tracey Meredith</b> Monitoring Officer & Chief Legal Officer	<a href="mailto:Tracey.Meredith@swansea.gov.uk">Tracey.Meredith@swansea.gov.uk</a> 01792 637521
<b>Richard Rowlands</b> Strategic Delivery & Performance Manager	<a href="mailto:Richard.Rowlands@swansea.gov.uk">Richard.Rowlands@swansea.gov.uk</a> 01792 637570

## 9. Equality and Engagement Implications

- 9.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

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

## **10. Financial Implications**

10.1 There are no financial implications associated with this report.

## **11. Legal Implications**

11.1 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 - Audit Committee Terms of Reference  
 Appendix 2 - Audit Committee Items Reviewed  
 Appendix 3 - Key Findings & Action Plan from the Committee Performance Review 2017&18 and 2018/19



## **Audit Committee Terms of Reference**

### **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.
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).*

Committee Meeting Date	Items Reviewed
11 June 2019	<ul style="list-style-type: none"> <li>• Election of Chair &amp; Vice Chair</li> <li>• Audit Committee Training Programme 2019/20</li> <li>• Audit Committee Terms of Reference</li> <li>• Internal Audit Annual Plan 2018/19 - Monitoring Report for the Period 1 January 2019 to 31 March 2019</li> <li>• Service Centre - Accounts Receivable - Update at May 2019</li> <li>• Overview of the Overall Status of Risk Report Q4 2018/19</li> <li>• Corporate Risk Policy &amp; Framework</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
13 August 2019	<ul style="list-style-type: none"> <li>• Draft Annual Governance Statement</li> <li>• Progress addressing WAO Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities. (For Information)</li> <li>• Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales Report. (For Information)</li> <li>• Wales Audit Office Report - Local Government Services to Rural Communities. (For Information)</li> <li>• Local Government Services to Rural Communities. (For Information)</li> <li>• Internal Audit Annual Report 2018/19</li> <li>• Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 April 2019 to 30 June 2019</li> <li>• Internal Audit Moderate Rating Follow Up Report – Young People’s Services 2019/20</li> <li>• Internal Audit Recommendation Follow-up Report Q1 2019-20</li> <li>• Overview of the Overall Status of Risk Report Q1 2019/20</li> <li>• Wales Audit Office - Draft ISA 260 Report</li> <li>• Wales Audit Office - City and County of Swansea - Audit Enquiries to Those Charged with Governance and Management.</li> <li>• Draft Statement of Accounts 2018/19 – CCS</li> <li>• Revenue Financial Outturn 2018/19</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>

<p>16 September 2019</p>	<ul style="list-style-type: none"> <li>• Presentation – Wales Audit Office – Review of Audit Committee Effectiveness</li> <li>• Annual Governance Statement</li> <li>• Draft Audit Committee Annual Report 2018/19</li> <li>• Progress addressing WAO Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities. (For Information)</li> <li>• Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales Report. (For Information)</li> <li>• Wales Audit Office Report - Local Government Services to Rural Communities. (For Information)</li> <li>• Local Government Services to Rural Communities. (For Information)</li> <li>• Internal Audit Annual Plan 2019/20 Monitoring Report For the Period 1 April 2019 to 30 June 2019.</li> <li>• Internal Audit Moderate Rating Follow Up Report - Young People's Services 2019/20.</li> <li>• Internal Audit Recommendation Follow-up Report Q1 2019/20</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
<p>8 October 2019</p>	<ul style="list-style-type: none"> <li>• Corporate Fraud Annual Report 2018/19</li> <li>• Annual Report of School Audits 2018/19</li> <li>• Director of Education response to Schools Audit Reports</li> <li>• Presentation - Update on internal Control Environment (Including risk Management)</li> <li>• Revenue and Capital Budget Monitoring 1<sup>st</sup> Quarter 2019/20</li> <li>• Financial Sustainability Self-Assessment for Wales Audit Office</li> <li>• Treasury Management Annual Report 2018/19</li> <li>• Wales Audit Office – Feedback from Audit Committee Effectiveness Questionnaire</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>

<p>10 December 2019</p>	<ul style="list-style-type: none"> <li>• Appointment of Additional Lay Member to Audit Committee.</li> <li>• Audit Committee Action Tracker Report. (For Information)</li> <li>• Audit Committee Workplan 2019-20</li> <li>• Fundamental Audits 2018/19.</li> <li>• Overview of the Overall Status of Risk - Quarter 2 2019/20.</li> <li>• Presentation - Update on Internal Control Environment (Including Risk Management) – Director of Social Services.</li> <li>• Revenue and Capital Budget Monitoring - 2nd Quarter 2019/20.</li> <li>• Review of Revenue Reserves.</li> <li>• Treasury Management - Interim Year Review Report 2019/20.</li> <li>• Wales Audit Office Proposals for Improvement: Six-month Status Update - December 2018 to June 2019.</li> </ul>
<p>29 January 2020</p>	<ul style="list-style-type: none"> <li>• Cleansing Service - Final Internal Audit Report 2019-2020.</li> <li>• Disclosure and Barring Service - Final Internal Audit Report 2019-2020.</li> <li>• Foreshore &amp; Lettings - Final Internal Audit Report 2019-2020.</li> <li>• Internal Audit - Recommendation Follow-Up Report - Quarter 2 2019/20.</li> <li>• Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019.</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
<p>11 February 2020</p>	<p>Chair of Scrutiny Programme Committee</p> <ul style="list-style-type: none"> <li>• Presentation - Update on Internal Control Environment (Including Risk Management)</li> <li>• Internal Audit Annual Plan Methodology Report 2020/21</li> <li>• Internal Audit Recommendation Implementation Quarter 3 Report</li> <li>• Governance Group Update Report</li> <li>• Overview of the Overall Status of Risk - Quarter 3 2019/20</li> <li>• Trusts &amp; Charities Report 2018/19</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>

10 March 2020	<ul style="list-style-type: none"> <li>• Internal Audit Annual Plan 2019/20 - Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019.</li> <li>• Moderate Report - Employment of Agency Staff.</li> <li>• Moderate Report - Fleet Maintenance.</li> <li>• Moderate Report - Gwyrosydd Primary School.</li> <li>• Moderate Report - Heol y Gors Plant.</li> <li>• Moderate Report - Ysgol Pen y Bryn.</li> <li>• Draft Internal Audit Annual Plan 2020/21</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
14 April 2020	Cancelled
1 June 2020	<ul style="list-style-type: none"> <li>• Internal Audit Charter 2020/21</li> <li>• Internal Audit Strategy &amp; Annual Plan 2020/21</li> <li>• Draft Audit Committee Annual Report 2019/2020</li> <li>• Internal Audit Annual Report 2019/2020</li> <li>• Internal Audit Recommendation Tracking Quarter 4 Report 2019/2020</li> <li>• Internal Audit Section - Fraud Function Anti-Fraud Plan for 2020/2021</li> <li>• Draft Annual Governance Statement</li> <li>• Performance Management Framework</li> <li>• Wales Audit Office - Annual Audit Summary 2019</li> <li>• Wales Audit Office - Financial Sustainability Assessment 2019-20</li> <li>• Wales Audit Office Proposals for Improvement: Six-month Status Update - July 2019 - December 2019</li> <li>• Revenue and Capital Budget Monitoring 3rd Quarter 2019/20</li> <li>• Audit Committee Action Tracker Report</li> <li>• Audit Committee Work Plan</li> </ul>

**KEY FINDINGS & ACTON PLAN**  
**AUDIT COMMITTEE PERFORMANCE REVIEW 2017/18 & 2018/19**

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
<b>Regularity and Length of Audit Committee meetings</b>	1) To enable the Audit Committee to discharge its duties meetings should take place every month.	Huw Evans	May 2020	Council Diary to be agreed at the Annual Meeting on 28 May 2020.  All Councillors who responded to a survey were all in favour of the change to monthly meetings.
	2) If changes are made to the calendar of meetings (monthly) it will also be necessary to amend the Committee's work programme so that there is clarity as to exactly what is on the agenda for each committee meeting.	Chair / Huw Evans/ Jeremy Parkhouse	May 2020	Council Diary to be agreed at the Annual Meeting on 28 May 2020 and work programme organised accordingly.  All Councillors who responded to a survey were all in favour of the change to monthly meetings.  Chair / Democratic Services to plan the Committee Work Programme.

<b>Key Finding</b>	<b>Proposed Actions</b>	<b>Lead (s)</b>	<b>Target Date</b>	<b>Progress Update</b>
<b>Outstanding actions from the Audit Committee Performance Review 2017-18</b>	3) Benchmarking – The Corporate Management team will consider how best to use benchmarking information and provide an update to the Audit Committee.	Corporate Management Team	TBC	Ongoing
	4) Partnerships – Review the mechanisms for assessing and scrutinising the risk associated with partnerships. Audit Committee should receive an update on what partnerships the Council are involved in.	Adam Hill	May 2020	Adam Hill, Deputy Chief Executive to provide a report to Audit Committee on 14 April 2020.
	5) Noting the Deputy Chief Executive presentation on the Council's governance framework, the Audit Committee would benefit to receive additional presentations on individual elements of the governance framework.	Adam Hill	May 2020	Adam Hill, Deputy Chief Executive to provide a presentation to Committee on 14 April 2020.



Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
	6) Efficiency and Value for Money – Corporate Management Team to consider what information is required for the Audit Committee to enable the Committee to discharge its duties.	Corporate Management Team	TBC	Ongoing

# Agenda Item 8



## Report of the Chief Auditor

Audit Committee – 30 June 2020

### Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 January 2020 to 31 March 2020

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2020 to 31 March 2020.
<b>Recommendation:</b>	That the Audit Committee Members note the information contained in this report.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Miller

#### 1. Introduction

- 1.1 The Internal Audit Annual Plan 2019/20 was approved by the Audit Committee on 9<sup>th</sup> April 2019. This is the third quarterly monitoring report to be presented to Committee. Further reports will be presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits which were finalised in the period 1<sup>st</sup> January 2020 to 31<sup>st</sup> March 2020.

## 2. Audits Finalised 1 January 2020 to 31 March 2020

- 2.1 A total of 27 audits were finalised during the quarter. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed. Appendix 2 provides a summary of the scope of the reviews finalised during the period.
- 2.2 An analysis of the assurance levels of the audits finalised is shown in the following table.

Assurance Level	High	Substantial	Moderate	Limited
Number	11	14	2	0

- 2.3 A total of 165 audit recommendations were made and management agreed to implement 163 recommendations, i.e. 99% of the recommendations made were accepted against a target of 95%. Details of those recommendations that were not accepted can be found in Appendix 3.
- 2.4 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during the quarter is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
1	34	70	58	163

- 2.5 The implementation status for those audits that have been subject to a standard follow-up in the quarter is reported separately in the Recommendation Follow-up Report. This includes all follow-ups completed, except for the fundamental audits as the outcome of these follow-up reviews is reported to committee via the Fundamental Audit Recommendation Tracker Report.
- 2.6 The Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government.

Grant	Amount
Regional Consortia School Improvement Grant 19/20	£8,855,920
Pupil Development Grant 19/20 (Q1-Q3)	£1,003,832
Suresprung – Transitional Employer Support Grant	n/a - compliance with the Shaw Trust requirements

- 2.7 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 4 shows each audit included in the Plan approved by Committee in April 2019 and identifies the position of each audit as at 31 March 2020.
- 2.8 An analysis of the details in Appendix 3 shows that by the end of March 2020, 84% of the planned reviews had been completed to at least draft report stage, with an additional 4% of the planned audits in progress. As a result approximately 88% of the Audit Plan was either completed or in progress. Note that as at year end, 8 audits (5% of the plan) were found to be no longer required during the year due to in-year service changes. A further 11 audits (7% of the plan) have been deferred to the 2020/21 audit plan.
- 2.9 Committee should be made aware that sickness absence in quarter four was significantly higher than in the previous two quarters. The cumulative total of sickness absence to the end of quarter three was 51 days. However this total had reached 80 days by the end of quarter four. This primarily related to extended periods of absence of two staff members. Note that all three members of staff had returned to work at the time of compiling this report.
- 2.10 Two moderate reports were issued in the quarter. The following table provide brief details of the significant issues which led to the moderate rating.

