



City and County of Swansea

Notice of Meeting

You are invited to attend the Adjourned Special Meeting of the

Audit Committee

At: Remotely via Microsoft Teams

On: Monday, 1 June 2020

Time: 10.00 am

Chair: Paula O'Connor

Watch online: <https://bit.ly/3dYvwZv>

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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Next Meeting: Tuesday, 9 June 2020 at 2.00 pm

Huw Evans

Huw Evans
Head of Democratic Services
Monday, 25 May 2020

Contact: Democratic Services: - 636923

Agenda Item 3



Report of the Chief Auditor

Special Audit Committee – 26 May 2020

Internal Audit Charter 2020/21

Purpose:	This report outlines the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1 st April 2013 and presents the Internal Audit Charter for final approval by Audit Committee following CMT approval on the 11 th March.
Policy Framework:	None
Consultation:	Corporate Management Team, Legal, Finance, Access to Services
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into force on 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government.
- 1.2 The PSIAS were developed by CIPFA and the Chartered Institute of Internal Auditors (CIIA) and are mandatory for all providers of internal audit services in the public sector.
- 1.3 The standards are based on the mandatory elements of the global CIIA's International Professional Performance Framework with additional requirements to reflect the UK public sector.
- 1.4 The objectives of the PSIAS are to:
 - Define the nature of internal auditing within the UK public sector.
 - Set basic principles for carrying out internal audit in the UK public sector.
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.5 The PSIAS were last updated in 2017 and consist of the following:
 - Mission of Internal Audit
 - Definition of Internal Audit
 - Core Principles for the Professional Practice of Internal Auditing
 - Code of Ethics
 - International Standards for the Professional Practice of Internal Auditing
- 1.6 The PSIAS also require an external assessment of the internal audit function at least once every 5 years. The external assessment may either be a full assessment by a suitably qualified external assessor or a self-assessment with independent external validation.
- 1.7 The City and County of Swansea, along with the majority of all other Local Authorities in Wales, chose to undertake a self-assessment with the results being independently validated by peer authority. Our validation visit was completed in January 2018 which concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS and Cipfa Application Note with no significant deviations from the Standards being noted. The results of the peer review were reported to Audit Committee in April 2018.
- 1.8 The Audit Committee will be aware that the Local Government and Elections (Wales) Bill includes suggested reforms to the Audit

Committee. At present, proposed amendments include the renaming of the committee to the 'Governance and Audit Committee', the requirement for one third of the committee members to be lay persons (one of which must be the Chair) and for the committee to have increased responsibility in reviewing council performance. As a result, following Royal Assent the Audit Committee's Statement of Purpose will need to be revised in line with any guidance issued by the Welsh Government in the coming year.

2. Internal Audit Charter

2.1 One of the requirements of the PSIAS is that every internal audit provider in the UK public sector whether in-house, shared service or outsourced must have an Internal Audit Charter.

2.2 The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The guidance produced by CIPFA on implementing the PSIAS states that the Charter should:

- Recognise the mandatory nature of the PSIAS (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing).
- Define the scope of internal audit activities.
- Establish the responsibilities and objectives of internal audit.
- Recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls.
- Define the terms 'board' and 'senior management' for the purposes of the internal audit activity.
- Establish the organisational independence of internal audit.
- Establish the accountability, reporting lines and relationships between the chief audit executive (Chief Auditor) and:
 - The board (Audit Committee).
 - Those to whom the Chief Auditor must report functionally.
 - Those to whom the Chief Auditor may report administratively.
- Set out the responsibility of the board and also the role of the statutory officers (such as the CFO, the Monitoring Officer and the Head of Paid Service) with regards to internal audit.
- Define the role of internal audit in any fraud-related work.
- Set out the arrangements that exist within the organisation's anti-fraud and anti-corruption policies, requiring the Chief Auditor to be notified of all suspected or detected fraud, corruption or impropriety, to inform his or her annual internal audit opinion and the risk-based plan.
- Establish internal audit's right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information

and explanations as it considers necessary to fulfil its responsibilities.

- Cover the arrangements for appropriate resourcing.
- Include arrangement for avoiding conflicts of interest if internal audit undertakes non-audit activities.

2.3 The Chief Auditor is required to review the Internal Audit Charter periodically and present it to the Corporate Management Team and Audit Committee for approval. The PSIAS state that final approval of the Internal Audit Charter resides with the Audit Committee.

2.4 The Internal Audit Charter 2020/21 for the City and County of Swansea's Internal Audit Section can be found in Appendix 1.

2.5 The Charter was approved by the Corporate Management Team on the 11th March 2020 and is now reported to the Audit Committee for approval.

3 Equality and Engagement Implications

3.1 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.

3.2 There are no equality implications in relation to this report.

4. Financial Implications

4.1 There are no financial implications associated with this report.

5. Legal Implications

5.1 Provision of an adequate and effective internal audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2005 as amended. For local government in Wales, the PSIAS is mandatory for all principal local authorities. An effective internal audit service also ensures that the Well-being Goals within the Well-being of Future Generations Act Wales (2015) are being met.

Background Papers: None

Appendices: Appendix 1 City and County of Swansea – Internal Audit Charter 2020/21



City and County of Swansea

Internal Audit Charter 2020/21

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into force on 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government.
- 1.2 The PSIAS were adopted by the Relevant Internal Audit Standard Setters which is made up of 7 organisations including CIPFA and the Welsh Government.
- 1.3 The PSIAS were developed by CIPFA and the Chartered Institute of Internal Auditors (CIIA) and are mandatory for all providers of internal audit services in the public sector.
- 1.4 The PSIAS consist of the following:
 - Mission of Internal Audit.
 - Definition of Internal Audit.
 - Core Principles for the Professional Practice of Internal Audit
 - Code of Ethics.
 - International Standards for the Professional Practice of Internal Auditing.
- 1.5 One of the requirements of the PSIAS is that each internal audit provider must have an Internal Audit Charter which is a formal document that:
 - Defines the purpose, authority and responsibility for internal audit.
 - Establishes the internal audit activity's position within the organisation.
 - Authorises access to records, personnel and physical assets.
 - Defines the scope of internal audit activities.
 - Defines the nature of assurance and consulting activities.
- 1.9 The Internal Audit Charter must be reviewed periodically by the Chief Auditor and presented to the Corporate Management Team and Audit Committee for approval. Responsibility for the final approval of the Internal Audit Charter resides with the Audit Committee.

2. Definition of Internal Audit

2.1 The statutory nature of Internal Audit is established by the following legislation:

- Section 151 of the Local Government Act 1972 which states that local authorities are required to make arrangements for the proper administration of its financial affairs and shall ensure that one of its officers has responsibility for the administration of those affairs. In the City and County of Swansea, this is the responsibility of the Section 151 & Chief Finance Officer.
- The Accounts and Audit (Wales) Regulations 2014 state that '*a larger relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*'. The 2014 Regulations also say that '*a larger relevant body must, at least once a year, conduct a review of the effectiveness of its internal audit*'.

2.2 Against this statutory background, the PSIAS provides the following definition of internal audit:

- '*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.*
- '*It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*'.

2.3 The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. This Mission, as outlined in the latest version of the Standards is as follows:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

2.4 The Core Principles for the Professional Practice of Internal Auditing articulate internal audit effectiveness. For an internal audit function to be considered effective, all of the Principles should be present and operating effectively. The Standards state that failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission. The Core Principles are listed in Appendix A.

2.5 The PSIAS also includes a Code of Ethics which all internal audit staff are required to comply with. The principles which underpin the Code of Ethics are integrity, objectivity, confidentiality and competency. All audit staff are required to complete annual declarations to confirm that they comply with the Code of Ethics. Further details on the Code of Ethics can be found in Appendix B.

- 2.6 Internal auditors are also expected to adhere to the requirements of any professional body that they are members of as well as the Council's Officers' Code of Conduct.
- 2.7 A number of generic terms are used throughout the PSIAS which must be defined in the Internal Audit Charter. The terms and how they are interpreted in the City and County of Swansea are shown in the following table:

PSIAS	City & County Swansea
Chief Audit Executive	Chief Auditor
Senior Management	Corporate Management Team
Board	Audit Committee

3. Role and Function of Internal Audit

- 3.1 A professional, independent and objective internal audit service is one of the key elements of good governance in local government with the foundation of an effective internal audit service being evidenced by compliance with the required standards and proper practices.
- 3.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives.
- 3.3 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.4 It is management's responsibility to establish and maintain a sound control environment including risk management, internal control processes, accounting records and governance arrangements.
- 3.5 It is Internal Audit's role to review the established systems and advise management whether suitable arrangements are in place and are operating effectively. It is particularly important that the work of Internal Audit adds value to the services under review.
- 3.6 Internal Audit will work with management to improve the control environment and assist the Council in achieving its objectives.
- 3.7 The role undertaken by Internal Audit and the annual opinion on the control environment provided by the Chief Auditor which also informs the Council's Annual Governance Statement provides a vital assurance function over the Council's activities. This also assists in ensuring the Council's Audit Committee discharges its responsibilities in line with the Committee's Statement of Purpose which can be found in Appendix C.

4. Scope of Internal Audit

- 4.1 The definition of Internal Audit established by the PSIAS covers the control environment of the Council as a whole.
- 4.2 This means that the scope of Internal Audit similarly covers the Council's operations as a whole and is not limited to the review of financial systems.
- 4.3 Financial Procedure Rule 12 – Internal Audit states that the Chief Auditor will maintain an adequate and effective internal audit service and provides authority to:
- Enter at all reasonable times on any Council premises or land.
 - Have access to, and removal if necessary into custody of, all records, documents and correspondence relating to any financial or other transaction of the Council.
 - Require and receive such explanations as are necessary concerning any matter under examination.
 - Require any employee of the Council to produce on demand cash, stores or any other Council property under his/her control.

5 Independence of Internal Audit

- 5.1 It is essential that Internal Audit is independent of the services it reviews and reports upon. Internal Audit must be seen to be independent and all staff must be free of any restrictions which prevent them acting in an independent and objective manner.
- 5.2 The Internal Audit Section is part of the Resources Directorate reporting to the Section 151 & Chief Finance Officer.
- 5.3 The Chief Auditor has no other management responsibilities which restrict the independence of Internal Audit.
- 5.4 The Chief Auditor also has unrestricted access to the Chief Executive, Directors, Chief Officers and Heads of Service and may report to any level of management as considered necessary. Regular meetings are also held with the Council's external auditor.
- 5.5 The Chief Auditor reports functionally to the Audit Committee in his own name and has unrestricted access to the Chair of the Audit Committee and elected members. The Chief Auditor or a senior representative from the Internal Audit team attends all Audit Committee meetings and contributes to the agenda.
- 5.6 All Internal Audit staff are required to declare any possible conflicts of interest, of whatever kind, which may impair their ability to demonstrate an impartial, unbiased and objective approach to their work on an annual basis. Staff are also required to declare any potential conflicts of interest as they arise during the year. The declarations are

considered by the Chief Auditor and the Principal Auditor when allocating work to individual Auditors and Senior Auditors to ensure any potential conflicts of interest are appropriately managed.

6 Consultancy Role of Internal Audit

- 6.1 In addition to the assurance function provided by Internal Audit, there are also occasions where it may also provide a consultancy or advisory role e.g. providing training or advice on controls for systems under development.
- 6.2 On such occasions, Internal Audit is providing advice and guidance and is not giving assurance. Where this occurs, Internal Audit always retains the right to review the service at a later date and make further recommendations.
- 6.3 Should a request be received for consultancy work of a significant nature which is not included in the annual plan, the work will not be accepted if it will restrict the ability to complete the required assurance work and deliver the annual internal audit opinion.

7 Fraud, Bribery and Corruption Role of Internal Audit

- 7.1 The establishment of systems and controls to prevent fraud, bribery and corruption is the responsibility of management.
- 7.2 Internal Audit will be aware of the risk of loss by fraud, bribery or corruption in all audit reviews undertaken and will report any exposure to the risk of loss.
- 7.3 Financial Procedure Rule 12 – Internal Audit requires any responsible officer who suspects financial irregularity to inform the Chief Finance Officer immediately and to provide facilities for investigation in accordance with the Council's Anti-Fraud and Corruption Policy.
- 7.4 The details of any suspected or detected frauds will be considered when preparing the risk based Internal Audit Plan and will also inform the Chief Auditor's annual internal audit opinion.
- 7.5 The Council established a Corporate Fraud function with effect from 1st June 2015 based in the Internal Audit Section.
- 7.6 The Corporate Fraud function is responsible for raising the profile of fraud awareness and promoting an anti-fraud and corruption culture across the Council. Where appropriate the Corporate Fraud Investigators undertake or assist management in the investigation of suspected cases of fraud, corruption or bribery.

8 Internal Audit Resources

- 8.1 Internal Audit should be appropriately resourced to meet its objectives in terms of the number of staff, grades, qualifications, personal attributes and experience.
- 8.2 The PSIAS require the Chief Auditor to be professionally qualified and suitably experienced.
- 8.3 Risk assessment methodology is used to identify the level of audit coverage required to provide the annual internal audit opinion on the control environment.
- 8.4 A risk based annual Internal Audit Plan is produced which matches the required audit coverage to the available resources. The plan is approved by the Corporate Management Team and the Audit Committee. The Chief Auditor is required to bring to the attention of the Committee the potential consequences of any shortfall in resources which may impact on the provision of the annual opinion.
- 8.5 The annual plan will be constantly reviewed during the year in response to any changes e.g. vacancies, new risks, frauds and special investigations.
- 8.6 Quarterly reports showing progress made against the annual plan will be presented to the Chief Finance Officer and the Audit Committee.

9 Quality Assurance and Improvement Programme

- 9.1 To ensure compliance with the PSIAS, the Chief Auditor must put in place a Quality Assurance and Improvement Programme (QAIP).
- 9.2 The QAIP must include both internal and external assessments of Internal Audit.
- 9.3 The internal assessment includes the ongoing supervision and review of work produced by Internal Audit staff as well as performance against targets and client feedback for each audit completed.
- 9.4 A periodic, internal self-assessment must also be undertaken to confirm compliance with the PSIAS. The results of the internal self-assessment are reported to the Head of Financial Services & Service Centre and Audit Committee as part of the Internal Audit Annual Report.
- 9.5 The PSIAS also require an external assessment at least once every 5 years. The external assessment may either be a full assessment by a suitably qualified external assessor or a self-assessment with independent external validation.

- 9.6 The results of the QAIP must be included in the Chief Auditor's annual report to the Audit Committee. The report must highlight any areas of non-conformance with any significant areas of non-conformance being included in the Annual Governance Statement.
- 9.7 Further details of the QAIP can be found in Appendix D.

Appendices: Appendix A – Core Principles of Internal Audit
 Appendix B – Code of Ethics
 Appendix C – Audit Committee Terms of Reference
 Appendix D – QAIP

Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organisation to organisation, but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission '*to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*'.

The Core Principles are:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

Code of Ethics

Public sector requirement

Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation

The purpose of the Institute's Code of ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's code of ethics extends beyond the definition of internal auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of internal auditing
2. Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable for disciplinary action.

Public sector interpretation

The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics

1. Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

Rules of Conduct

Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility
- 1.2 Shall observe the law and make disclosures expected by the law and the profession
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review

3. Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so

Rules of Conduct

Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing
- 4.3 Shall continually improve their proficiency and effectiveness and quality of their services

Public sector requirement

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*, further information on which can be found at www.public-standards.gov.uk

The 7 Principles of Public Life

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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).

Quality Assurance & Improvement Programme

The Quality Assurance & Improvement Programme (QAIP) should be based on the following key elements to ensure compliance with the Standards:

- Supervision of the work undertaken by internal auditors as an ongoing process throughout the year.
- Internal reviews or self-assessments to appraise the quality of the audit work and compliance with the PSIAS which is usually undertaken on an annual basis.
- External reviews carried out by a qualified independent person to appraise the quality of the audit work and compliance with the PSIAS which must be completed at least once every 5 years.

Internal Assessment – Ongoing Review

The following systems and procedures have been established to form the internal assessment ongoing review element of the QAIP.

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

issues identified are discussed with the auditor and action taken where necessary. The team PI's are monitored annually and are reported to the Chief Finance Officer and the Audit Committee in the Internal Audit Annual Report.

- The Welsh Chief Auditors Group collects performance indicator information from across Wales which is used to compare performance against other similarly sized internal audit teams.
- Performance indicator information is also used as part of the annual appraisal process under the Employee Performance Management Policy. All employees receive an annual appraisal which is a competency based process that reviews performance and training and development needs.
- Use is made of available training programmes to keep staff up to date with professional practice and to meet any skill shortages identified. Particular use is made of the annual training programme put together by the South Wales Chief Auditors Group.

Internal Assessment – Periodic Review

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

- A quarterly review of progress made against the Annual Audit Plan is made by the Chief Auditor to ensure the Section is meeting its aims and objectives. The results of the review are reported to the Chief Finance Officer and the Audit Committee in the quarterly Internal Audit Monitoring Report.
- The Chief Auditor completes an annual self-assessment of compliance with the PSIAS using the detailed checklist included in CIPFA's Local Government Application Note.
- The annual self-assessment also fulfils the requirement established in the Accounts and Audit (Wales) Regulations 2014 for an annual assessment of the effectiveness of the Internal Audit service.
- The results of the annual self-assessment are reported to the Chief Finance Officer and the Audit Committee as part of the Chief Auditors Annual Report.

External Assessment

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

The format of the external assessment must be considered fully by the Chief Auditor and discussed with the Audit Committee. If an independent validation is to be used, the person or team appointed must be appropriately qualified, have sufficient knowledge of the PSIAS and there must be no conflicts of interest or impairment to objectivity.

The external assessment in Swansea was undertaken during quarter 3 and quarter 4 2017/18 with the preferred method being a self-assessment subject

to an external validation using the peer review group established by the Welsh Chief Auditors Group. This approach was agreed with the Chief Finance Officer and was approved by Audit Committee on the 8 August 2017.

As agreed by the Welsh Chief Auditors Group, the external assessment saw Chief Auditors acting as independent assessors of other Internal Audit Sections arranged on a random basis.

The outcome of the external assessment was presented to the then Head of Financial Services & Service Centre (now the Chief Finance Officer), the Director of Resources and the Chief Executive on 28/03/18 and to Audit Committee on the 10/04/18. In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS and CIPFA Application Note with no significant deviations from the Standards being noted.

The external assessment must be undertaken at least every 5 years, so the next assessment will be completed in 2022/23.