2.11

Audit	Concessionary Fares 2019/20
<b>Objectives</b>	The audit is carried out at the request of the Council's Integrated Transport Unit and checks the number of journeys claimed by bus operators to the number of journeys recorded by the ticket machines on their buses. The objectives of the audit were to confirm that the internal controls and financial management and procedures are adequately controlled, operating effectively, and comply with the requirements of the scheme.
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<p><u>First Cymru</u></p> <p>1. First Cymru is the biggest operator serving Swansea and accounts for over 90% of the Council's fare expenditure (£7.4m in 2018/2019). A sample of twenty dates in 2018/19 was selected for testing and a variance in the amounts claimed was found for 19 of the dates representing an error rate of 95%. These errors comprised of the following:</p>	

- a) On 14 dates, the number of journeys claimed was less than the ticket records held by First Cymru. The total number of concessionary fares under claimed in our sample was 382.
  - b) On 5 dates, the number of journeys claimed exceeded the ticket records held by First Cymru. The total number of concessionary fares over claimed in our sample was 34.
2. It should be noted that First Cymru has already re-calculated its 2018/2019 claims for each depot and these suggest a total over-claim in the region of £24.2k. Claims for each depot for 2019/2020 to date have also been re-calculated, and these suggest an over-claim in the region of £6.6k.

2.12

<b>Audit</b>	<b>Cwm Glas Primary School</b>
<b>Objectives</b>	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice. The audit included the review and testing of the controls established by management over the following areas: Governance, Management of Delegated Resources, Budget Monitoring, Banking Procedures, Unofficial Funds, School Meals Income, Bank Reconciliations, Expenditure, Employees, Health & Safety, Inventory and Computer Security.
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<p>1. <u>Bank Reconciliations</u> It was confirmed that bank reconciliations were being carried out, however there was no evidence of them being reviewed by an independent person. (MR)</p> <p>2. <u>Unofficial Funds</u></p> <ul style="list-style-type: none"> <li>a) There are three unofficial fund accounts at the school. There were no Fund Constitutions in place for any of the funds. Advice was provided and staff were directed to the Councils Accounting Instruction No. 11 (MR)</li> <li>b) As the School Uniform and Day Nursery Accounts have been dormant for some time, only the records for the School Fund were reviewed. It was confirmed that adequate income and expenditure records were maintained and reconciliations to the bank statements were regularly being undertaken. However, there was no evidence of an independent review. (MR)</li> </ul> <p>3. <u>Expenditure</u></p> <ul style="list-style-type: none"> <li>a) An examination of a sample of purchases revealed that orders had only been raised for one of the eight sampled. It is acknowledged that the school had a period where they did not have a full time Admin Officer; however, an Admin Officer has now been appointed and been in post since September 2019.</li> <li>b) Non-order facility had been used for items other than utilities and supply teaching. Orders should be produced for all goods and services including</li> </ul>	

CCS orders. This is required for effective budget monitoring and proper certification procedures. It is also a record of what has been ordered, and helps to reduce the risk of duplicate payments being made, and to facilitate matching to the invoice in terms of both price and quantity.  
(MR – repeated recommendation)

4. Inventory

An Inventory record was not available at the school. Discussions were held over the requirements to maintain an Inventory and advice given to follow Accounting Instruction No. 9 of the Councils Accounting Instructions. As there were no records maintained no further testing could be undertaken in this area.  
(MR – repeated recommendation)

**3. Follow Ups Completed 1 October 2019 to 31 December 2019**

3.1 The follow up procedures operated by the Internal Audit Section include visits to any non-fundamental audits which received a moderate or limited level of assurance to confirm and test that action has been taken by management to address the concerns raised during the original audit.

3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Chief Finance Officer (Section 151 Officer).

3.3 Six moderate audit reports were followed up in quarter four as detailed below:

a) Foreshores & Lettings 2019/20

The follow up concluded that significant progress had been made, with 10 of the 11 recommendations being fully implemented. The only outstanding action related to the issuing of licences on an annual basis. At the time of the follow up this was 'part implemented' with site visits due imminently and agreements to be updated by April 2020.

b) Cleansing Services 2019/20

The follow up concluded that good progress had been made, and 11 of the 12 recommendations had been fully implemented. The only outstanding action related to the checking of vehicle insurance cover for an employee who was still off work at the time of the follow up.

c) Disclosure & Barring Service 2019/20

The follow up confirmed that whilst good progress had been made, it was noted that out of the 12 recommendations agreed, there were still 6 recommendations that had not been fully implemented (3 x

High Risk, 2 x Medium Risk and 2 x Good Practice). As a result, we will be required to undertake a further follow up audit later in the year.

d) Gwyrosydd Primary School 2019/20

The follow up confirmed that significant progress had been made, and only 3 of the 23 recommendations had not been fully implemented. All three recommendations were classed as low risk and these areas will be re-tested when the next full school audit is due.

e) Pen y Bryn Special School 2019/20

The follow up confirmed that whilst good progress had been made, it was noted that out of the 25 recommendations agreed, there were still 8 recommendations that had not been fully implemented (3 x Medium Risk, 4 x Low Risk and 1 x Good Practice). As a result, we will be required to undertake a further follow up audit later in the year.

f) Building Services (Heol-y-Gors) Plant 2019/20

The follow up confirmed that good progress had been made and 12 of the 14 recommendations had been fully implemented. The implementation of one High Risk recommendation was ongoing, however, committee can take assurance that the service is taking swift action to get this completed as per the verbal update that was presented at the last meeting. One further recommendation (Medium Risk) is not due to be implemented until year end. These areas will be re-tested when the next full audit is due.

- 3.4 As Committee had previously been advised, following a request from the Joint Committee in May, Pembrokeshire County Council agreed to undertake a follow up of the internal review of the City Deal in quarter four 2019/20. We can confirm that the follow up was completed prior to the Covid-19 crisis and the report is due to be presented to the Programme Board and Joint Committee when normal business resumes.

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

- 4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

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

## **5. Financial Implications**

5.1 There are no financial implications associated with this report.

## **6. Legal Implications**

6.1 There are no legal implications associated with this report.

**Background Papers:** Internal Audit Plan 2019/20

**Appendices:** Appendix 1 Audits Finalised Q4 2019/20

Appendix 2 Summary of Scope of Audits Finalised Q4 2019/20

Appendix 3 Recommendations not Accepted Q4 2019/20

Appendix 4 Internal Audit Plan 2019/20 - Progress to 31/03/20



## MONITORING REPORT Q4 2019/20 - AUDITS FINALISED

Head of Service	Audit Title	Date Finalised	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Housing & Public Health	Town Centre District Housing Office	07/01/20	High	7	7	0
Financial Services & Service Centre	Pension Fund Other Transactions	13/01/20	High	3	3	0
Fundamental Audits	Housing Rents 2019/20	23/01/20	High	7	7	0
Building Services	Building Services - Control of Contracts	23/01/20	High	1	1	0
Fundamental Audits	Pension Fund Investments 2019/20	04/02/20	High	0	0	0
Digital & Transformation	Change Control	03/03/20	High	1	1	0
Fundamental Audits	Employee Services 2019/20	03/03/20	High	5	5	0
Planning & City Regeneration	External Funding Team	04/03/20	High	0	0	0
Cultural Services	Community Buildings	09/03/20	High	3	3	0
Fundamental Audits	Pension Fund Administration 2019/20	16/03/20	High	0	0	0
Financial Services & Service Centre	Cashiers Office	27/03/20	High	2	2	0
Education Planning & Resources	Seaview Community Primary School	07/01/20	Substantial	6	6	0
Chief Transformation Officer Audits	Corporate Complaints	20/01/20	Substantial	6	6	0
Education Planning & Resources	sQuid System Review	23/01/20	Substantial	10	10	0
Education Planning & Resources	St Thomas Primary School	27/01/20	Substantial	10	8	2
Highways & Transportation	Civil Parking Enforcement	31/01/20	Substantial	12	12	0
Cultural Services	Grand Theatre & Glyn Vivian Catering	17/02/20	Substantial	2	2	0
Cross Cutting Audits	Information Governance	19/02/20	Substantial	12	12	0
Cultural Services	Cultural Services Review of Contracts	24/02/20	Substantial	2	2	0
Highways & Transportation	Car Parks Income Review (G4S)	28/02/20	Substantial	5	5	0
Digital & Transformation	Physical and Environmental Controls	03/03/20	Substantial	6	6	0
Cultural Services	Sports Permits	16/03/20	Substantial	6	6	0
Highways & Transportation	Stores (Pipehouse Depot)	17/03/20	Substantial	10	10	0
Cross Cutting Audits	Safeguarding	24/03/20	Substantial	3	3	0
Fundamental Audits	Accounts Payable 2019/20	27/03/20	Substantial	19	19	0
Highways & Transportation	Concessionary Bus Fares	27/02/20	Moderate	5	5	0
Education Planning & Resources	Cwmglas Primary School	10/03/20	Moderate	22	22	0
			<b>Total</b>	<b>165</b>	<b>163</b>	<b>2</b>

## MONITORING REPORT Q4 2019/20 - SUMMARY OF SCOPE OF AUDITS FINALISED

Head of Service	Audit Title	Assurance Level	Audit Scope	Key Findings / Risks
Housing & Public Health	Town Centre District Housing Office	High	<i>Lettings, End of Tenancies, Void Properties, Decorating Allowance (Paint Packs), Transfers, Mutual Exchanges, Employee records - Flexitime/Sickness/Annual Leave, Security Arrangements/Inventory/Controlled Stationery, Purchase Cards (P-Card), Expenditure, Miscellaneous Income, Estate Management</i>	None
Financial Services & Service Centre	Pension Fund Other Transactions	High	<i>Pension Fund Committee Costs, Local Pension Board Costs, Actuary Costs, Training Expenses, Conference Expenses, Mortality Screening Expenses, Pro-Rata Recharging of Actuary Costs to Admitted Bodies</i>	None
Fundamental Audits	Housing Rents 2019/20	High	<i>Annual rent review, Office manuals, Orchard access levels, Register of personal interests, Rent deducted from earnings, Housing Benefits interface, Suspense Account administration, Cash reconciliation, Write-offs, Reconciliation of Housing stock, Key book amendments, Court costs administration, Negative Rent Account balances, Lifeline telephone recharges</i>	None
Building Services	Building Services - Control of Contracts	High	<i>Enveloping – Caemawr, Fire Compartmentation Works, Re-roofing - Blaen y Maes 2017, 3G pitches – Penyrheol, Lon Las school - New Build, Matthew Street – High Rise, Penlleger Phase 2 (Building Services Contract), WHQS 379 Properties Penlan, 32 Properties - West Cross, Re-roofing - 106 properties Blaen Y Maes.</i>	None
Fundamental Audits	Pension Fund Investments 2019/20	High	<i>Investment Management, Review of Pension Fund Managers, Fund Managers Agreements, Fund Managers Invoices, Monitoring of Fees (deducted directly from the Fund)</i>	None
Digital & Transformation	Change Control	High	<i>Procedure Notes and Guidance, Submission and Authorisation of Requests, Recording and Documenting, Monitoring Changes, Incidents, Service Availability.</i>	None
Fundamental Audits	Employee Services 2019/20	High	<i>Procedures, Starters, Leavers, Overpayments, Deductions, Other Pay and Amendments, Occupational Sick Pay, Career Breaks, Pay Bandings, System Interfaces and Control Accounts, BACS Payments, Other Payments, Parameters, Business Continuity and Data Backups.</i>	None
Planning & City Regeneration	External Funding Team	High	<i>Administration of Projects, Completion of Claims, Reconciliation and Verification of Spend to the General Ledger.</i>	None
Cultural Services	Community Buildings	High	<i>Expenditure, Purchase Card, Hire of Centres, Recharge of Utility Charges, Inventory, Recharging of Expenditure Incurred, Building Licences, Health and Safety Checks – Responsibility of Centres, Electrical and Gas Testing, Loans.</i>	None

## MONITORING REPORT Q4 2019/20 - SUMMARY OF SCOPE OF AUDITS FINALISED

Fundamental Audits	Pension Fund Administration 2019/20	High	<i>Pension and ORACLE payroll system parameters, Rates of contributions received and reconciliation procedures, Input of new members to the pension scheme, AVC's/APC, Transfers in and out of the scheme, Deferred Pensioners, New pensioners, Continued pensioners, Child pensions, CARE Revaluation, ICT, Administration and back-up procedures.</i>	None
Financial Services & Service Centre	Cashiers Office	High	<i>Chief Cashiers Imprest Account (CCI), Petty Cash Expenditure from CCI, Stock of Cheques, Stopped Cheques, Receivership Float, Cheques Held for Collection, Temporary Receipts, Sub Notes, Controlled Stationary, Opened Cheques, Returned Cheques, Petty Cash Claims, Control of Petty Cash Accounts, Cover Notes, Kiosks.</i>	None
Education Planning & Resources	Seaview Community Primary School	Substantial	<i>Governance, Management of Delegated Resources, Budget Monitoring, Lettings &amp; Clubs, Banking Procedures, Reconciliation of Income, Unofficial Funds, School Meals Income, Bank Reconciliations, Expenditure, Employees, Health &amp; Safety, Multi Pay Card, Inventory, Computer Security &amp; Data Protection</i>	<i>Some use of the non-order facility on SIMS (repeated rec). Number of LR/GP recommendations.</i>
Chief Transformation Officer Audits	Corporate Complaints	Substantial	<i>Complaints – Non Social Services, Complaints – Social Services, Complaints – Referred to Ombudsman, RIPA Investigations, Subject Access Requests, Expenditure</i>	<i>Lack of CPR's being adhered to for two contracts selected for expenditure testing. Number of LR/GP recommendations</i>
Education Planning & Resources	sQuid System Review	Substantial	<i>System Access and Security, Income/Meal Reconciliation, Treatment of VAT, School Discretionary Accounts, Arrears (pupils and staff), Debits &amp; Credits</i>	<i>Recent system upgrade resulted in end of day reconciliaiton reports not being available to reconcile income over a period. Alternative process now in place. Delayed invoicing to schools re discretionary account while system bedded in (now invoiced and will be annually). Delayed pupil meal arrears monitoring centrally, schools reminded of responsibility.</i>

## MONITORING REPORT Q4 2019/20 - SUMMARY OF SCOPE OF AUDITS FINALISED

Education Planning & Resources	St Thomas Primary School	Substantial	<i>Governance, Management of Delegated Resources, Budget Monitoring, Lettings &amp; Clubs, Banking Procedures, Reconciliation of Income, Unofficial Funds, School Meals Income, Bank Reconciliations, Expenditure, Employees, Health &amp; Safety, Multi Pay Card, Inventory, Computer Security &amp; Data Protection</i>	<i>Lack of evidence of independent review of the monthly reconciliation of the unofficial fund. Number of LR/GP recommendations.</i>
Highways & Transportation	Civil Parking Enforcement	Substantial	<i>Issuing of tickets, Charges and Payment of Fines, Appeals &amp; Cancellations, Refunds, Write-Offs, Chipside IT System.</i>	<i>Some long standing PCN fines outstanding with evidence of lack of review/progress earliest dating from 2014. Number of LR/GP recommendations.</i>
Cultural Services	Grand Theatre & Glyn Vivian Catering	Substantial	<i>The objective of the review was to ensure that the award of the catering contracts for both establishments was compliant with current Contract Procedure Rules and Corporate Property procedures.</i>	<i>Contract awarded at the Glyn Vivian did not follow standard CPR/Corporate Property procedures. This has since been resolved in consultation with Legal and Procurement.</i>
Cross Cutting Audits	Information Governance	Substantial	<i>Responsible / Designated Officers, IGU– Management of Data Breaches, IGU - General Data Protection Regulation (GDPR) Compliance Monitoring, IGU – Data Protection Impact Assessments (DPIAs), Data Protection – Staff Training &amp; Awareness, Information Management / Data Sharing – Staff Training &amp; Awareness, Requests for Information under the Freedom of Information Act (FOIA), Requests for Information under Environmental Information Regulation (EIR), Subject Access Requests (SAR), Publication Scheme, Records Management (Records Management Team), Records Management (Wider Authority), Privacy Statements / Recognition of Individual's Rights</i>	<i>Some GDPR Manager Checklists not returned for DPO scrutiny, lack of standard GDPR tests in audit programmes (now addressed and added), lack of compliance monitoring data in quarterly reports to CMT/Corp. Briefing, lack of available training for staff without computer access.</i>
Cultural Services	Cultural Services Review of Contracts	Substantial	<i>The audit checked whether contracts had been awarded for all eligible expenditure, as required by the Council's Contract Procedure Rules.</i>	<i>Small number of contracts awarded where there was lack of evidence of CPR's being adhered to (2 out of sample of 20).</i>

## MONITORING REPORT Q4 2019/20 - SUMMARY OF SCOPE OF AUDITS FINALISED

Highways & Transportation	Car Parks Income Review (G4S)	Substantial	<i>The review included scrutiny of the process for collecting the cash from the car parking machines, the counting procedures and the subsequent collection and banking by the security firm G4S. The objective of the review was to ensure that the collection and banking of income complied with the Councils Accounting Instructions and the reconciliation of income banked by G4S was complete and accurate.</i>	<i>Lack of timely investigation of discrepancies between collection records and CIVICA.</i>
Digital & Transformation	Physical and Environmental Controls	Substantial	<i>Location &amp; Access to Servers, Maintenance, Disposal.</i>	<i>Uninterrupted power supply was noted as being in place but this only provides 20min of back-up power. On inspection a number of server cabinets were noted as not being secure.</i>
Cultural Services	Sports Permits	Substantial	<i>Procedures, Casual / Ad-hoc Bookings, Football / Rugby Leagues, Cricket Leagues, Refunds.</i>	<i>A number of unpaid sports permit invoices were noted, with no evidence of the invoices being followed up.</i>
Highways & Transportation	Stores (Pipehouse Depot)	Substantial	<i>Stock Records, Write Offs, Ordering of Goods and Payment of Invoices, Purchase Cards, Receipts to Stores and Returns, Issue from the Stores, Security of the Stores</i>	<i>Minor variances were noted when comparing stock figures as per the stock records to the physical stock on site.</i>
Cross Cutting Audits	Safeguarding	Substantial	<i>Policy Development, Communications / Reporting, Risk Assessment / DBS, Training, S135 Audit, Deprivation of Liberty Safeguards (DoLS)</i>	<i>As at September 2019 only 23% of staff with pc access had completed the Adult Safeguarding course, 24% had completed Safeguarding for Children course. For staff without access to a computer some arrangements have been made to access online training. However, there is no bespoke safeguarding training available for staff without access to a computer.</i>

## MONITORING REPORT Q4 2019/20 - SUMMARY OF SCOPE OF AUDITS FINALISED

Fundamental Audits	Accounts Payable 2019/20	Substantial	System Access, Creation and Amendments of Supplier Records, Batch Headers, Validation of Payments over £10k, BACS Transmissions, Direct Debits, Checking & Countersigning of Payments over £50k, Reconciliation of Accounts Payable to the Ledger, Duplicate Payments, Payment Performance, Supplier Credits on the System, Suppliers with the Address "Cheque to Cashiers", Authorised Signatory Lists, Payment of Invoices via Purchase Card, Interface Files, Supplier Incentive Scheme	One low value duplicate payment was noted that had not been identified by controls in AP. Two manual entry errors were noted when updating supplier accounts. A review of accounts in credit revealed that some had not been reviewed in a timely manner.
Highways & Transportation	Concessionary Bus Fares	Moderate	The audit was carried out at the request of the Council's Integrated Transport Unit and checks the number of journeys claimed by bus operators to the number of journeys recorded by the ticket machines on their buses. The objectives of the audit were to confirm that the internal controls and financial management and procedures relating to Concessionary Bus Fares are adequately controlled, operating effectively, and comply with the requirements of the scheme.	See detail in the body of the Q4 Monitoring Report.
Education Planning & Resources	Cwmglas Primary School	Moderate	Governance, Management of Delegated Resources, Budget Monitoring, Lettings & Clubs, Banking Procedures, Reconciliation of Income, Unofficial Funds, School Meals Income, Bank Reconciliations, Expenditure, Employees, Health & Safety, Multi Pay Card, Inventory, Computer Security & Data Protection	See detail in the body of the Q4 Monitoring Report.

## MONITORING REPORT Q4 2019/20 - RECOMMENDATIONS NOT ACCEPTED

Audit Title	Date Final Issued	Assurance Rating	Recommendations Not Accepted			
			Report Ref	Risk Rating	Recommendation	Reason / Comments
St Thomas Community Primary School	27/01/20	Substantial	2.5.4	LR	The Unofficial School Fund Constitution set out in Accounting Instruction No 11 should be used. (Testing showed that the current Terms of Reference in place approved by the Governing Body gives permission for the School Fund to be used for 'light refreshments for stakeholder engagement or training sessions, such as staff, governors, parents, student teachers and other professionals.')	Our understanding is that the Governing Body can set their own Terms of Reference, as they have done, based closely on the suggested model. If this is not the case, why allow Governing Bodies to have a say at all in the matter?
Page 93 St Thomas Community Primary School	27/01/20	Substantial	2.5.5 a)	LR	The school fund should only be used for the direct benefit of the pupils.	What constitutes a 'direct benefit?' While we fully agree the school fund should not be used inappropriately, it is not practical to say the account cannot be used for things that may be regarded as 'indirect' benefits. A school is a microcosm of a society/community and needs to operate as such. It cannot be treated in the same way other council departments are. For example, we cannot deliver a welcoming and inclusive community school if we can't even offer parents, visitors or students a tea or coffee when they are onsite. Furthermore, in relation to staff, we believe that ensuring staff well-being does directly benefit our pupils because happy staff are in work as opposed to being off sick. It should be noted that the school staff are currently bringing in £45,000 per annum to the school budget for additional work with student teachers, for which they receive no extra pay. This doesn't 'directly' benefit the pupils but it is clearly an important role for the teaching profession and indirectly benefits pupils by ensuring there is a future workforce. We understand that some schools may abuse this fund but it is a false economy to make this into a big issue in schools where there is none. We are happy to be audited annually if needed, to ensure we are not wasting money on frivolous things like champagne and holidays but we cannot commit to something that in our opinion is an unworkable funding model for our service. We therefore intend to continue to use the fund proportionately, in line with the terms of reference, which have been agreed by the governors.

Audit Title	Risk Rating	Status as at 31/03/20	Corporate Priority	Days
<b>Level 1 – Cross Cutting Reviews – Council Governance &amp; Control</b>				
Corporate Governance	Med/High	Draft Issued	Cross Cutting	20
Delegated Decision Making	New	Deferred	Cross Cutting	10
Workforce Planning	New	Deferred	Cross Cutting	10
Ethics & Values	Low	Final Issued	Cross Cutting	15
Safeguarding	Med/Low	Final Issued	Cross Cutting	10
Information Governance	Med	Final Issued	Cross Cutting	20
Corporate Performance Management	New	In Progress	Cross Cutting	15
Added Value Work	n/a	Final Issued	Cross Cutting	10
<b>Level 2 – Fundamental Systems - Section 151 Officer Assurance</b>				
<b>Financial Services &amp; Service Centre</b>				
Employee Services	Med/High	Final Issued	Section 151 Assurance	30
Pensions Administration	Med/High	Final Issued	Section 151 Assurance	20
Teachers Pensions	Med	Final Issued	Section 151 Assurance	15
Accounts Receivable	Med	Draft Issued	Section 151 Assurance	35
NNDR	Med	Draft Issued	Section 151 Assurance	22
Pension Fund Investments	Med/High	Final Issued	Section 151 Assurance	7
Housing Rents	Med	Final Issued	Section 151 Assurance	20
Housing & Council Tax Benefits	Med/High	Draft Issued	Section 151 Assurance	40
Fixed Assets	Med	In Progress	Section 151 Assurance	25
<b>Level 3 – Service Level Audits – Other Assurance</b>				
<b>Education Planning &amp; Resources</b>				
Bishopston Primary	Med	Final Issued	Education	3
Cadle Primary	Med	Final Issued	Education	3
Clwyd Community Primary	Med	Final Issued	Education	3
Crwys Primary	Med	Final Issued	Education	3
Cwmglas Primary	Med	Final Issued	Education	3
Glyncollen Primary	Med	Final Issued	Education	3
Grange Primary	Med	Final Issued	Education	3
Gwyrosydd Primary	Med	Final Issued	Education	3
Hafod Primary	Med	Final Issued	Education	3
Morrison Primary	Med	Final Issued	Education	3
Pen y Fro Primary	Med	Final Issued	Education	3
Pengelli Primary	Med	Final Issued	Education	3