Reporting

The Chief Auditor will report the outcome of the periodic internal assessment to the Chief Finance Officer and the Audit Committee on an annual basis.

The results of the external assessment will also be reported to the Chief Finance Officer and the Audit Committee when received along with an Action Plan to address any issues raised in the report. The Action Plan will be subject to regular monitoring with progress being reported to the Chief Finance Officer and the Audit Committee.

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

Agenda Item 4



Report of the Chief Auditor

Special Audit Committee – 26 May 2020

Internal Audit Strategy and Annual Plan 2020/21

Purpose:	This report presents the Internal Audit Strategy and Annual Plan for 2020/21 to the Audit Committee for approval.
Policy Framework:	None
Consultation:	Corporate Management Team, Legal, Finance, Access to Services.
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires a risk-based Internal Audit Plan to be prepared each year to determine the priorities of Internal Audit and ensure they are consistent with the Council's goals and objectives.
- 1.2 The Audit Plan must provide sufficient coverage across the whole of the Council's activities to allow the Chief Auditor to be able to give an opinion on the control environment including governance, risk management and internal control. The annual Internal Audit opinion which is delivered to the Section 151 Officer and the Audit Committee is a key input into the Council's Annual Governance Statement.
- 1.3 The PSIAS also require the Audit Plan to be linked to a high-level Audit Strategy which shows how the internal audit service will be

delivered, how it will be developed in accordance with the Internal Audit Charter and how it links to the Council's objectives and priorities

- 1.4 The methodology used to prepare the Audit Plan was reported to the Committee at the meeting on 11th February 2020.
- 1.5 The Internal Audit Strategy and Annual Plan was approved by the Corporate Management Team on the 11th March 2020 and is now reported to the Audit Committee for final approval.

2. Internal Audit Strategy and Annual Plan 2020/21

- 2.1 A risk-based Internal Audit Annual Plan is produced each year which is used to guide the work of the Internal Audit Section and ensure sufficient coverage of the Council to allow the Chief Auditor to deliver the annual opinion on the internal control environment as well as providing assurance to management, the Section 151 Officer and the Audit Committee.
- 2.2 The Internal Audit Annual Plan must incorporate or be linked to a strategic or high-level statement of how the work of Internal Audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the Council's goals and objectives. The Internal Audit Strategy 2020/21 is attached in Appendix 1.
- 2.3 For 2020/21, the Internal Audit Section is made up of 9.1 full time equivalents plus the Chief Auditor which is the same level of resources available in 2019/20. This gives a total number of available days of 2,366.
- 2.4 A summary of the Internal Audit Plan 2020/21 is shown in Appendix 2 and a list of audits planned for the year is shown in Appendix 3 along with the number of days planned for each audit as well as the perceived risk of each audit arising from the risk assessment process.
- 2.5 The Internal Audit Plan 2020/21 accommodates any audits which were deferred from the 2019/20 Plan where the risk justifies their inclusion.
- 2.6 The Plan includes time for all fundamental audits due in the year i.e. those systems that are so significant to the achievement of the Council's objectives that they are audited annually or every 2 years e.g. Employee Services, Accounts Receivable, Pensions Administration.
- 2.7 The Audit Plan has been reconciled to the available resources of 2,366 days by deferring 115 days of audits due in 2020/21. The basis for deciding which audits to defer has been discussed with the Principal Auditor and Senior Auditors. In the majority of cases, those audits that have been deferred are those that were ordinarily due in

the year (not deferred from 2019/20), and had received a high level of assurance when last reviewed and/or were classed as being low or medium risk.

- 2.8 Some low risk areas have been included to ensure adequate audit coverage across the organisation. The detailed discussions between the senior members of Audit Team have dictated which audits are included in the 2020/21 plan based on experience, knowledge of the areas concerned and consideration of any ad hoc issues or concerns that have arisen in the current year.
- 2.9 As detailed in the Audit Plan Methodology report presented to committee previously, an Assurance Mapping Exercise has also been undertaken to inform the Internal Audit Plan. An updated version of the Assurance Map can be found in Appendix 4.
- 2.10 As in previous years, progress made by the Internal Audit Section in achieving the Audit Plan will be reported to the Audit Committee on a quarterly basis.
- 2.11 It is the view of the Chief Auditor that the proposed Internal Audit Plan 2020/21 will provide sufficient audit coverage for the annual opinion on the control environment to be delivered to Council via the Section 151 Officer and Audit Committee.

3 Equality and Engagement Implications

- 3.1 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.

- 3.2 There are no equality implications in relation to this report.

4. Financial Implications

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

5. Legal Implications

- 5.1 Provision of an adequate and effective internal audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2005 as

amended. For local government in Wales, the PSIAS is mandatory for all principal local authorities. An effective internal audit service also ensures that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are being met.

Background Papers: None

Appendices: Appendix 1-Internal Audit Strategy 2020/21
Appendix 2-Internal Audit Annual Plan 2020/21(Summary)
Appendix 3-Internal Audit Annual Plan 2020/21
Appendix 4-City and County of Swansea Assurance Map



Internal Audit Strategy 2020/21

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirements for the Chief Auditor to prepare a risk-based Audit Plan to determine the priorities of Internal Audit, consistent with the Council's goals and objectives.
- 1.2 The Chief Auditor must review and adjust the Plan, as necessary, in response to changes in the Council's business, risks, operations and priorities.
- 1.3 The Audit Plan must incorporate or be linked to a strategic or high-level statement of how Internal Audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the Council's objectives and priorities. This Internal Audit Strategy provides the strategic, high-level statement.
- 1.4 The Internal Audit Strategy must be reviewed and updated on an annual basis as part of the audit planning process. The purpose of the Internal Audit Strategy and Plan is to:
 - Provide independent and objective overall assurance to the Council and senior management on the adequacy and effectiveness of the control environment including internal control, risk management and governance and to make appropriate recommendations for improvement.
 - Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of audit resources.
 - Add value and support senior management in providing effective control and identifying opportunities for improving value for money.
 - Support the Section 151 Officer in fulfilling the statutory financial responsibilities.
 - Deliver an Internal Audit service that meets the requirements of the Accounts and Audit Regulations and complies with the PSIAS.
 - Optimise the use of audit resources available and provide an effective service.

2. Internal Audit Objectives

2.1 The PSIAS provides the following definition of internal audit

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'

2.2 The primary purpose of the Internal Audit Section is to provide assurance services which requires the Chief Auditor to provide an annual internal audit opinion based on an objective assessment of the control environment comprising governance, risk management and internal control.

2.3 Internal Audit also provides advisory or consulting services which are generally performed at the specific request of management with the aim of improving the control environment and providing advice on proposed changes and improvements.

2.4 Collectively the assurance and consultancy work undertaken by the Internal Audit Section must provide added value and improve the operations of the Council to comply with the definition of internal audit.

3. Internal Audit Resources 2020/21

3.1 The Internal Audit Section is made up of 9.1 full time equivalents in 2020/21 plus the Chief Auditor. The resources and staff structure remain unchanged from 2019/20.

3.2 The total number of days available is 2,366 and after allowing for non-productive days such as holidays and bank holidays, administration, sickness provision, training provision, amendments to audit programmes, clerical support, appraisals and a number of days contingency for unexpected pieces of work that may arise in year gives 1,520 productive days available.

3.3 It is the Chief Auditor's view that there are sufficient skills, expertise and experience within the Section to provide the full range of audit reviews included in the Internal Audit Annual Plan 2020/21. In addition, it is envisaged that some staff will attend specific training courses throughout the year to further develop the skills within the team.

3.4 The Corporate Fraud Function is also managed by the Chief Auditor and includes two members of staff who are subject to a separate Corporate Fraud Plan. Inevitably there are many links and cross overs between the work of Internal Audit and Corporate Fraud.

4. Assurance Services

- 4.1 A risk-based Internal Audit Plan is prepared annually and is subject to continual review throughout the year. The Plan will be adjusted as necessary in response to changes in the Council's business, risks, operations, programmes, systems and controls.
- 4.2 The Internal Audit Plan is subject to consultation with the Corporate Management Team prior to being approved by the Audit Committee. Any significant changes to the annual plan identified during the year will be reported to the Audit Committee.
- 4.3 The Audit Plan details the specific services, systems or establishments to be reviewed in the year. All audits will be performed with the aim of reviewing and evaluating the risk management, internal control and governance arrangements in place, in particular how those elements help achieve the Council's objectives.
- 4.4 A lead auditor is appointed for each audit review to assist in developing the scope of the audit and ensure there is appropriate focus on the key perceived risks, providing assurance and maximising any potential added value. An Audit Brief is prepared for each audit and agreed with management to ensure that the scope, objectives and approach are understood and agreed.
- 4.5 A draft report in a standard format is issued to the appropriate level of management to give them the opportunity to confirm the factual accuracy of the audit findings. The primary purpose of the audit report is to provide an independent and objective opinion on the framework of internal control, risk management and governance in operation and to address any weaknesses identified and to stimulate improvement.
- 4.6 Each audit will be given a Level of Assurance based on the findings of the audit. The Level of Assurance will be High, Substantial, Moderate or Limited.
- 4.7 The draft report will also include Management Action Plan containing recommendations to overcome any control weaknesses or areas of concern. Each recommendation will be classified according to risk and will be High, Medium, Low or Good Practice.
- 4.8 Service management will complete the Action Plan showing their response to each recommendation including the officer responsible for implementing the recommendation and the agreed implementation date.
- 4.9 Following the agreement of the draft report, a final report is issued to the service management and copied to the Head of Service. In the case of schools, the final report is issued to the Chief Education Officer, Headteacher and Chair of the Governing Body with a request that the full report is presented to the next meeting of the full Governing Body.