Pennard Primary	Med	Final Issued	Education	3
Pentrechwyth Primary	Med	Final Issued	Education	3
Penyrheol Primary	Med	Final Issued	Education	3
Pondarddulais Primary	Med	Final Issued	Education	3
Seaview Community Primary	Med	Final Issued	Education	3
St Thomas Primary	Med	Final Issued	Education	3
Waun Wen Primary	Med	Final Issued	Education	3
Waunarlwydd Primary	Med	Final Issued	Education	3
YGG Felindre	Med	Final Issued	Education	3
YGG Pontybrenin	Med	Final Issued	Education	3
St David's RC Primary	Med	Final Issued	Education	3
St Joseph's Cathedral Primary	Med	Final Issued	Education	3
St Joseph's Catholic Primary	Med	Final Issued	Education	3
Bishop Vaughan Comprehensive	High	Final Issued	Education	10
Morrison Comprehensive	Med/High	Final Issued	Education	10
Olchfa Comprehensive	Med/High	Final Issued	Education	10
Ysgol Gyfun Gwyr	Med/High	Final Issued	Education	10
Penybryn Special School	Med	Final Issued	Education	4
<b>Achievement &amp; Partnership Service</b>				
Curriculum Support Unit inc. Welsh Service	Low	Final Issued	Education	5
School Support Unit	Med	Final Issued	Education	5
<b>Vulnerable Learner Service</b>				
Swansea Pupil Referral Units	Med	Final Issued	Education, Safeguarding & Poverty	15
<b>Education Grants &amp; Other</b>				
Additional Support for Disadvantaged Learners (G)	n/a	Final Issued	Education, Safeguarding & Poverty	5
Regional Consortia School Improvement (G)	n/a	Final Issued	Education, Safeguarding & Poverty	15
Pupil Deprivation (G)	n/a	Final Issued	Education, Safeguarding & Poverty	10
Schools Annual Report	n/a	Final Issued	Education, Safeguarding & Poverty	3
<b>Child &amp; Family Services</b>				
Discretionary Payments	Med/High	Final Issued	Safeguarding	10
Emergency Duties Team	Low	Final Issued	Safeguarding	10
Use of Taxis Authorisation	Med/Low	Final Issued	Safeguarding	10
<b>Adult Services</b>				

Supporting People (G)	n/a	Final Issued	Safeguarding	10
Suresprung Supported Employees Claim Process (G)	n/a	Final Issued	Safeguarding	5
Flexible Support Service	Med	Final Issued	Safeguarding	10
Fforestfach Day Service	Low	Final Issued	Safeguarding	10
<b>Social Services Directorate Services</b>				
Client Property & Finance	High	Draft Issued	Safeguarding	15
Business Support Team - Adult Services	Med	Final Issued	Safeguarding	10
Application Controls - Paris System	Med	Draft Issued	Safeguarding	5
<b>Poverty &amp; Prevention</b>				
Adult Prosperity & Wellbeing Service	Low	Final Issued	Poverty	5
Young Peoples Service	Med	Final Issued	Poverty	15
Info-Nation	Med	Final Issued	Poverty	10
Community Safety	Med/Low	Final Issued	Poverty	10
Lifelong Learning Service	Med	Final Issued	Poverty	10
<b>Building Services</b>				
Heol y Gors - Plant & Transport	Med	Final Issued	Economy & Infrastructure, Safeguarding	7
<b>Property Services</b>				
Estates Management & Quadrant Rents	Med	Final Issued	Economy & Infrastructure	10
<b>Waste Management &amp; Parks</b>				
Waste Management	Med	Final Issued	Economy & Infrastructure	10
Street Cleaning	Med	Final Issued	Economy & Infrastructure	10
<b>Highways &amp; Transportation</b>				
Service Support	Low	Not Required	Economy & Infrastructure	15
Transport Support	Med	Final Issued	Economy & Infrastructure	10
Concessionary Bus Fares	Med	Final Issued	Economy & Infrastructure	5
Recovery of Abandoned Vehicles	Med	Final Issued	Economy & Infrastructure	5
Swansea City Bus Station	Med	Final Issued	Economy & Infrastructure	8
Advance Payments Code	Med	Final Issued	Economy & Infrastructure	8
CTU Fleet Maintenance	Med/High	Final Issued	Economy & Infrastructure	15
CTU Fuel	Med	Final Issued	Economy & Infrastructure	10
CTU Stores	Med	Final Issued	Economy & Infrastructure	8
Transport Depot	Med	Final Issued	Economy & Infrastructure	15
Live Kilometre Support (G)	n/a	Final Issued	Economy & Infrastructure	5
<b>Housing &amp; Public Health</b>				

Penlan District Housing Office	Med	Final Issued	Poverty, Safeguarding	15
Gorseinon District Housing Office	Med	Final Issued	Poverty, Safeguarding	10
Furniture Store & Tenancy Scheme	Low	Final Issued	Poverty, Safeguarding	12
Tenancy Support Unit & SPG	Low	Final Issued	Poverty, Safeguarding	10
Housing Partnerships	Med	Final Issued	Poverty, Safeguarding	10
Food & Safety Division	Low	Final Issued	Poverty, Safeguarding	10
Pollution Control Division	Med/Low	Final Issued	Poverty, Safeguarding	10
<b>Cultural Services</b>				
Community Parks Development & Community Buildings	Low	In Progress	Economy & Infrastructure	15
Foreshores & Lettings: Sports Permits	Low	In Progress	Economy & Infrastructure	10
Active Swansea	Med	Not Required	Economy & Infrastructure	5
Spot Checks	Med	Deferred	Economy & Infrastructure	5
Grand Theatre	Med/High	Final Issued	Economy & Infrastructure	15
Grand Theatre & Glyn Vivian Catering	New	Draft Issued	Economy & Infrastructure	5
Literature Officer	Low	Deferred	Economy & Infrastructure	5
Libraries Administration	Med/Low	Final Issued	Economy & Infrastructure	10
Special Events	Med	Final Issued	Economy & Infrastructure	15
Passport to Leisure	Low	Deferred	Economy & Infrastructure	10
Tourism Marketing	Med/Low	Final Issued	Economy & Infrastructure	10
<b>Planning &amp; City Regeneration</b>				
Sustainable Development	Low	Not Required	Economy & Infrastructure, Resources & Biodiversity	8
Economic Development Administration	Med/Low	Final Issued	Economy & Infrastructure, Resources & Biodiversity	10
External Funding Team	Med/High	Final Issued	Economy & Infrastructure, Resources & Biodiversity	5
Planning Services Administration & Fees	Med	Final Issued	Economy & Infrastructure, Resources & Biodiversity	15
Section 106 Agreements	Med/High	In Progress	Economy & Infrastructure, Resources & Biodiversity	10
<b>Communications &amp; Marketing</b>				
Communications & Public Relations	Med	Final Issued	Transformation & Council Development	10
Design Print	Med	Final Issued	Transformation & Council Development	15
<b>Financial Services &amp; Service Centre</b>				
Cashiers Office	Med/High	Final Issued	Section 151 Assurance	10
Write-Off Requests	n/a	Final Issued	Section 151 Assurance	5
Cashiers Write-off's	n/a	Final Issued	Section 151 Assurance	5

Insurance	Med	Final Issued	Section 151 Assurance	10
Taxation VAT	Med	Final Issued	Section 151 Assurance	10
Pension Fund Other Transactions	Med	Final Issued	Section 151 Assurance	10
Trusts & Charities	Med	Final Issued	Section 151 Assurance	10
Budget Strategy & Management	New	In Progress	Section 151 Assurance	10
Direct Payments - Adult and Child & Family	Med	Deferred	Section 151 Assurance	15
Welcome Break	Med/High	Final Issued	Section 151 Assurance	5
Debt Recovery	High	Deferred	Section 151 Assurance	20
Employee Vetting (DBS)	Med	Final Issued	Section 151 Assurance	10
Purchase Cards	Low/Med	Final Issued	Section 151 Assurance	15
<b>Digital &amp; Transformation</b>				
Information Management	Med	Not Required	Transformation & Council Development	10
<b>Legal, Democratic Services &amp; Business Intelligence</b>				
Coroners Service	Med	Final Issued	Monitoring Officer Assurance	12
Debt Recovery Process	High	In Progress	Monitoring Officer Assurance	10
Review of Legal Files	Med	Final Issued	Monitoring Officer Assurance	10
<b>Commercial Services</b>				
Cultural Services Contracts Review	Med/High	Final Issued	Section 151 Assurance	10
<b>Chief Transformation Officer Audits</b>				
Corporate Complaints	Med	Final Issued	Transformation & Council Development	8
Welsh Translation Unit	Med	Final Issued	Transformation & Council Development	10
CRM System Application Controls	New	In Progress	Transformation & Council Development	10
Risk Management	Med/High	Final Issued	Section 151 Assurance	10
<b>Contract Audits</b>				
Legal Pre-Contract Acceptance of Tenders	Med	Draft Issued	Monitoring Officer Assurance	20
Procurement Contract Register	Med	Draft Issued	Transformation & Council Development	10
Final Accounts	n/a	Final Issued	Section 151 Assurance	3
Appraisal of Contractors for Tenders	n/a	Final Issued	Section 151 Assurance	5
<b>Computer Audits</b>				
PC Controls	n/a	Not Required	Transformation & Council Development	5
Network Controls - Corporate & Education	n/a	Not Required	Transformation & Council Development	10
Internet Controls - Education Network	Med/Low	Deferred	Transformation & Council Development	10

Libraries Public Access Network	Med/Low	Not Required	Transformation & Council Development	5
E-Commerce Controls - Web Development	New	Deferred	Transformation & Council Development	10
Physical & Environmental Controls and VSE	Med	Final Issued	Transformation & Council Development	10
Computer Operations	Med/High	Not Required	Transformation & Council Development	5
Change Control	Med	Final Issued	Transformation & Council Development	5
Change Control - Oracle	Med/High	Deferred	Transformation & Council Development	5
Use of Idea - Data Extraction	n/a	Final Issued	Section 151 Assurance	5
Use of Idea - Data Matching NFI 2018	n/a	Final Issued	Section 151 Assurance	5
<b>Projects &amp; Special Investigations</b>				
Unpresented Cheques	n/a	Final Issued	Section 151 Assurance	5
NFI 2018/19	n/a	Final Issued	Section 151 Assurance	20
Galileo Management System	n/a	Final Issued	Section 151 Assurance	10
Annual Plan & Annual Report	n/a	Final Issued	Section 151 Assurance	5
Annual Consultation Exercise	n/a	Final Issued	Section 151 Assurance	10
Health & Safety Group	n/a	Final Issued	Section 151 Assurance	3
Recommendation Tracker Exercise	n/a	Final Issued	Section 151 Assurance	5
Follow-ups	n/a	Final Issued	Section 151 Assurance	20
Purchase Cards - Transaction Sample Reviews	n/a	Final Issued	Section 151 Assurance	10
Petty Cash Investigations	n/a	Final Issued	Section 151 Assurance	3
<b>Miscellaneous Audits</b>				
sQuid System Review	Med	Final Issued	Section 151 Assurance	10
Brexit	Med	Final Issued	Section 151 Assurance	5
City Deal Review Outcomes - Follow-up	New	In Progress	Section 151 Assurance	5
Sustainable Swansea	New	Deferred	Transformation & Council Development	5

**Corporate Priorities**

**Safeguarding** – Safeguarding People from Harm

**Education** – Improving Education and Skills

**Economy & Infrastructure** – Transforming our Economy and Infrastructure

**Poverty** – Tackling Poverty

**Resources & Biodiversity** – Maintaining and Enhancing Swansea’s Natural Resources and Biodiversity.

**Transformation & Council Development** – Transformation and Future Council Development.

# Agenda Item 9



## Report of the Head of Highways and Transportation

Special Audit Committee – 9 June 2020

### Concessionary Fares – Findings Update Internal Audit Report 2019/2020

<b>Purpose:</b>	To provide an update on the Concessionary Fares audit for 2019/2020 in relation to First Cymru Buses Ltd
<b>Report Author:</b>	Catherine Swain, Integrated Transport Unit Manager
<b>Finance Officer:</b>	Paul Roach
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer: For Information</b>	Rhian Millar

#### Internal Audit on Concessionary Fares 2019/2020 – Update May 2020

##### 1. Introduction

- 1.1 Under the terms of the All Wales Concessionary Travel scheme, bus companies allow concessionary bus pass holders to travel free and are reimbursed in respect of the travel made by these passengers by local authorities. The bulk of the funding for the concessionary fares claims comes from the Welsh Government with a smaller contribution from Local Authorities which are also responsible for the day to day management of the Scheme in their area.
- 1.2 The Council undertakes an annual audit of the concessionary fares claims submitted by bus operators for revenue 'forgone'. First Cymru Buses accounts for over 90% of the Council's expenditure and is therefore always included in the sample of operators. Following the audit of the company's claims for the 2018/2019 financial year, undertaken in Summer 2019, an assurance level of moderate was given.
- 1.3 An Action Plan was developed to address the issues identified, provide recommendations and put in place appropriate implementation steps.

- 1.4 This report highlights all the High Risk (HR) and Medium Risk (MR) items. All items can be found within the **Appendix A**, which sets out the Audit Report in full and associated actions, Low Risk (LR) items and points of good practice (GP)
- 1.5 The Action Plan identified the following High Risk actions (HR)

**Report Ref: 2.2**

**Recommendation:** Officers in the Integrated Transport Unit should liaise with First Cymru to establish the reason(s) for the variances found.

**Agreed Action:** A further meeting with First Cymru and a representative from E P Morris (as First Cymru's auditors) is planned for 3<sup>rd</sup> March 2020.

**Progress to Date:** The meeting was held, as planned. It should be noted that whilst all Local Authorities in Wales re-imburse at the same level, a bus operator is expected to claim from each Local Authority on the basis of where a concessionary pass holder's journey starts. An operator is also expected to establish in which Local Authority's area each fare stage for each service is located. The information used to determine the bus company's claims is taken from their electronic ticket machines which record where passengers board and what type of ticket they use.

It was determined that:

- a. there were shortcomings by the company in relation to the latter, and claims for journeys starting at the University Bay Campus should have been claimed from Neath Port Talbot County Council rather than Swansea Council
- b. there were also instances of fare stages with the same name having been allocated to the wrong Local Authority's area
- c. the calculations for the claims were undertaken by an officer in the Bus Company who was not based in South Wales, and who therefore did not have local geographical knowledge to allow them to accurately identify the fare stages for the various bus services
- d. the company would provide the Council with a list of all its fare stages and to which Local Authority's area each is allocated
- e. any manual changes to the electronic data provided by the company's ticket machine system that could affect its claims would be provided to the Council on a monthly basis
- f. the company had over-claimed from Swansea Council in the region of £24.2k for 2018/2019, and by approximately £6.6k for 2019/2020 to date, and that this sum would be repaid
- g. E P Morris (as First Cymru's auditors) would be calculating the monthly claims to the Council going forward

- 1.6 This action plan identified the following Medium Risk actions (MR)

**Report Ref: 2.2 a) and b)**

**Recommendation:** When the reason(s) for the variances are rectified, First Cymru should re-calculate and submit all claims from April 2018 to date.

**Agreed Action:** First Cymru has already re-calculated its 2018/2019 claims for each depot and these suggest a total over-claim in the region of £24.2k. Claims for each depot for 2019/2020 to date have also been re-calculated, and these suggest an over-claim in the region of £6.6k.

**Progress to date:**

- a. The company has repaid the Council £31k to date
- b. E P Morris has re-calculated the company's claims for 2019/2020 and these are currently being verified to determine whether a further repayment is necessary
- c. E P Morris is now calculating First Cymru's monthly claims
- d. The Council will be auditing the company's 2019/2020 claims in June 2020, which is earlier than in previous years and will allow for any errors to be addressed sooner

## **2. Equality and Engagement Implications**

2.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above. An EIA screening has been undertaken (Appendix B) which demonstrates that there are no equality implications in relation to this report.

## **3. Financial Implications**

3.1 There are no financial implications other than those set out in the body of the report.

## **4. Legal Implications**

4.1 There are no legal implications other than those set out in the body of the report.

**Background Papers:** None.

**Appendices:**

**Appendix A:** Final Internal Audit Report Concessionary Fares 2019/2020 – Management Action Plan

**Appendix B:** Environmental Impact Assessment





**Final Internal Audit Report**  
**Highways & Transportation**  
**Concessionary Fares 2019/20**

## 1. Introduction

- 1.1 An audit has been completed of Concessionary Bus Fares paid by Swansea Council in 2018/19. The budget for Concessionary Fares is over £7.5m with approximately 82% of the expenditure being funded by Welsh Government.
- 1.2 The audit is carried out at the request of the Council's Integrated Transport Unit and checks the number of journeys claimed by bus operators to the number of journeys recorded by the ticket machines on their buses.
- 1.3 The objectives of the audit were to confirm that the internal controls and financial management and procedures relating to Concessionary Bus Fares are adequately controlled, operating effectively, and comply with the requirements of the scheme.
- 1.4 Concessionary Bus Fares is audited annually and in the 2018/19 audit there were two recommendations made and the assurance level awarded was 'Substantial'.
- 1.5 Detailed findings are recorded below and the recommendations arising are included in the attached Management Action Plan.

## 2. Work Done / Findings

- 2.1 Visits were made to the administrative bases of two operators operating local bus services in Swansea. These were First Cymru and NAT.

### First Cymru

- 2.2 This is the biggest operator serving Swansea, and accounts for over 90% of the Council's expenditure (£7.4m in 2018/2019). There is a significant amount of data available. A sample of twenty dates in 2018/19 was selected for testing and a variance in the amounts claimed was found for 19 of the dates - an error rate of 95%. These errors comprised of the following:

- a) On 14 dates, the number of journeys claimed was less than the ticket records held by First Cymru. The total number of concessionary fares under claimed in our sample was 382.

- b) On 5 dates, the number of journeys claimed exceeded the ticket records held by First Cymru. The total number of concessionary fares over claimed in our sample was 34.

2.3

Earlier in 2019/20, officers in the Integrated Transport Unit were advised by First Cymru that Scholars' tickets were incorrectly being classed as Concessionary Fares and that these were included in claims made to the Council. First Cymru had subsequently completed a check of 2018/19 claims discovered that Scholars' tickets were also included in the claims made during that year. At the time of the audit, a credit note had not been issued for the amounts over claimed.

2.4

During the audit, testing was also undertaken on cross-boundary bus services to ensure that concessionary fares had been reclaimed from the correct Council.

2.5

It was found in this testing that for services X10, 8 and 10, Concessionary Fares from bus stops in the Neath Port Talbot County Borough Council area were being claimed from City & County of Swansea.

**New Adventure Travel (NAT)**

2.6

A visit was made to this operator's Swansea depot and it was found that the data from the ticket machines used by this operator accompanied the monthly claim sent to the Council so no additional detail testing was required.

2.7

The information provided to the Transport Team consists of both a monthly summary, and a daily listing of tickets issued. It was noted however that a daily listing had not been provided for January 2019, although it was confirmed that the amount claimed was reasonable and within the expected range.

### 3. Conclusion

- 3.1 The Internal Audit Section operates a system of Assurance levels which gives a formal opinion of the achievement of the service's/system's control objectives. The Assurance levels vary over four categories: 'High', 'Substantial', 'Moderate' and 'Limited'.
- 3.2 Recommendations arising from this review are detailed in the attached Management Action Plan. Each recommendation has been prioritised according to perceived risk – High, Medium, Low and Good Practice. The overall Assurance level is based on the recommendations made in the report.
- 3.3 The description of each type of recommendation and also the basis for each of the Assurance levels is noted in **Appendix 1**.
- 3.4 Based on the audit testing undertaken, it was found that procedures in operation at First Cymru, the biggest bus operator serving Swansea, in relation to their monthly claim submissions contained a significant number of disparities.
- 3.5 As a result, an Assurance Level of '**Moderate**' has been given. This indicates that 'the ineffective controls represent a significant risk to the achievement of system objectives'.
- 3.6 We will contact you in due course to confirm that you have implemented the agreed recommendations.
- 3.7 This audit was conducted in conformance with the Public Sector Internal Audit Standards.

## Classification of Audit Recommendations

<b>Recommendation</b>	<b>Description</b>
High Risk	Action by the client that we consider <b>essential</b> to ensure that the service / system is not exposed to <b>major risks</b> .
Medium Risk	Action by the client that we consider <b>necessary</b> to ensure that the service / system is not exposed to <b>significant risks</b> .
Low Risk	Action by the client that we consider <b>advisable</b> to ensure that the service / system is not exposed to <b>minor risks</b> .
Good Practice	Action by the client where we consider <b>no risks</b> exist but would result in better quality, value for money etc.

## Audit Assurance Levels

<b>Assurance Level</b>	<b>Basis</b>	<b>Description</b>
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.

**CITY AND COUNTY OF SWANSEA  
MANAGEMENT ACTION PLAN  
HIGHWAYS & TRANSPORTATION:  
CONCESSIONARY FARES 2019/20**

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
<b>First Cymru</b>					
2.2	Officers in the Integrated Transport Unit should liaise with First Cymru to establish the reason(s) for the variances found.	HR	Agreed – A further meeting with First Cymru and a representative from E P Morris is planned for 3 <sup>rd</sup> March 2020.	BMG	Early March 2020
2.2 a) & b) Page 107	When the reason(s) for the variances are rectified, First Cymru should re-calculate and submit all claims from April 2018 to date.	MR	Agreed - First Cymru has already re-calculated its 2018/2019 claims for each depot and these suggest a total overclaim in the region of £24.2k. Claims for each depot for 2019/2020 to date have also been re-calculated, and these suggest an overclaim in the region of £6.6k.	BMG	Already implemented, but to be verified in detail at meeting on 3 <sup>rd</sup> March 2020
2.3	A credit note should be obtained from First Cymru for Scholar's tickets claimed in error.	LR	Agreed - This has been received subsequent to the audit.	BMG	Already implemented
2.5	First Cymru should amend their records to ensure that bus stops served by X10, 8 and 10 are recharged to the correct Council.	GP	Agreed - First Cymru has indicated that this exercise has already been completed but proof is to be requested.	BMG	Early March 2020

**Appendix A**

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
<b>NAT</b>					
2.7	A daily listing of tickets issued should accompany all monthly claims received.	GP	Agreed.	BMG	March 2020

## Equality Impact Assessment Screening Form – 2019/20

Please ensure that you refer to the Screening Form Guidance while completing this form. If you would like further guidance please contact the Access to Services team (see guidance for details).

### Section 1

Which service area and directorate are you from?

Service Area: Integrated Transport Unit, Highways and Transportation

Directorate: Place

### Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function	Policy/ Procedure	Project	Strategy	Plan	Proposal
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### (b) Please name and describe here:

The Integrated Transport Unit is required to attend an Audit Committee. This is in relation to an audit report, which highlights the shortcomings in the claims for concessionary fares revenue 'forgone' by First Cymru Buses Ltd for the 2018/2019 Financial Year. A Report is required to be represented to the Committee and Equality and Engagement Implications need to be considered as a result.

### Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line  
service delivery

(H)

Indirect front line  
service delivery

(M)

Indirect back room  
service delivery

(L)

### (b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS...?

Because they  
need to

(H)

Because they  
want to

(M)

Because it is  
automatically provided to  
everyone in Swansea

(M)

On an internal  
basis  
i.e. Staff

(L)

### Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING...

	High Impact (H)	Medium Impact (M)	Low Impact (L)	Don't know (H)
Children/young people (0-18) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Older people (50+) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Any other age group →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race (including refugees) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Asylum seekers →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sex →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Welsh Language →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community cohesion →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

### Q4 WHAT ENGAGEMENT / CONSULTATION / CO-PRODUCTIVE APPROACHES WILL YOU UNDERTAKE?

Please provide details below – either of your planned activities or your reasons for not undertaking engagement

## Equality Impact Assessment Screening Form – 2019/20

The internal Audit team highlighted recommendations that the Integrated Transport Unit needed to raise with First Cymru Buses to determine the reason(s) for the shortcomings in its claims and to determine how the company intends to provide more accurate claims in the future. A meeting was convened in early March 2020, the failings were recognised by the company and corrective measures have been put into place.

### Q5(a) HOW VISIBLE IS THIS INITIATIVE TO THE GENERAL PUBLIC?

High visibility <input type="checkbox"/> (H)	Medium visibility <input type="checkbox"/> (M)	Low visibility <input checked="" type="checkbox"/> (L)
---	---	---

### (b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL'S REPUTATION? (Consider the following impacts – legal, financial, political, media, public perception etc...)

High risk <input type="checkbox"/> (H)	Medium risk <input checked="" type="checkbox"/> (M)	Low risk <input type="checkbox"/> (L)
---	--	--

### Q6 Will this initiative have an impact (however minor) on any other Council service?

Yes       No      If yes, please provide details below

### Q7 HOW DID YOU SCORE?

*Please tick the relevant box*

MOSTLY H and/or M → HIGH PRIORITY →  EIA to be completed  
 Please go to Section 2

MOSTLY L → LOW PRIORITY / NOT RELEVANT →  Do not complete EIA  
 Please go to Q8 followed by Section 2

### Q8 If you determine that this initiative is not relevant for an EIA report, you must provide a full explanation here. Please ensure that you cover all of the relevant protected groups.