- 4.10 Where there has been a disagreement over the audits findings or the perceived risk of the recommendation, this will be recorded in the Action Plan to bring it to the attention of the Head of Service. If the Chief Auditor feels that the risk arising from not implementing the recommendation is significant then this will be brought to the attention of the Section 151 Officer and the Audit Committee.
- 4.11 Any audit that receives a Moderate or Limited Level of Assurance is reported to the appropriate Directorate Performance and Financial Monitoring (PFM) meeting to ensure that the Corporate Director and Head of Service can monitor progress in implementing the agreed recommendations. A summary of the issues which led to the Moderate or Limited Level of Assurance is also reported to the Audit Committee in the quarterly Monitoring Reports. The relevant Cabinet Member is also included in the distribution list when the final report is issued.
- 4.12 The outcome of each audit, in particular the Level of Assurance is used by the Chief Auditor in preparing the annual opinion on the control environment which is reported to the Section 151 Officer and Audit Committee in the Internal Audit Annual Report. The annual opinion provides significant input into the Council's Annual Governance Statement.

5. Consultancy Services

- 5.1 In addition to assurances services, the Internal Audit Section also provides a range of consultancy services including:
- Advice and guidance to management in respect of a range of issues including system implementation, compliance with policies, regulations and procedures and internal control requirements.
 - Training.
 - Special investigations including fraud work undertaken by the Corporate Fraud Function.
- 5.2 Internal Audit operates in a consultancy role in advising management in relation to issues within its remit such as the implementation of appropriate controls for new projects, developments and systems.
- 5.3 As the level of consultancy work is unknown at the start of the year, a contingency item is included in the Annual Audit Plan to cover this work.
- 5.4 Any advice or recommendations made in the consultancy role is always made on the basis that they may be reviewed and amended in future as result of an assurance assignment.

6. Internal Audit Service Delivery

- 6.1 The provision of the Internal Audit service is through a directly employed in-house Internal Audit Team.
- 6.2 Given the range and complexity of areas to be reviewed, it is important that the Internal Audit Section includes suitably qualified, experienced and trained staff. To comply with the PSIAS, the Chief Auditor must be a CCAB qualified accountant and be suitably experienced.
- 6.3 The training needs of Internal Audit staff are identified as part of the appraisal process and on an ongoing basis throughout the year. Staff are encouraged to undertake appropriate training including in-house and external courses, in particular those provided by the South Wales Chief Auditors Group, to ensure that their audit skills are enhanced and developed.
- 6.4 All Internal Audit staff are required to conform to the Code of Ethics included in the PSIAS and also any other codes published by any professional bodies of which they are members. An annual declaration of compliance with the PSIAS Code of Ethics is signed by all staff.
- 6.5 Internal Auditors must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life i.e. the Nolan Principles.
- 6.6 The Internal Audit Section is independent and has no other management responsibilities which may impact on its independence. All Internal Audit staff are required to complete an annual Declaration of Interests which identifies any conflicts of interest which may impair their impartiality. Any declarations made are used when preparing the quarterly operational plans to prevent any impairment to independence arising.

7. Follow Up Audits

- 7.1 It is important that action is taken to ensure that agreed recommendations have been implemented within the agreed timescale. The Internal Audit Section has a risk-based follow up policy which dictates the type of follow up audit undertaken.
- 7.2 For all fundamental audits, a check is made during the year to ensure that all recommendations have been implemented within the agreed timescale. The results of this check are reported to the Audit Committee in the annual Recommendations Tracker Report.
- 7.3 Any audits that received a Moderate or Limited Level of Assurance are subject to a formal follow up visit within 6 months of the issue of the final report. Testing will take place to confirm that any High or Medium Risk recommendations have been implemented and confirmation will be sought from management that any Low Risk or Good Practice recommendations have been implemented.

7.4 The results of the follow up visit will be reported to the service management, Head of Service (or Chair of the Governing Body) and the Audit Committee.

7.5 Where an audit has received a High or Substantial Level of Assurance, no follow up audit is arranged but management are asked to confirm in writing that recommendations have been implemented.

8. Reporting of Internal Audit Activity

8.1 An Internal Audit Monitoring Report is prepared on a quarterly basis and presented to the Section 151 Officer and the Audit Committee. The report shows the audits finalised in the quarter and the level of assurance given as well as the number of recommendations made and agreed.

8.2 The report will also include brief details of the audit findings for any audits which received a Moderate or Limited Level of Assurance. Any other work completed in the quarter and details of any follow up audits completed are also included in the report.

8.3 The Chief Auditor also produces an Annual Internal Audit Report which will include the annual opinion on the control environment. The Annual Report is presented to the Section 151 Officer and the Audit Committee.

8.4 The Annual Report will follow the requirements of the PSIAS and will include:

- An opinion of the overall adequacy and effectiveness of the framework of governance, risk management and internal control.
- Disclosure of any qualifications to the opinion together with the reasons for the qualification.
- A summary of the Internal Audit work completed from which the opinion is derived including any reliance placed on the work of other assurance providers.
- Any issues considered by the Chief Auditor to be particularly relevant to the Annual Governance Statement.
- A comparison of the work undertaken with the planned work, a summary of audit performance for the year including any performance indicators maintained and comments on compliance with the PSIAS and the Quality Assurance and Improvement Programme.

Internal Audit Annual Plan 2020/21 – Summary

Categories of Audit Work	Plan 2019/20	Plan 2020/21	
	Days	Days	%
People	322	419	18
Place	371	400	17
Corporate Services	250	215	9
Fundamental Audits	214	188	8
Contract Audit Systems	30	55	2
Computer Audits	75	35	1
Contract Audits	8	0	0
Cross Cutting Audits	110	100	4
Miscellaneous Audits	25	40	2
Projects & Special Investigations	91	68	3
Productive Days	1496	1520	64
Staff Training	76	76	3
Holidays, Sick & Special Leave	495	499	21
Admin, Planning, Control, Clerical Support etc.	219	219	9
Contingencies	64	36	2
Vacancies	0	0	0
Performance Management - Appraisals	16	16	1
Non Productive Days	870	846	36
Total Days	2366	2366	100

Days Covering Corporate Priorities	
Cross Cutting Audits	100
Section 151 & Monitoring Officer Assurance	451
Education	246
Safeguarding	411
Poverty	254
Economy & Infrastructure	282
Resources & Biodiversity	90
Transformation & Council Development	160

(Note: the table records the number of days in the plan covering the areas above. Some audits cover multiple priorities as reflected in appendix 3 hence the number of days has been counted in each area)

Audit Title	Risk Rating	Status as at 01/04/2020	Corporate Priority	Days
Level 1 – Cross Cutting Reviews – Council Governance & Control				
Partnerships	Med/High	Planned	Cross Cutting	15
Corporate Governance	Med/High	Planned	Cross Cutting	15
Whistleblowing	Med	Planned	Cross Cutting	10
Workforce Planning	New	Planned	Cross Cutting	10
Local Government and Elections (Wales) Bill	New	Planned	Cross Cutting	10
FOI / SAR/ EIR Review	New	Planned	Cross Cutting	15
Procurement Thematic Review	New	Planned	Cross Cutting	15
Added Value Work	n/a	Planned	Cross Cutting	10
Level 2 – Fundamental Systems - Section 151 Officer Assurance				
Financial Services & Service Centre				
Treasury Management	Med	Planned	Section 151 Assurance	18
Accounts Payable	Med	Planned	Section 151 Assurance	35
Cash	Med/High	Planned	Section 151 Assurance	30
Accounts Receivable	High	Planned	Section 151 Assurance	35
Council tax	Med/High	Planned	Section 151 Assurance	30
Main Accounting System	Med	Planned	Section 151 Assurance	20
NNDR	Med	Planned	Section 151 Assurance	20
Level 3 – Service Level Audits – Other Assurance				
Education Planning & Resources				
Capital Planning & Delivery Unit	Med	Planned	Education	10
Casllwchwr Primary	Med	Planned	Education	3
YGG Gellionnen	Med	Planned	Education	3
Birchgrove Primary	Med	Planned	Education	3
Gendros Primary	Med	Planned	Education	3
Llangyfelach Primary	Med	Planned	Education	3
Brynmill Primary	Med	Planned	Education	3
Clase Primary	Med/High	Planned	Education	3
Plasmarl Primary	Med	Planned	Education	3
Parkland Primary	Med	Planned	Education	3
Craigyfelan Primary	Med	Planned	Education	3
Gorseinon Primary	Med/High	Planned	Education	3
Penllergaer Primary	Med	Planned	Education	3
YGG Tan-y-Lan	Med	Planned	Education	3
Glais Primary	Med	Planned	Education	3
Craigcefnparc Primary	Med	Planned	Education	3
Ynystawe Primary	Med	Planned	Education	3