The Report addresses the failings by a third party to provide accurate claims to the Council. It does not impact upon any of the protected groups because they continue to receive free travel on all local buses.

### Section 2

NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email – no electronic signatures or paper copies are needed.

Screening completed by:
Name: Barrie Gilbert
Job title: Team Leader – Passenger Transport
Date: 27 <sup>th</sup> May 2020
Approval by Head of Service:
Name:
Position:
Date:



**Equality Impact Assessment Screening Form – 2019/20**

Please return the completed form to [accesstoservices@swansea.gov.uk](mailto:accesstoservices@swansea.gov.uk)

# Agenda Item 10



## Report of the Director of Resources

Special Audit Committee – 30 June 2020

### Employment of Agency Staff Audit Report 2019/20 - Update

<b>Purpose:</b>	To report on actions arising from the Employment of Agency Staff Audit report.
<b>Report Author:</b>	Adrian Chard, Strategic HR&OD Manager
<b>Finance Officer:</b>	Janet Morgan
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar
<b>For Information</b>	

#### 1. Introduction

- 1.1 As a result of an internal audit on the Employment of Agency Staff carried out in 2019/20, an assurance level of “Moderate” was given.
- 1.2 Actions have been taken to address the issues identified and appropriate implementation steps put in place.

#### 2. Previous Actions Undertaken

- 2.1 An email was issued in March to members of the Corporate Management Team reminding Managers to ensure compliance with the Agency Worker Policy (Appendix A).

In particular, to “ensure that, for all agency staff appointments;

- A business case is completed.
- Budgetary provision is obtained and retained, including when agency workers contracts are extended.
- HoS approval is obtained, including in advance of when agency workers contracts are extended.

- *Where there is a requirement for DBS Checks and/or Social Services Registration; confirmation of appropriate pre-employment checks is obtained from the Agency.*
  - *For Purchase Orders; all relevant details are recorded on the Oracle receipt, to include name of worker, dates of employment and hours worked.*
  - *Agency workers engaged by the Council for more than 12 weeks are made aware that they are entitled to equal treatment on basic working and employment conditions.”*
- 2.2 Managers were also reminded that our policy states *“that an Agency Worker will only be used when there is a sound financial and business need to do so. It is accepted in principle that the employment of agency workers should only be used for short term cover”.*
- 2.3 Although not reflected in the report, HR&OD send regular reminders to Managers to review the engagement of agency workers who have been engaged for over 12 months and Managers are required to confirm that it is still appropriate for the Council to engage an agency worker rather than employ someone in the post.

### **3. Identified Action from March Meeting**

#### **3.1 At the March meeting the following action was identified;**

*The Strategic HR & OD Manager provides up to date agency worker numbers, levels of non-compliance and cost to the Authority and this detail be reported to the next meeting in the Audit Committee Tracker report.*

#### **3.2 Agency Worker Numbers**

Total number of Agency Workers engaged through the corporate contracted agencies (Staffline and RSD Social Care.) in March 2020 were **161**. Broken down as follows:

Place Directorate: 157  
 Social Services: 4

Place	Number of Agency Workers
Cultural Services	0
Corporate Building Services	0
Highways & Transportation	18
Waste, Parks & Cleansing	138
Planning and City Regen	0
Housing & Public Health	1
Property Services	0
	<b>157</b>

Social Services	Number of Agency Workers	
Adult Services	4	
		Total
	<b>4</b>	<b>161</b>

### 3.3 Agency Worker Cost

Total spend/cost of Agency Workers for 2019/2020 was £4,522,120. The total spend on Agency Workers includes Agencies other than Staffline and RSD, therefore the numbers of Agency Workers will be higher when we take into account Teachers and supply staff which form a large part of the additional spend.

This is broken down as follows:

Staffline and RSD Agencies – £3,917,393 in Place and Social Services (as above)

Total “off” contract spend - £604,727

The largest “off contract” spend is in the following areas:

- Education and Social Services - £489,179
- Hays Specialist Recruitment - £58,286 (ICT, 4 Agency Workers)

### 3.4 Compliance

Heads of Service were contacted to feedback on the compliance measures indicated in the Audit Report as follows:

- Confirmation of budget provision should be obtained and retained for all agency staff appointments.

- HoS approval should be obtained and retained for all appointments by line managers.
- Confirmation of appropriate pre-employment checks should be obtained from the Agency and retained by the line manager.
- Confirmation of further budgetary provision should be obtained and retained when agency workers contracts are extended
- Written requests should be submitted to HoS for re-approval when agency workers contracts are extended. This should be in advance of the contract being extended.
- Agency workers engaged by the Council for more than 12 weeks should be made aware that they are entitled to equal treatment on basic working and employment conditions.

### **Social Services Directorate Feedback:**

Residential Care – compliant in all areas

Hospital Social Work – Agency Worker is fully funded by Health. Query over point 6 which has been resolved and Agency/Worker informed of their rights. (See recommendations on the policy)

Social Work/Learning Disabilities – Compliant in all areas

### **Place Directorate Feedback**

The largest number of Agency Workers can be seen in Waste Management and Highways. This reflects the feedback around some of the logistical issues in complying with the current policy as it is written.

### **Waste, Parks and Cleansing:**

There is no Head of Service approval but there is a “standing approval” in place across Waste Parks and Cleansing, due to the ad-hoc nature of requirement for sickness/absence cover to complete front-line services, and to cover any vacancies in required structure.

Waste Parks & Cleansing don’t hold copies of pre-employment checks. These are carried out by the Agency as part of the contract and held with the Agency.

### **Highways & Transportation**

Compliant although there was an indication that confirmation of appropriate pre-employment checks has not been undertaken as they are not required. However, the Agency contract determines that all pre-employment checks are carried out.

### **Housing & Public Health**

Compliant in all areas.

### **3.5 Role of Staffline**

Staffline provide the following support to work in partnership with the Council to ensure compliance.:

- Provision of a policy booklet to all Agency Workers which provides details on Agency Workers Regulations and their rights.
- Maintaining a record of all start dates of all Agency Workers.
- After 12 weeks, move workers to the enhanced pay rate and enhanced rights.

### **4. Identified Further Actions**

Prior to, and as a result of this Audit, the following future actions have been identified;

- Review of the current policy on the engagement of Agency Workers is in need of review alongside a review of all HR&OD policies, including clarity of roles and responsibilities.
- Examination of the “off contract” spend in more detail and governance around these arrangements? This would need to be undertaken in conjunction with procurement as HR&OD are not made aware of these Agency Workers.

### **5. Equality and Engagement Implications**

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

### **6. Financial Implications**

- 6.1 There are no financial implications other than those set out in the body of the report.

### **7. Legal Implications**

- 7.1 The Agency Workers Regulations Act 2010 provide important rights for agency workers, concerning their basic working and employment conditions, from day one and after a 12-week qualifying period. These rights are reflected in our Policy.
- 7.2 There are no other legal implications other than those set out in the body of the report.

**Background Papers:** None.

**Appendices:** None.

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By e-mail

**Reference:**

**Date issued:** April 2020

Dear Phil and Ben

## Annual Audit Plan 2020 – Impact of COVID-19

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices have closed. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on dealing with the COVID-19 national emergency.

## Amendments to the audit plan issued April 2020

In light of the above, the audit plan issued to you earlier this month will need to be amended.

### Audit of accounts

#### CIPFA/LASAAC Code of Accounting Practice

You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disapplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year. We understand that the authority is working towards preparing accounts in accordance with the full Code.

### Audit risks

As a result of the COVID-19 national emergency, we need to update our assessment of audit risks. The schedule at [Annex A](#) replaces Exhibit 1 in the 2020 audit plan.

### Potential audit issues

We are aware of concerns expressed by a number of local authorities about various aspects of the accounts.

Specific areas of concern raised with us include:

- Increased use of estimates. Due to the UK lockdown, authorities may be required to use more estimations for their accounts than in previous years. Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage.
- Asset valuations. Authorities have raised concerns about professional valuers applying disclaimers to their valuations and the potential impact on audit opinions. We will discuss these valuations and any necessary disclosures related to the valuations with you to ensure that the financial statements as a whole present a true and fair view.
- Pensions valuations. Due to the significant movements in investment markets, there are concerns over whether valuations provided by actuaries will be acceptable. Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS19 disclosures. We will review your actuary's IAS19 reports and our consulting actuary's assessment and discuss any concerns with you at an early stage.
- Removal of disclosure notes to simplify the accounts preparation process. We have been asked for our views on the potential for excluding disclosure



notes where it is felt that the notes add limited value to the user of the accounts. Examples quoted include the remuneration notes and related party disclosures. The remuneration notes are required by statute and therefore cannot be removed from the accounts. For the other notes, we draw your attention to the Code's provisions related to materiality. The Code sets out that omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor. The Authority should consider the Code's provisions related to materiality when reviewing the disclosure notes and discuss any concerns with the audit team. Further detail on materiality can be found in the following paragraphs in the Code: 1.7.1, 2.1.2.14, 3.3.2.4, 3.4.2.7 and 3.9.2.17.

If you have any further areas of concern, please raise these with your audit team as soon as possible. Our auditors will seek to be pragmatic about the timely provision of information and evidence and sympathetic in our verbal and written communication and reporting on issues brought about by current events. That said, I am sure you will understand that we must continue to undertake our audit work in accordance with auditing standards.

#### Audit timetable

In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.

The Regulations require the publication of a notice where the authority does not expect to achieve the dates specified by the Regulations. I have included further detail in [Annex B](#) and example notices in [Annex C](#) that the Authority may wish to consider using.

The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply e.g. public access to the authority's accounting records.

Therefore, the audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.

The audit team will issue an audit notice in due course setting out the appointed date.

This may mean that there is a delay before we can issue our audit opinion.

We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can. It will be vital that this engagement continues over the next few months, against what will

doubtless be a fast-changing backdrop. My assessment is that our ability to meet revised audit completion dates will mainly depend on:

- the extent to which remote working and auditing is possible if the current lockdown restrictions are not lifted;
- the quality of the draft accounts and supporting working papers made available to us (driven in part by the extent of any pre-audit management reviews of that material);
- the continued availability of audited body staff to respond promptly to audit queries (given the potential pressures of sickness absences, carer and back-filling responsibilities etc);
- the continued availability of Audit Wales staff to conduct the audit work; and
- the ability of those charged with governance to convene (potentially on a virtual basis) to approve accounts.

We will of course be keeping a very close eye on all of these factors in the coming weeks and exploring options to overcome potential barriers to timely completion wherever possible, and will keep you and your team fully up to speed with any developments in this area.

### **Programme of performance work**

Our annual audit plan also set out a programme of performance audit work at the Council. On 18 March 2020, the Auditor General wrote to the Chief Executive explaining that, following Government guidance, he had decided to suspend all on-site performance audit work with immediate effect. We will make as much progress as possible with these activities by working remotely, if appropriate. However, the COVID-19 outbreak will have an inevitable impact on the delivery of our programme of performance audit work. We are keeping this under on-going review and will communicate further information on any revisions to our programme, timings and performance audit outputs when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the local government sector.

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact one of our audit team.

Yours sincerely

**Huw Rees**  
Engagement Director

## Annex A: Amended financial statement audit risks

The following exhibit replaces Exhibit 1 in the audit plan issued in April 2020.

### Financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>Impact of COVID-19 – general risks</b>            The COVID-19 national emergency is likely to have a significant impact on the Authority and its accounts production process. Potential risks include:            Subsequent events. The Authority is at present, unlikely to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor’s report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.</p>	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:            We will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework.            We will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue.            We will ensure that appropriate changes been made to recognise any enhanced uncertainty in the calculation of accounting estimates</p>

<p>Use of estimates. The uncertainties and delays caused by the UK wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts</p>	<p>(including impairment calculations). We will also consider whether assumptions are appropriate in the circumstances and</p> <p>We will adopt a greater focus on the following areas:</p> <ul style="list-style-type: none"> <li>○ The financial statement closing process (in particular journal entries and other adjustments made); and</li> <li>○ The auditor's evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.</li> </ul>
<p><b>Audit risk</b></p>	<p><b>Proposed audit response</b></p>
<p><b>Other areas of Audit attention</b></p>	
<p><b>Introduction of the Oracle Cloud based system</b></p> <p>The Council is introducing a new cloud based financial system in 2020/21. Given the magnitude of the project, there is an inevitable impact on the capacity of Finance staff. This could, in turn, impact on the ability of staff to produce the financial statements to the expected quality standards and to any agreed deadlines.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>● continue to review the accounts closure plans;</li> <li>● provide an audit deliverables report to assist in the preparation of relevant working papers;</li> <li>● assess the Council's quality arrangements supporting the production of the financial statements; and</li> <li>● assess whether additional estimates have been included in the financial statements and, if necessary, tailor our audit approach accordingly.</li> </ul>
<p><b>City deal</b></p> <p>The Swansea Bay Region City Deal (the City Deal) joint committee agreement was signed by City and County of Swansea, Carmarthenshire, Neath Port Talbot and Pembrokeshire Councils in July 2018. This established the statutory</p>	<p>Liaising closely with the external auditors of the other Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to</p>

joint committee to oversee delivery of 11 projects which are designed to increase connectivity and to improve physical and digital infrastructure in the region over the course of 15 years.