St.Illtyd's RC Primary	Med	Planned	Education	3
Pentre'r Graig Primary	Med	Planned	Education	3
Llanrhyddian Primary	Med	Planned	Education	3
Oystermouth Primary	Med	Planned	Education	3
Tre Uchaf Primary	Med/High	Planned	Education	3
Whitestone Primary	Med	Planned	Education	3
Clydach Primary	Med	Planned	Education	3
Blaenymaes Primary	Med	Planned	Education	3
Ysgol Cymraeg y Cwm	Med	Planned	Education	3
Pontybrenin Primary	Med	Planned	Education	3
YGG Tirdeunaw	Med	Planned	Education	3
Cwmrhydyceirw Primary	Med	Planned	Education	3
Ysgol Crug Glas	Med	Planned	Education	4
Pentrehafod Comprehensive	Med	Planned	Education	10
Bishopston Comprehensive	Med	Planned	Education	10
Pontarddulais Comprehensive	Med	Planned	Education	10
Ysgol Gyfun Bryn Tawe	Med	Planned	Education	10
Achievement & Partnership Service				
Challenge Advisors	Med	Planned	Education	10
Swansea Music Unit	Med/High	Planned	Education	10
Vulnerable Learner Service				
Additional Learning Needs Unit	Med	Planned	Education, Safeguarding & Poverty	25
Elective Education Provision	New	Planned	Education, Safeguarding & Poverty	10
Behavioural Support Unit	Med/Low	Planned	Education, Safeguarding & Poverty	20
Education Grants & Other				
Additional Support for Disadvantaged Learners (G)	n/a	Planned	Education, Safeguarding & Poverty	5
Regional Consortia School Improvement (G)	n/a	Planned	Education, Safeguarding & Poverty	15
Pupil Deprivation (G)	n/a	Planned	Education, Safeguarding & Poverty	10
Schools Annual Report	n/a	Planned	Education, Safeguarding & Poverty	3
Child & Family Services				
Independent Agency Payments	High	Planned	Safeguarding	10
Youth Offending Service	Med/High	Planned	Safeguarding	10
Leaving Care Act	Med	Planned	Safeguarding	10
Nant-y-Felin Children's Home	Med	Planned	Safeguarding	10
Adoption Allowances	Med	Planned	Safeguarding	10

Residential & Outdoor Centres	Med	Planned	Safeguarding	10
Adult Services				
Home Care	Med/High	Planned	Safeguarding	10
Integrated Community Equipment Service & Suresprung	High	Planned	Safeguarding	10
Suresprung Supported Employees Claim Process (G)	n/a	Planned	Safeguarding	5
Victoria Park Kiosk	Med/Low	Planned	Safeguarding	5
CREST	Med	Planned	Safeguarding	10
Day & Residential Establishments – Questionnaires	High	Planned	Safeguarding	25
Commissioning				
Partnerships, Performance & Commissioning	Med/High	Planned	Poverty	15
Supporting People Team	Med	Planned	Poverty	5
Supporting People Team–Regional Coordinator Grant (G)	n/a	Planned	Poverty	3
Supporting People Team-Outcomes Grant (G)	n/a	Planned	Poverty	5
Supporting People Grant (G)	n/a	Planned	Poverty	10
Tackling Poverty				
Children & Communities Grant (G)	New	Planned	Poverty	10
Building Services				
Heol y Gors – Stores, Admin & Finance, Oracle T&L	Med/High	Planned	Economy & Infrastructure, Safeguarding	20
Heol y Gors – Estimating	Med	Planned	Economy & Infrastructure, Safeguarding	15
Day to Day Repairs / Maintenance Section	Med	Planned	Economy & Infrastructure, Safeguarding	20
Property Services				
Facilities Management	Med/Low	Planned	Economy & Infrastructure	5
Waste Management & Parks				
Waste Enforcement	Med	Planned	Economy & Infrastructure, Resource & Biodiversity	10
Central Operations – Playgrounds	Med	Planned	Economy & Infrastructure, Resource & Biodiversity	10
Parks Central Operations – Tree Services Unit	Low	Planned	Economy & Infrastructure, Resource & Biodiversity	5
Knotweed Service	New	Planned	Economy & Infrastructure, Resource & Biodiversity	5
Highways & Transportation				
Home to School Transport	Med	Planned	Economy & Infrastructure	15
Concessionary Bus Fares	Med	Planned	Economy & Infrastructure	5
Swansea Marina	Med	Planned	Economy & Infrastructure	15
Highways Trading Account	Med	Planned	Economy & Infrastructure	7
Live Kilometre Support Grant (G)	n/a	Planned	Economy & Infrastructure	5
Housing & Public Health				

Blaenymaes District Housing Office	Med	Planned	Poverty, Safeguarding	15
Townhill District Housing Office	Med	Planned	Poverty, Safeguarding	15
Voids Team / HPU	Med	Planned	Poverty, Safeguarding	15
Rent & Arrears Team	Med	Planned	Poverty, Safeguarding	18
Sheltered Housing Service	Med/Low	Planned	Poverty, Safeguarding	10
Public Protection – Administration Division	Low	Planned	Poverty, Safeguarding	15
Public Protection - Taxi Licencing Division	Med/Low	Planned	Poverty, Safeguarding	10
Public Protection – Pest & Animal Control	Med/Low	Planned	Poverty, Safeguarding	5
Public Protection – Housing Division	New	Planned	Poverty, Safeguarding	5
Estate Caretakers	New	Planned	Poverty, Safeguarding	10
Cultural Services				
Spot Checks & Land Train	Med	Planned	Economy & Infrastructure	5
Grand Theatre	Med/High	Planned	Economy & Infrastructure	25
Glyn Vivian Art Gallery	Med	Planned	Economy & Infrastructure	15
Swansea Museum	Med/Low	Planned	Economy & Infrastructure	10
Branch Libraries	Med	Planned	Economy & Infrastructure	15
Brangwyn Hall	Med	Planned	Economy & Infrastructure	15
Planning & City Regeneration				
Development Projects & Joint Ventures	Med	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Swansea Mobility Hire	Med	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Rights of Way	Med/Low	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Planning & Enforcement	Med/High	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Planning – AONB	Med	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Strategic Planning Team	New	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Communications & Marketing				
Corporate Management Team Support	Med	Planned	Transformation & Council Development	5
Risk Management	Med/High	Planned	Transformation & Council Development	10
Risk Management System	New	Planned	Transformation & Council Development	5
Financial Services & Service Centre				
Cashiers Office	Med/High	Planned	Section 151 Assurance	10
Write-Off Requests	n/a	Planned	Section 151 Assurance	5
Cashiers Write-off's	n/a	Planned	Section 151 Assurance	5
Car Loans	Med	Planned	Section 151 Assurance	5
Trusts & Charities	Med/High	Planned	Section 151 Assurance	5

Direct Payments – Adult & Child and Family	Med	Planned	Section 151 Assurance, Safeguarding	15
Learning Disability Recharges	Med	Planned	Section 151 Assurance, Safeguarding	10
Officers Expenses	New	Planned	Section 151 Assurance	10
Purchase Card Transactions Monthly Review	Med	Planned	Section 151 Assurance	10
PCI Data Security Standard	High	Planned	Section 151 Assurance	5
Passport to Leisure	Low	Planned	Section 151 Assurance	10
Legal, Democratic Services & Business Intelligence				
Councillors Expenses & Allowances	Med/Low	Planned	Monitoring Officer Assurance	10
Councillors Code of Conduct	Med	Planned	Monitoring Officer Assurance	10
Scrutiny	Med	Planned	Monitoring Officer Assurance	15
Commercial Services				
Supplier Contracts Review	High	Planned	Section 151 Assurance	10
Contracts Review – Education	New	Planned	Section 151 Assurance	10
Retrospective Orders on Oracle Review	New	Planned	Section 151 Assurance	10
Chief Transformation Officer Audits				
Contact Centre	Med	Planned	Transformation & Council Development	5
HR Policies	Low	Planned	Transformation & Council Development	10
Corporate Learning & Development Team	New	Planned	Transformation & Council Development	5
Oracle Cloud	New	Planned	Transformation & Council Development	10
Management of Absence	New	Planned	Transformation & Council Development	10
Contract Audits				
Highways & Transportation – Business Case, Tendering & Evaluation	Med/High	Planned	Transformation & Council Development	20
CBS Tendering	Med/High	Planned	Transformation & Council Development	10
Housing – Systems Overview	Med	Planned	Transformation & Council Development	10
Commissioning – Tendering, Letting & Monitoring	High	Planned	Transformation & Council Development	15
Computer Audits				
File Controls	Med/High	Planned	Transformation & Council Development	5
ICT Data Storage	Med/High	Planned	Transformation & Council Development	5
Internet Controls for Clients – Social Services	Med	Planned	Transformation & Council Development	5
Procurement of IT	Med/High	Planned	Transformation & Council Development	10

Procurement of Telephones	Mes	Planned	Transformation & Council Development	5
Use of Idea - Data Matching NFI	n/a	Planned	Section 151 Assurance	5
Projects & Special Investigations				
Unpresented Cheques	n/a	Planned	Section 151 Assurance	5
NFI	n/a	Planned	Section 151 Assurance	10
Galileo Management System	n/a	Planned	Section 151 Assurance	10
Annual Plan & Annual Report	n/a	Planned	Section 151 Assurance	5
Annual Consultation Exercise	n/a	Planned	Section 151 Assurance	10
Health & Safety Group	n/a	Planned	Section 151 Assurance	3
Recommendation Tracker Exercise	n/a	Planned	Section 151 Assurance	5
Follow-ups	n/a	Planned	Section 151 Assurance	20
Miscellaneous Audits				
Swansea Bay Port Health Authority	Med	Planned	Section 151 Assurance	10
Western Bay Social Services Training Team	New	Planned	Section 151 Assurance	5
Brexit	New	Planned	Section 151 Assurance	5
City Deal Review Outcomes - Follow-up	New	Planned	Section 151 Assurance	5
Swansea Central Phase 1 Programme	New	Planned	Transformation & Council Development	5
Sustainable Swansea	New	Planned	Transformation & Council Development	10