The City Deal includes total funding of £1.3 billion, of which £241 million is provided by Government, £637 million provided by private funding and £396 million provided by public funding. Business cases have been approved for two projects, including the Swansea Central Phase 1 project. Welsh Government has made their first annual contribution of £18 million to the joint committee and the Council is due to receive £7.4 million from the joint committee for this project over the next few weeks.

The joint committee will have to produce its first full set of financial statements in 2019-20. Going forward there will be a number of accounting issues to address, including potential consolidation of the joint committee accounts into the Council's main financial statements.

assess the accounting implications for the 2019-20 financial year.

### **McCloud judgement**

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all of the main public service pension schemes, including the Local Government pension schemes.

The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.

My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pensions scheme.

<p><b>Capital expenditure on the Swansea Central Phase 1 project</b></p> <p>The Council has started progressing the Swansea Central Phase 1 project and by 31 March 2020 will have spent approximately £18 million on the project. A large percentage of this expenditure will relate to the planning and design phases of the project. However, some of the expenditure may not satisfy the criteria of being capital expenditure and there is a risk that this expenditure is not classified correctly between capital and revenue in the Statement of Accounts.</p>	<p>My audit team will undertake detailed audit testing of a sample of transactions to ensure that capital expenditure is correctly classified in the financial statements.</p>
<p><b>Consideration of related parties and senior officer remuneration disclosures</b></p> <p>We consider related party transactions and senior officer remuneration disclosures to be material by nature. As such, it is important that the Council maintains:</p> <ul style="list-style-type: none"> <li>• an accurate register of declared interests' covering both the declarations made by relevant officers and Councillors; and</li> <li>• remuneration information covering senior officers.</li> </ul> <p>There is a risk that not all relevant disclosures are included in the 2019-20 financial statements.</p>	<p>My audit team will assess the related party and senior officer remuneration disclosures to confirm they are accurate, complete and in accordance with the Code.</p>

## **Annex B: Requirements of the Accounts and Audit (Wales) Regulations 2014**

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

### Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

### Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before 15 June, action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after 15 June.”

The guidance also notes that the accounts should be published by 15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

### Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in [Annex C](#).



## Annex C: Accounts and Audit (Wales) Regulations 2014 – suggested notice

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of City and County of Swansea Council sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the authority has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of City and County of Swansea Council sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, City and County of Swansea Council approve and publish the audited statement of accounts. The Regulations required that this be completed by 15 September 2020.

[Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.]

OR

[Due to the COVID-19 outbreak, [name of body] has not met to approve the statement of accounts.]

OR

[Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.]



## 2020 Audit Plan – City & County of Swansea Council

Date issued: April 2020

Document reference: 1825A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the auditor acting on behalf of the Auditor General, in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the auditor acting on behalf of the Auditor General are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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# 2020 Audit Plan

## Our duties

- 1 We complete work each year to meet the following duties.

## Audit of financial statements

- 2 Each year we audit the Council's financial statements to make sure that public money is being properly accounted for.

## Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

## Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

## Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

## Impact of COVID-19

- 6 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 7 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 In response to the government advice and subsequent restrictions, we have ceased on all on-site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 9 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the Council once the current

national emergency situation is over and the Council is in a position to prepare its accounts.

- 10 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

## Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
- we plan to give an opinion on the Council's financial statements
  - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 12 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
- certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;
  - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
  - auditing the Council's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
  - the audit of Swansea Bay Port Health Authority; and
  - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 Further information about our work is provided in our Statement of Responsibilities, which is available on our website ([www.audit.wales](http://www.audit.wales)).

## Financial Statement Audit Risks

- 15 The following table sets out the significant risks I have identified for the audit of the Council.

**Exhibit 1: financial statement audit risks**

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other areas of audit attention</b>	
<p><b>Introduction of the Oracle Cloud based system</b></p> <p>The Council is introducing a new cloud based financial system in the last quarter of 2020. Given the magnitude of the project, there is an inevitable impact on the capacity of Finance staff. This could, in turn, impact on the ability of staff to produce the financial statements to the expected quality standards and to any agreed deadlines.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• continue to review the accounts closure plans;</li> <li>• provide an audit deliverables report to assist in the preparation of relevant working papers;</li> <li>• assess the Council’s quality arrangements supporting the production of the financial statements; and</li> <li>• assess whether additional estimates have been included in the financial statements and, if necessary, tailor our audit approach accordingly.</li> </ul>

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>City deal</b></p> <p>The Swansea Bay Region City Deal (the City Deal) joint committee agreement was signed by City and County of Swansea, Carmarthenshire, Neath Port Talbot and Pembrokeshire Councils in July 2018. This established the statutory joint committee to oversee delivery of 11 projects which are designed to increase connectivity and to improve physical and digital infrastructure in the region over the course of 15 years.</p> <p>The City Deal includes total funding of £1.3 billion, of which £241 million is provided by Government, £637 million provided by private funding and £396 million provided by public funding.</p> <p>Business cases have been approved for two projects, including the Swansea Central Phase 1 project. Welsh Government has made their first annual contribution of £18 million to the joint committee and the Council is expecting to receive £7.4 million from the joint committee for this project before 31 March 2020.</p> <p>The joint committee will have to produce its first full set of financial statements in 2019-20. Going forward there will be a number of accounting issues to address, including potential consolidation of the joint committee accounts into the Council's main financial statements.</p>	<p>Liaising closely with the external auditors of the other Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the accounting implications for the 2019-20 financial year.</p>

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>McCloud judgement</b></p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all of the main public service pension schemes, including the Local Government pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pensions scheme.</p>
<p><b>Impact of COVID-19</b></p> <p>The COVID-19 national emergency will see a significant delay in the preparation and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>



Audit risk	Proposed audit response
<b>Other areas of audit attention</b>	
<p><b>Capital expenditure on the Swansea Central Phase 1 project</b></p> <p>The Council has started progressing the Swansea Central Phase 1 project and by 31 March 2020 will have spent approximately £18 million on the project. A large percentage of this expenditure will relate to the planning and design phases of the project. However, some of the expenditure may not satisfy the criteria of being capital expenditure and there is a risk that this expenditure is not classified correctly between capital and revenue in the Statement of Accounts.</p>	<p>My audit team will undertake detailed audit testing of a sample of transactions to ensure that capital expenditure is correctly classified in the financial statements.</p>
<p><b>Consideration of related parties and senior officer remuneration disclosures</b></p> <p>We consider related party transactions and senior officer remuneration disclosures to be material by nature. As such, it is important that the Council maintains:</p> <ul style="list-style-type: none"> <li>• an accurate register of declared interests' covering both the declarations made by relevant officers and Councillors; and</li> <li>• remuneration information covering senior officers.</li> </ul> <p>There is a risk that not all relevant disclosures are included in the 2019-20 financial statements.</p>	<p>My audit team will assess the related party and senior officer remuneration disclosures to confirm they are accurate, complete and in accordance with the Code.</p>

## Performance audit

- 16 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on [page 4](#) in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

### Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Local risk-based project	Project to identify the level of audit assurance in relation to the Sustainable Swansea – Fit for the Future Transformation Programme.

## Certification of grant claims and returns

17 I have been requested to undertake certification work on the Council's grant claims and returns as set out in **Exhibit 3**.

### Exhibit 3: summary of grant claim certification work

This table summarises my 2019-20 programme of grant claim certification work

Name of scheme	Period of scheme
Housing Benefit Subsidy	2019-20
Teachers' Pension return	2019-20
NDR Non-Domestic Rates return	2019-20
Pooled Budget Memorandum account	2019-20

18 My proposed audit fee for this work in 2019-20 is set out below in **Exhibit 4**. As previously notified to the Council, the Welsh Government has removed the requirement for certification of grants that they issue to the Council from the 2019-20 financial year onwards. As a result, the proposed fee for this work in 2019-20 has been reduced.

## Fee, audit team and timetable

19 My fees and planned timescales for completion of the audit are based on the following assumptions:

- the financial statements are provided in accordance with a timescale to be agreed following the end of the COVID-19 national emergency, to the quality expected and have been subject to a robust quality assurance review;
- information provided to support the financial statements is in accordance with the agreed audit deliverables document;
- appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;

- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

20 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

21 Your estimated fee for 2020 is set out in **Exhibit 4**. There have been some small changes to my fees rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a 9% decrease compared to your actual 2019 fee.

### Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	237,000	247,00
Performance audit work <sup>3</sup>	99,310	99,449
Grant certification work <sup>4</sup>	30,000	56,538
Other financial audit work <sup>5</sup>	1,887	1,887
Total fee	368,197	404,874

22 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

23 Further information on my [fee scales and fee setting](#) can be found on our website.

<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

<sup>2</sup> Payable November 2019 to October 2020.

<sup>3</sup> Payable April 2020 to March 2021

<sup>4</sup> Payable as work is undertaken

<sup>5</sup> Audit of Swansea Bay Port Health Authority

## Audit team

24 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

### Exhibit 5: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Director	07799 581886	huw.rees@audit.wales
Anthony Veale	Engagement Lead – Financial Audit	07896 271873	<a href="mailto:anthony.veale@audit.wales">anthony.veale@audit.wales</a>
Jason Garcia	Audit Manager (Financial Audit)	07792 015416	<a href="mailto:jason.garcia@audit.wales">jason.garcia@audit.wales</a>
Daniel King	Audit Lead (Financial Audit)	07970 166767	<a href="mailto:daniel.king@audit.wales">daniel.king@audit.wales</a>
Colin Davies	Audit Manager (Performance Audit)	07786 800258	colin.davies@audit.wales
Justine Morgan	Audit Lead (Performance Audit)	07799 476570	justine.morgan@audit.wales

## Timetable

25 We will continue to undertake such remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.

26 Therefore, we will report on a timetable for our audit work in due course.

- 27 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

# Agenda Item 12



## Report of the Head of Democratic Services

Audit Committee – 30 June 2020

### Audit Committee Action Tracker Report

<b>Purpose:</b>	This report details the actions recorded by the Audit Committee and response to the actions.
<b>Report Author:</b>	Jeremy Parkhouse
<b>Finance Officer:</b>	N/A
<b>Legal Officer:</b>	N/A
<b>Access to Services Officer:</b>	N/A
<b>For Information</b>	

#### 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 2018/19 and 2019/20 Municipal years are attached in Appendix 1 and 2. Responses provided in respect of issues raised at previous meetings are attached at Appendix 3.
- 1.5 The Action Tracker is regularly updated and any completed actions will be marked 'Complete' 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 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

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

## **3. Financial Implications**

3.1 There are no financial implications associated with this report.

## **4. Legal Implications**

4.1 There are no legal implications associated with this report

**Background Papers:** None

**Appendix 1** – Audit Committee Action Tracker 2019/20 (Closed actions removed)

**Appendix 2** – Audit Committee Action Tracker 2018/19 (Closed actions removed)

## Appendix 1

<b>AUDIT COMMITTEE ACTION TRACKER 2019/20</b>				
Date of Meeting	Minute Ref	Action	Nominated Officer(s)	Status
01/06/20	96	<b>Draft Audit Committee Annual Report 2019/2020</b>		
		The report be deferred to the next Audit Committee meeting.	Simon Cockings	<b>Completed</b> Report included on 30/06/20 agenda.
01/06/20	95	<b>Internal Audit Strategy &amp; Annual Plan 2020/21</b>		
		Quarterly updates be provided throughout 2020-21	Simon Cockings	<b>Ongoing</b> Updates to be provided.
26/05/20		<b>Meeting Adjourned to 01/06/20</b>		
14/04/20		<b>Meeting cancelled due to the Coronavirus Pandemic</b>		
10/03/20	88	<b>Employment of Agency Staff - Audit Report 2019/20</b>		
		The Strategic HR & OD Manager provides up to date agency worker numbers, levels of non-compliance and cost to the Authority and this detail be reported to the next meeting in the Audit Committee Tracker report.	Adrian Chard	<b>Completed</b> Report included on 30/06/20 agenda
10/03/20	87	<b>Building Services Plant - Findings Update - Internal Audit Report 2019/20</b>		
		The service area further investigates the introduction of a bar reader in respect of stock management.	Nigel Williams / Rob Myerscough	<b>Ongoing</b> Response received 27/04/20 – The Service have been waiting a few years for a bar coding system, it is with IT at present but other large projects such as Oracle / Fusion have been given priority.
10/03/20	86	<b>Fleet Maintenance Audit Report 2019/20</b>		
		The Officers liaise with the Chief Auditor regarding the retrospective nature of checking.	Mark Barrow / Simon Cockings	<b>Ongoing</b>
11/02/20	78	<b>Overview of the Overall Status of Risk - Quarter 3 2019/20.</b>		
		1) the Strategic Delivery & Performance Manager considers the exception reporting format for future meetings;	Richard Rowlands	<b>Ongoing</b> – paused at present whilst risk reporting is currently on hold during the COVID-19 pandemic. Risk reporting will resume at some future point in line with the Council's COVID-19 recovery plans.

		2) the reasons for the closure of a risk be reported to the next ordinary Audit Committee meeting.	Richard Rowlands	<b>Ongoing</b> - paused at present whilst risk reporting is currently on hold during the COVID-19 pandemic. Risk reporting will resume at some future point in line with the Council's COVID-19 recovery plans.
<b>11/02/20</b>	<b>77</b>	<b>Governance Group Update Report</b>		
		The Governance Group will ensure that a six-month update report is provided to the Audit Committee next year.	Adam Hill	<b>Ongoing</b>
<b>11/02/20</b>	<b>73</b>	<b>Scrutiny Work Programme 2019-20</b>		
		1) The Chair seeks assurance regarding future management of staff and staff resource being an issue throughout the Council;	Chair	<b>Ongoing</b>
		2) Future monitoring of external audit recommendations be discussed further	CMT	<b>Ongoing</b> Email sent to CMT 02/03/20.
	68	<b>Internal Audit Recommendation Follow-Up Report - Quarter 2 2019/20</b> The need for more robust tracking of External Audit recommendations be referred to the Corporate Management Team for discussion. Combined with action highlighted at Minute No.32 from 16/09/19.	CMT	<b>Ongoing</b> Email sent to CMT 02/03/20.
<b>10/12/19</b>	<b>60</b>	<b>Appointment of Additional Lay Member to Audit Committee</b> 1) the appointment be deferred subject to the proposed legislative changes being finalised.	Adam Hill	<b>Completed</b> Report included on 30/06/20 agenda

AUDIT COMMITTEE ACTION TRACKER 2018/19				
Date of Meeting	Minute Ref	Action	Nominated Officer	Status
11/12/18	59	<b>Overview of the Overall Status of Risk – Quarter 2 2018/19</b> The contents of the Risk Register requires enhancement.	Richard Rowlands	<b>Ongoing</b> Roll out of the new risk register application and training / reference resources is nearing completion and work will now shift to embedding and maturing the use and implementation of the new application. Reporting capability is dependent on change request approval and subsequent action by ICT.

# Agenda Item 13



## Report of the Head of Democratic Services

Audit Committee – 30 June 2020

### Audit Committee – Workplan 2019/20

<b>Purpose:</b>	This report details the Audit Committee Workplan to May 2020
<b>Report Author:</b>	Jeremy Parkhouse
<b>Finance Officer:</b>	N/A
<b>Legal Officer:</b>	N/A
<b>Access to Services Officer:</b>	N/A
<b>For Information</b>	

#### 1. Introduction

- 1.1 The Audit Committee's Work Plan to May 2020 is attached at Appendix 1 for information.
- 1.2 The Audit Committee Statement of Purpose is attached for information at Appendix 2.
- 1.3 The completed / outstanding actions from the Performance Review 2017/18 Action Plan are included at Appendix 3. The outstanding actions have also been included in the 2018/19 Action Plan.
- 1.4 The Performance Review 2017/18 and 2018/19 Action Plans are included at Appendix 3. The Plan was drafted following feedback from the workshop annual self-assessment session held on 16 September 2019 and facilitated by the Wales Audit Office. Wales Audit Office also presented a report on their findings at the Committee meeting held on 8 October 2019, 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 detailed in the report.

1.5 The dates included for the meetings in 2019/20 were approved by Council on 28/03/19.

## **2. Equality and Engagement Implications**

2.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

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

## **3. Financial Implications**

3.1 There are no financial implications associated with this report.

## **4. Legal Implications**

4.1 There are no legal implications associated with this report.

**Background Papers:** None.

**Appendix 1** – Audit Committee Workplan 2019/20

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

**Appendix 3** – Performance Review 2017/18 and 2018/19 Action Plans

## Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Risk Management & Performance	<b>Presentation - Update on Internal Control Environment (Including Risk Management).</b>	Presentation by the Deputy Chief Executive.	Adam Hill	30 Jun 2020
Governance & Assurance	<b>Appointment of Additional Lay Member to Audit Committee.</b>	To consider the appointment of an additional Lay Member to the Audit Committee and if deemed appropriate, recommend to Council that an additional Lay Member should be recruited.	Adam Hill	30 Jun 2020
Risk Management & Performance	<b>Review of Partnerships in the City and County of Swansea.</b>	Review of the mechanisms for assessing and scrutinising the risk associated with partnerships.	Adam Hill	30 Jun 2020
Internal Audit	<b>Internal Audit Annual Plan 2019/20 - Quarter 4 Monitoring Report for the Period 1 January 2020 to 31 March 2020.</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2020 to 31 March 2020.	Simon Cockings	30 Jun 2020
Internal Audit	<b>Concessionary Fares 2019/2020.</b>	This report provides an update on the measures that have been taken by First Cymru Buses Ltd to improve the accuracy of its concessionary fares claims to the Council, following an audit of claims for the 2018/2019 Financial Year.	Cath Swain	30 Jun 2020
Governance & Assurance	<b>Audit Committee Annual Report 2019/2020.</b>	Audit Committee Annual Report 2019/2020.	Simon Cockings	30 Jun 2020

## Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	<b>Employment of Agency Staff.</b>	To report on actions arising from the Employment of Agency Staff Audit report.	Adrian Chard	30 Jun 2020
External Audit	<b>Audit Wales - 2020 Audit Plan - City and County of Swansea.</b>	External Audit Report.	Jason Garcia	30 Jun 2020
Internal Audit	<b>Cwm Glas Primary School Audit Report 2019/20.</b>	Update report on progress following a moderate audit report.	Neil Craven-Lashley	21 Jul 2020
Internal Audit	<b>Internal Audit Moderate Rating Follow Up Report - Social Care Contracts Update.</b>	Follow Up report following a previous moderate rating.	Peter Field	21 Jul 2020
Internal Audit	<b>Internal Audit Annual Plan 2020/21 – Quarter 1 Monitoring Report.</b>	This report summarises the audits finalised and work undertaken by the Internal Audit Section in Quarter 1 2020/21.	Simon Cockings	11 Aug 2020
Internal Audit	<b>Internal Audit Recommendation Tracking Report - Quarter 1 2020/21</b>	This report provides committee with the status of the recommendations made in those audits where the follow-up has been undertaken in Q1 20120/21, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.	Simon Cockings	11 Aug 2020



## Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	<b>Annual Report of School Audits 2019/20.</b>	This report provides a summary of the school audits undertaken by the Internal Audit Section during 2019/2020 and identifies some common issues found during the audits.	Nick Davies	8 Sep 2020
Internal Audit	<b>Fraud Function Annual Report 2019/20.</b>	This report provides a summary of the work completed by the Fraud Function of Internal Audit in 2019/20.	Jeff Fish, Jonathon Rogers	8 Sep 2020
Governance & Assurance	<b>Election of the Chair for the 2020-2021 Municipal Year.</b>	To elect the Chair for the 2020-21 Municipal Year.	Jeremy Parkhouse	20 Oct 2020
Governance & Assurance	<b>Election of the Vice-Chair for the 2020-2021 Municipal Year.</b>	To elect the Vice-Chair for the 2020-2021 Municipal Year.	Jeremy Parkhouse	20 Oct 2020
Internal Audit	<b>Internal Audit Annual Plan 2020/21 – Quarter 2 Monitoring Report.</b>	This report summarises the audits finalised and work undertaken by the Internal Audit Section in Quarter 2 2020/21.	Simon Cockings	10 Nov 2020
Internal Audit	<b>Internal Audit Recommendation Tracking Report - Quarter 2 2020/21.</b>	This report provides committee with the status of the recommendations made in those audits where the follow-up has been undertaken in Q2 20120/21, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.	Simon Cockings	10 Nov 2020

## Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	<b>Internal Audit Annual Plan 2020/21 – Quarter 3 Monitoring Report.</b>	This report summarises the audits finalised and work undertaken by the Internal Audit Section in Quarter 3 2020/21.	Simon Cockings	9 Feb 2021
Internal Audit	<b>Internal Audit Recommendation Tracking Report - Quarter 3 2020/21.</b>	This report provides committee with the status of the recommendations made in those audits where the follow-up has been undertaken in Q3 20120/21, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.	Simon Cockings	9 Feb 2021
Internal Audit	<b>Draft Internal Audit Annual Plan 2021/22.</b>	This report presents the Draft Internal Audit Annual Plan for 2021/22 to the Audit Committee for consideration prior to the final plan coming to committee in April for approval.	Simon Cockings	9 Mar 2021
Internal Audit	<b>Internal Audit Annual Plan Methodology Report 2021/22.</b>	This report provides a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2021/22 being reported to the Committee for approval on 20 April 2021.	Simon Cockings	9 Mar 2021

## Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	<b>Fraud Function Annual Plan 2021/22.</b>	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2021/22 and is designed to provide a strategic view of the areas that will be subject to examination.	Jeff Fish, Jonathon Rogers	20 Apr 2021
Internal Audit	<b>Internal Audit Charter 2021/22.</b>	This report outlines the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1st April 2013 and presents the Internal Audit Charter for final approval by Audit Committee following Corporate Management Team approval.	Simon Cockings	20 Apr 2021
Internal Audit	<b>Internal Audit Strategy &amp; Annual Plan 2021/22.</b>	This report presents the Internal Audit Strategy and Annual Plan for 2021/22 to the Audit Committee for approval.	Simon Cockings	20 Apr 2021

### **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.
- 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 is meeting its purpose.

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

**KEY FINDINGS & ACTON PLAN**  
**AUDIT COMMITTEE PERFORMANCE REVIEW 2017/18 & 2018/19**

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
<b>Regularity and Length of Audit Committee meetings</b>	1) To enable the Audit Committee to discharge its duties meetings should take place every month.	Huw Evans	May 2020	Council Diary agreed by Political Group Leaders. <b>Completed</b>
	2) If changes are made to the calendar of meetings (monthly) it will also be necessary to amend the Committee's work programme so that there is clarity as to exactly what is on the agenda for each committee meeting.	Chair / Huw Evans/ Jeremy Parkhouse	May 2020	1) Council Diary agreed by Political Group Leaders. <b>Completed</b>
		Chair / Huw Evans/ Jeremy Parkhouse	Ongoing	2) Chair / Democratic Services to plan the Committee Work Programme.
<b>Outstanding actions from the Audit Committee Performance Review 2017-18</b>	1) Benchmarking – The Corporate Management team will consider how best to use benchmarking information and provide an update to the Audit Committee.	Corporate Management Team	TBC	<b>Ongoing</b>
	2) Partnerships – Review the mechanisms for assessing and scrutinising the risk associated with partnerships. Audit Committee should receive an update on what partnerships the Council are involved in.	Adam Hill	June 2020	Report included on 30/06/20 agenda. <b>Completed</b>

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
	3) Noting the Deputy Chief Executive presentation on the Council's governance framework, the Audit Committee would benefit to receive additional presentations on individual elements of the governance framework.	Adam Hill	June 2020	Report included on 30/06/20 agenda. <b>Completed.</b>
	4) Efficiency and Value for Money – Corporate Management Team to consider what information is required for the Audit Committee to enable the Committee to discharge its duties.	Corporate Management Team	TBC	<b>Ongoing</b>