Corporate Priorities

Safeguarding – Safeguarding People from Harm (411)

Education – Improving Education and Skills (246)

Economy & Infrastructure – Transforming our Economy and Infrastructure (282)

Poverty – Tackling Poverty (254)

Resources & Biodiversity – Maintaining and Enhancing Swansea’s Natural Resources and Biodiversity (90)

Transformation & Council Development – Transformation and Future Council Development (160)

Cross Cutting Reviews (100)

Section 151 & Monitoring Officer Assurance (451)

City & County of Swansea Assurance Map

Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management Assurance	Other <u>Internal</u> Assurance			Other <u>Independent</u> Assurance					
Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies		External Audit								
Corporate Risk Register														
<p>Financial Control and MTFP aspects of Sustainable Swansea (CR80)</p> <p>Category: Corporate Finance</p> <p>Page 39</p>	<p>If we fail to deliver Sustainable Swansea and maintain sufficient financial control, and in particular do not ensure we contain service overspending, then we will not be able to respond appropriately to continuing austerity, demographic pressures, increasing demand and changing public expectations.</p>	Very High	Very High	Red	Ben Smith	<p>>Corporate level monitoring.</p> <p>>Agreed budget.</p> <p>>Clear governance and reporting in place.</p> <p>>Prevention Strategy.</p> <p>>Monitoring at monthly P&FM's.</p> <p>>FSTG reporting and monitoring.</p> <p>MTFP.</p> <p>>Tracker in place from June 2018 to capture and warn of delivery risks.</p>	<p>>Collaborative Officer/ Member budget setting process in place.</p> <p>>Overspend and under delivery of savings openly and transparently escalated and reported to Cabinet and Council by S151 Officer.</p>	<p>>Dedicated Scrutiny Service Improvement and Finance Performance Panel consider and scrutinise the budget on a quarterly basis.</p>	<p>>Monthly P&FM Meetings. Transform & Future Council PDC.</p> <p>>Budget holders required to monitor and report any budget variances to monthly P&FM for review.</p> <p>>Reshaping Board launched to challenge delivery/ non-delivery and accelerate timescales.</p> <p>>Cabinet & Audit Committee resolved that Directors must produce credible plans immediately to rebalance budget.</p> <p>Outstanding (04.11.19)</p>	<p>>Audit Committee provide challenge, oversight and assurance</p> <p>>Periodic budget monitoring reports go to Audit Committee</p> <p>>Budget reports included in the 2020/21 workplan for Audit Committee</p>	<p>>External audit likely to comment imminently on overall financial standing as part of an all Wales commentary - will inevitably draw attention to low level of reserves and repeated under achievement of savings and over spending - all of which have been very publicly documented by the S151 officer.</p> <p>>WAO review currently underway in relation to the MTFP aspects of Sustainable Swansea.</p>	<p>>Audit of the MTFP aspects of Sust Swansea included on the 19/20 audit plan. Awaiting results of the external WAO review of this. Other strands of the prog. may be reviewed in year review. (non-MTFP) pending outcome of WAO review.</p>	<p>>Budget setting and management audit inc. in 2019/20 audit plan.</p> <p>>Sust. Swansea audit included in the plan for 20/21, scope pending based on coverage of WAO MTFP aspects of Sust. Swansea and proposed changes to the overall project.</p>	Service Specific / Fundamental Audits - Section 151 Officer Assurance

Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area		
					Level 1	Level 2			Level 3						
					Management Assurance	Other <u>Internal</u> Assurance			Other <u>Independent</u> Assurance						
						Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit	
Corporate Risk Register															
City Centre (CR81) Category: Corporate Plan Priorities	If we are unable to attract sufficient external investment and financial support and do not regenerate the city centre, then there will be a detrimental impact on the Swansea economy and reputational damage for the Council.	High	Medium	Amber	Martin Nicholls	>City Deal agreement in place. >City Centre Strategic Framework and resources for delivery. >Political mandate, leadership and support. >Positive comms attracting inward investment. >Corporate priority. >Developer confidence taking schemes forward. >BID and buy-in from city centre businesses. >Financial control of revenue budget providing headroom for capital schemes. >Financial commitment through Capital and Revenue Programme and EU/WG funding streams. >Revised City Region Governance agreed 28/05/19 Joint Committee. >New Programme Director due to be appointed by programme board.	>Funding approved by Cabinet via FPR 7 on 21/11/19.	>Regular scrutiny programme reviews of progress and pre decision scrutiny of cabinet reports. >Scrutiny undertaken on FPR Report November 2019.	>Monthly member steering group. >City Deal Governance Structure now agreed and private sector board appointed (Sep 2018) >City Deal Joint Committee constituted. >Development Advisory Group in place. >Programme board to agree amended joint working agreement and governance changes on 11/07/19, inc. appt. of new Programme Director. City Deal Sign off planned 15/07/19.	>Internal review of Swansea Bay City Deal completed 18/19 by Pembs CC involving all four LA's. >Rec's made included in action tracker presented to Joint Scrutiny Board to monitor progress. Last update June 2019.	>A Joint Scrutiny Committee has been set up to scrutinise City Deal across all partners. >Prog. Board in place with new Prog. Director appointed.	>Independent completed of Swansea Bay City Deal in Q4 2018/19 jointly by Local and Central Government >Status of implementation being reported to Joint Scrutiny Committee – last update June 2019. >Some recommendations made will be followed up in 2019/20 and ongoing review in 2020/21. >Follow up review of City Deal due to be completed by Pembs Q4 19/20.	>Some work required to follow up on review findings / monitor progress as reported to Joint Scrutiny Committee via external/ internal review action log.	>Time has been allocated in 2020/21 Audit Plan to allow for possible work required to follow up on Internal and WG review outcomes. >Review of ongoing Swansea Central Phase 1 included in the 2020/21 audit plan.	n/a

Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area		
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					Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance						
						Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit	
Corporate Risk Register															
Safeguarding (CR82) Category: Corporate Plan Priorities	If our safeguarding arrangements are not sufficiently robust, then we will not be doing everything we possibly can to prevent the death, injury or neglect of a child or vulnerable adult and consequential reputational damage.	Medium	Very High	Red	David Howes	>Sufficient numbers of trained adult/children service staff. >Corporate Safeguarding Policy/Group. >Strong performance monitoring/reporting. >Commitment to invest in social care strong. >Regional and multi-agency safeguarding partnerships. >New and revised safeguarding policy in place following PDC review. >Frontline supported care planning teams restructure completed in Children Services. >Adult Services staff training almost complete. >Multi-agency monitoring of referrals now in place at front door of Adult Services. >Regular audit of safeguarding cases established in Adult Services to mirror Child Services. >Regular safeguarding audits of schools.	>Positive engagement and support from Cabinet and Council.	>Two dedicated scrutiny panels in place to monitor social services work and performance. >People PDC in place.	>Corporate safeguarding training in place for staff and members. Safeguarding leads identified across all Council services. Separate safeguarding arrangements in place in schools. >Corporate safeguarding board. >Chief Exec public protection board.	>Safeguarding Audit included on the Audit Plan.	CIW	WAO	Currently included as part of standard rolling audit schedule, repeated based on audit risk score.	Safeguarding audit completed in 2019/20. Periodic audit.	Service Specific – Safeguarding People from Harm

Business Risk		Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
						Level 1	Level 2			Level 3					
						Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance					
							Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register															
Pupil attainment and achievement (CR83) Category: Corporate Plan Priorities	If we cannot get schools to improve pupil attainment and achievement at a time of reduced resources and increasing demand, then pupils will not get the qualifications and skills they need to succeed in life and there will be a detrimental impact on the future Swansea economy.	Medium	Medium	Amber	Nick Williams	>Commitment to invest in Education. >Corporate Priority. >Good school-to-school support. >Effective partnership working and engagement with stakeholders through School Budget Forum and Headteacher meetings. >School Improvement Strategy and Partnership. >EOTAS Strategy & Programme. >Attendance Strategy. >Strong school building programme. >Strong leadership commitment to influence ERW agenda. >Commissioning review on ALN.	>Positive engagement and support from Cabinet and Council.	>Dedicated Scrutiny Panel to scrutinise education work and performance.	>Child Protection Board. Commission review on ALN. Improving Education & Skills PDC. >Education Skills Co-ordinator appointed. >PSO's/ Accountancy provide support and oversight of school finance.	>Various Edu. Audits in the Audit Plan. >ESTYN reports review during school audits for finance / mgt. control.	>ESTYN prog. of external school inspect's..	>WAO & CIW.	>Range of Education audits in the plan to be completed as part of the rolling audit schedule.	>School and other Education audits due in 2020/21	Service Specific – Improving Education and Skills

Business Risk		Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
						Level 1	Level 2			Level 3					
						Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance					
							Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register															
Tackling poverty (CR84) Category: Corporate Plan Priorities Page 43	If we do not have a sufficient strategy in place to tackle poverty, then there will continue to be negative consequences for current and future generations, high demand for Council services and a continuing detrimental impact on the Swansea economy.	Medium	Medium	Amber	David Howes >Updated Tackling Poverty Strategy agreed by Cabinet. >Cross Council delivery plan in place and performance framework being introduced. >Council Poverty Forum renewed, chaired by Chief Exec. Tackling Poverty a corporate priority. >Poverty forum refreshed with leadership via Deputy Chief Exec.		>Scrutiny Inquiry undertaken 2016 and report recommendations largely accepted.	>Tackling Poverty PDC in place with appropriate agendas and involvement.	>Various audits in Audit Plan for Poverty & Prev.	>Poverty Truth Commission start-up in place with rep. from Cabinet agreed.	>Range of Poverty & Prevention audits in the plan to be completed as part of the rolling audit schedule.	>Poverty & Prevention audits due in 2020/21 as per rolling prog of scheduled audits.	Poverty & Prevention Audits – Tackling Poverty		

<p>Workforce Strategy (CR85)</p> <p>Category: Corporate Governance</p>	<p>If we do not have a robust workforce strategy in place, then we will not have staff with sufficient capacity and the right knowledge and skills to manage change, deliver transformed services and ensure statutory compliance.</p>	<p>Medium</p>	<p>Medium</p>	<p>Amber</p>	<p>Sarah Lackenby</p> <ul style="list-style-type: none"> >Workforce planning. Corporate Plan – Sustainable Development principles embedded in the objectives. >Workforce planning forms part of Service Planning. >Gender Pay Gap analysis and action plan also feeds into this risk. >OD Strategy and implementation plan. Tracking and monitoring of OD plan and delivery. >New reporting via revised CMT/Cabinet governance and Leadership Team. >Service planning template being co-produced with HoS to incorporate workforce planning. >PSED return made to WG. >OD Strategy & workforce development incorporated into Future Council strand of SS. >Leadership Hub sessions underway. >Mgt training & development underway. >Mandatory training review/updated. >HR Policy Review underway. >Gender Pay Gap analysis / plan part of PDC work plan. >Completed service plans informed by workforce analysis by each service. 		<ul style="list-style-type: none"> >Forms part of the overall annual Scrutiny review of Sustainable Swansea transformation programme. 	<ul style="list-style-type: none"> >Finance & Service Transformation (FSTG) receive progress updates around the OD strategy and workforce planning. >The Transformation & Future Council Policy Development Committee (PDC) has undertaken a strand of work around the gender pay gap. 				<ul style="list-style-type: none"> >An audit of the OD strategy, implementation plan, workforce planning as part of service planning and the gender pay gap action plan would be helpful in 2020 	<ul style="list-style-type: none"> >Workforce Planning audit included in 2019/20 audit plan, deferred pending Oracle Cloud implementation per SL BS. To be reviewed in 2020/21. 	<p>Cross Cutting Audits – Other Assurance</p>
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<p>Digital, data and cyber security (CR86)</p> <p>Category: Corporate Governance</p>	<p>If we do not have robust digital, data and information security measures and systems in place, then we will be vulnerable to cyber threats, disruption to service delivery, possible loss of information including confidential information and associated fines and reputational damage.</p>	<p>Low</p>	<p>High</p>	<p>Amber</p>	<p>Sarah Lackenby</p>	<ul style="list-style-type: none"> >Communications and awareness raising to staff and Councillors monthly on good practice. >SIRO identified. >DPO in place. >Information Governance Unit established. >Created register of processing activities to identify personal data controlled/processed. GDPR project delivered. >Data breach process updated in line with GDPR. >GDPR Compliant privacy notice placed on public website. >Data Protection Impact Assessment completed to measure impact of individual right to privacy. >DPO appointed. >GDPR information for schools published on Staffnet. >Revised security policy, Cyber Security Policy and Information governance framework agreed by CMT. >DPO largely independent and annual report to be presented to Cabinet & Scrutiny. >Regional multi-agency cyber cell meetings taking place. 	<ul style="list-style-type: none"> >Information Management Annual Report to be presented to Cabinet from 2018/19. >GDPR compliance monitoring and reporting through PFM and new CMT/ Cabinet governance. 	<ul style="list-style-type: none"> >Information Management Annual Report to be presented to Scrutiny from 2018/19. >More use of secure cloud storage. 	<ul style="list-style-type: none"> >Mandatory data protection training for staff / Councillors. >GDPR Compliance monitoring/ reporting through P&FM's, CMT, Cabinet governance. >External email filter preventing viruses. >Firewall/filter software. Software patches for updates/ security Mobile device encryption. >Up to date anti-virus software. >ICT policies remind staff of responsibilities Restricted access to social media / networking. >Council data back-up off site. >Agile ICT as secure as office network. Increased use of secure cloud storage. >Member of Wales WARP & CISP sharing knowledge of threats. 	<ul style="list-style-type: none"> >Various IT / System audits in Audit Plan. >GDPR audit added 18/19. 	<ul style="list-style-type: none"> >Public Services Network (PSN) compliance certificate – tested annually. >Achieved IASME Cyber Essentials certification, working towards Cyber Essentials Plus by March 2019 	<ul style="list-style-type: none"> >WAO review undertake an IT audit each year as part of reviewing financial accounts 	<ul style="list-style-type: none"> >Range of IT audits in the plan to be completed as part of the rolling audit schedule. 	<ul style="list-style-type: none"> >IT audits due in 2020/21 >New cross cutting Info. Governance audit is completed in 2019/20 added to rolling prog of audits. 	<p>Service Specific – Digital & Transformation and IT Audits – Transformation and Future Council Development</p>
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Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance					
						Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register														
Emergency Planning, Resilience and Business Continuity (CR87) Category: Corporate Governance Page 46	If we do not have sufficient emergency planning, resilience and business continuity arrangements in place, then we will not be able to respond effectively in an emergency, provide the necessary civic leadership or continue to run vital services and ensure compliance with the legal requirements of the Civic Contingencies Act 2004 as a Category 1 Responder.	Low	Very High	Amber	Adam Hill	>Various plans in place including: Major Incident Plan; Flood Management Plan; Mass Fatality Plan; Temporary mortuary arrangements; Crisis Media Plan; Rest Centre Plan and Arrangements; Recovery Plan; Offsite COMAH Plan and Exercising; Risk Profiling; Project Griffin Training; Vehicle Mitigation & Protective Security Advice; Multi Agency Exercising & Training; Call Out & Activation Protocols; Continual review of Plans & Protocols; Service and Corporate Business Impact Assessments & Business Continuity Plans; RAG alert system across H&S and emergency management. >Training for Senior Officers at Gold level undertaken to increase capacity at strategic level.				>Emerg. Mgt audit in Audit Plan for CBS. >H&S, Emerg. Planning / Civil Cont. and Business Continuity in Audit Plan for HR&OD.		>Standard audits in the plan already cover this area.	>Audits in the plan to be completed when due as part of the standard rolling schedule.	Cross Cutting Audits – Other Assurance

Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management Assurance	Other <u>Internal</u> Assurance			Other <u>Independent</u> Assurance					
						Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register														
Health & Safety (CR88) Category: Corporate Governance	If we fail to have robust Health & Safety policies and arrangements in place, then there could be a health and safety breach identified as a corporate failing with associated legal, financial and reputational consequences.	Low	High	Amber	Adam Hill	>H&S Policies H&S Toolkits RIDDOR procedures for reportable incidents to HSE. >H&S audit plan. >Well Being Policies. >Membership of BACP. >SEQOSH accreditation by Faculty of Occupational Medicine. >Noise, Dust, Lighting, Humidity & Vibration Sampling. >Directors H&S Committees & Sub Safety Groups. >RAG alert system across H&S, emergency management and well-being. >Regular update on corporate H&S introduced at Resources DMT. >H&S mandatory training updated now corporate mandatory. >H&S reviewed on weekly basis via CMT.				>H&S Audit in Audit Plan for HR&OD.		>Standard audits in the plan already cover this area.	>Audits in the plan to be completed when due as part of the standard rolling schedule.	Cross Cutting Audits – Other Assurance

Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
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					Management Assurance	Other <u>Internal</u> Assurance			Other <u>Independent</u> Assurance					
						Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register														
New legislative and statutory requirements (CR89) Category: Corporate Governance	If the council cannot respond adequately to new legislative and regulatory requirements due to reduced resources, then it will be open to external challenge and may suffer reputational damage and fines.	Low	Medium	Amber	Tracey Meredith	>Corporate Plan: captures major change/duties under the WFGA to set well-being objectives and steps to meet them. Service Planning use of the SWOT/PESTLE process to capture external legislative changes/threats, etc. and embed the WFGA. >Directors/Heads of Service duty to horizon scan and present papers on new changes and to resource accordingly and in accordance with the Sustainable Development Principle of the WFGA. >Regular policy briefings and foresighting policy. Monitoring of new legislation by Legal and Dem. Services. >Lawyers in Local Government Update circulated by Head of Legal to CMT. >Legal implications inserted into decision making reports. >WFGA internal guidance webpage up to date. CMT advised of legislative changes/consultation in WG from LLG by Tracey Meredith.	>All reports for Cabinet/ Council have legal implications paragraph and report authors are supported by legal officers when considering legislative requirements in decision making process.	>Appraisals and identification of training needs. > The Data Protection Officer provides an annual report on compliance with data protection legislation.	>Consult with CMT / HoS each year as part of annual consult'n exercise to inform the Audit Plan and inform forward work plan for the following year. >Audits added to plan as they arise prioritised by risk.	>Audits to be added to the plan via as per annual consult with HoS/ Directors.	>New audits to be added as requested by HoS/ Directors via consult exercise. >New Local Gov & Elections (Wales) Bill audit added to 2020/21 audit plan.	Service Specific – Across Corporate Priorities / Monitoring Officer Assurance		

Business Risk		Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
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						Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance					
							Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register															
Decision to leave the European Union (BREXIT) (CR90) Category: Corporate Finance	If there continuing uncertainty from the decision to exit the European Union (BREXIT), then there may be a risk to investment in the region due to the loss of grants and decisions affecting strategic inward investment.	Very High	Medium	Red	Adam Hill	>A risk outside directly of Council control/ influence. >Maximise existing grant take ups/explore alternative sources of grant/investment >Event horizon scanning of all media, parliamentary decisions, negotiations. >Lobbying through WLGA, professional associations for UK/WG government grant/other decisions to attract inward investment via alternative means e.g. City Deal, Tidal Lagoon (despite UK government rejection of financial support re latter)		>Brexit Scrutiny Working Group set up, met 23/09/19 to review Council preparedness for Brexit.	>Corporate work with WLGA and WG to ensure collective and consistent approach. >Leader of Council leads for WLGA on Europe-WLGA response to Brexit aids identifying risks. >Civil Contingency Plan Reviewed. >Duty rotas in place for strategic/ tactical Officers.	Internal Audit completed re preparedness for BREXIT in 2019/20. High Assurance given.	>Grant Thornton commissioned by WLGA to undertake independent review to assist Councils prepare for Brexit. Staff interview on 20/09/19, report presented to WLGA 02/10/19.	>Welsh Audit Office call for Evidence was used to gather information on work undertaken to date to prepare and identify issues in relation Brexit. This information will be used to develop a more robust response through the Brexit Steering group.	>Unknown at present what audit work may be required in 2020/21	>Some time included in 2020/21 should issues arise following EU exit requiring audit input.	n/a

Business Risk		Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
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						Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance					
							Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register															
Tax evasion (CR91) Category: Corporate Finance	If the Council fails to prevent those who act for or on its behalf from knowingly or unknowingly facilitating (including failing to prevent) tax evasion, then the Council will be criminally liable and will face an investigation by HMRC with potential prosecution and unlimited financial liability.	Low	Medium	Amber	Ben Smith	>VAT Manual, Guidance Notes and Accounting Instructions. >VAT advice available via Principal Finance Partner and external VAT advisors. >Financial Procedure Rules (FPRs) and Contract Procedure Rules (CPRs). >IR35 guidance and procedure notes available. >Procurement rules and procedures. >Segregation of duties.				>VAT Audit in the Audit Plan. >Cover aspects of VAT, CPR's, FPR's and seg. of duties as part of standard audit tests across all audits. >VAT audit completed 19/20 – High Assurance	>HMRC compliance team has visited and “signed off” our tax arrangements.	>VAT arrangements considered as part of wider financial audit	>None – elements are already covered in the audit plan.	>Planned audits to be completed as per the standard rolling schedule.	Section 151/Monitoring Officer Assurance–Other Assurance

Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area	
					Level 1	Level 2			Level 3					
					Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance					
						Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit
Corporate Risk Register														
Regional Working (CR101) Category: Corporate Governance	If the Council, along with its partners and Welsh Government, does not develop and improve regional working, then it will divert the Council and its resources from key priorities and will not benefit Swansea and its residents.	Medium	Medium	Amber	Phil Roberts	>Senior management restructure on 21/06/18 strengthens management capacity. >Mapping exercise undertaken identifying key local, regional and national partnerships. >The Council has a clear rationale in place when collaborating and it is clear on the anticipated benefits and costs. >The Council is playing a leading and proactive role in major regional collaborations. >Ministerial discussions have been productive. >Chief Exec and Leader attendance at Regional Scrutiny update on 15/10/19. >Chief Exec preparing a report for the four SW Wales Councils in advance of ministerial meeting early 2020.	>Council is playing a leading and proactive role in major regional collaborations. >Leader of the Council is the City Region Joint Committee Chair. >Council meets up regionally with 5 other local authorities to discuss collaboration projects. >Annual Report on Regional Working presented to Council.	>Scrutiny inquiry findings documented as required actions on the Risks Register. >Annual Report on Regional Working is produced by Scrutiny providing overview of three key collaborations inc. ERW, West Glam. Regional Partnership (prev. Western Bay), and Swansea Bay City Deal.	>Chief Executive takes the lead role for ERW and Western Bay as well as being an executive member of the City Deal Joint Committee. ERW has fully formed Governance Arrangements. >City Deal has Joint Committee Agreement and joint scrutiny arrangements agreed by Council. >Western Bay has a Joint Committee and scrutiny arrangements in place.	>City Deal has a Joint Working Agreeem't in place, which was approved at Council on 26th July 2018. >Review of progress by IPC on the Western Bay Health & Social Care collab'n.	None	n/a	n/a	

<p>Decision to leave the European Union (BREXIT) supplement to CR90 (CR102)</p> <p>Category: Corporate Governance</p>	<p>If there is continuing uncertainty from the decision to exit the European Union (BREXIT), then the Council will not be able to prepare as effectively as it would in order to ensure service continuity and to safeguard the financial / economic, social, environmental and cultural well-being of citizens and resident EU nationals.</p>	<p>Very High</p>	<p>Medium</p>	<p>Red</p>	<p>Adam Hill</p>	<p>In addition to details in CR 90:</p> <ul style="list-style-type: none"> >Ensured organisations supplying agency workers to the Council are complying with Government advice, guidance, rules concerning employment and status of EU nationals. >Draft communication plan and portal for BREXIT related internal and external communication and information, inc. Welsh and UK Government advice developed. >Deputy CX attends WG and UK Gov briefings, sits on SWLRF and re-introduced Brexit Working Group. Meet every 2 weeks. >All services completed assurance assessment and RAG rating on preparedness. >Deputy CX met with range of companies and organisations inc. SBPHA to check preparedness. >Brexit steering group meets 2-weekly Brexit workshop for S.Wales held on 4th Oct. 				<p>>Internal Audit completion of Internal Review on preparedness – High Assurance</p>					
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Business Risk	Current Likelihood	Current Impact	Overall RAG Status	Risk Owner	Level and Source of Assurance						Internal Audit Needs	Planned Internal Audit Work	Audit Plan Area		
					Level 1	Level 2			Level 3						
					Management Assurance	Other <i>Internal</i> Assurance			Other <i>Independent</i> Assurance						
						Council/Cabinet	Scrutiny	Other	Internal Audit	Other Bodies				External Audit	
Corporate Risk Register															
Sustainable Swansea Transformation Programme Delivery (CR103) Category: Corporate Plan Priorities Page 53	If the Sustainable Swansea Transformation Programme does not deliver radical cross-cutting change, then the Council and its workforce are at risk of being unsustainable in the longer term.	Medium	High	Amber	Sarah Lackenby	>MTFP. Programme Plan. Robust programme governance and reporting. >Monitoring and reporting via CMT away days and Reshaping Board. >Robust programme management for risks, issues, changes. >Links with Corporate Governance risk around reporting major projects, >Annual programme review reflecting lessons learned into revised programme. Annual Report to Scrutiny, Governance reshaping board established. Online trackers developed for revenue and capital. >New tracker monitored by CMT away days monthly.		>Scrutiny received annual report update on progress.	>Reshaping board in place			>Sustainable Swansea review being completed by WAO, likely to be focused on MTFP Savings Plans and progress to date.	>Work needed to cover non MTFP Savings that is not covered by WAO review. Project currently pending changes following review to be discussed and reviewed in 2020/21.	>Internal audit work to be completed in 19/20 covering non MTFP Savings elements of the SS Prog deferred pending results of WAO external review and recs. >Time allocated to 2020/21 audit plan to cover above and proposed changes to the project following review.	

Source & Level of Assurance - Three Lines of Defence

Assurance can come from many sources within an organisation. A concept for helping to identify and understand the different contributions the various sources can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. For example, management assurances could be harnessed to provide coverage of routine operations, with internal audit activity targeted at riskier or more complex areas.

First Line of Defence – Level 1 – Management Assurance

Within the ‘front-line’ or business operational areas, there will be many arrangements established that can be used to derive assurance on how well objectives are being met and risks managed; for example, good policy and performance data, monitoring statistics, risk registers, reports on the routine system controls and other management information.

Nature of assurance: This comes direct from those responsible for delivering specific objectives or operation; it provides assurance that performance is monitored, risks are identified and addressed and objectives are being achieved. This type of assurance may lack independence and objectivity, but its value is that it comes from those who know the business, culture and day-to-day challenges.

Second Line of Defence – Level 2 – Other Internal Assurance

This work is associated with oversight of management activity. It is separate from those responsible for delivery, but not independent of the organisation’s management chain. This could typically include compliance assessments or reviews carried out to determine that policy or quality arrangements are being met in line with expectations for specific areas of risk across the organisation.

Nature of assurance: The assurance provides valuable management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It will be distinct from and more objective than first line assurance.

Third Line of Defence – Level 3 – Other Independent Assurance & External Assurance

This relates to independent and more objective assurance and focuses on the role of internal audit, which carries out a programme of work specifically designed to provide the Section 151 Officer with an independent and objective opinion on the framework of governance, risk management and control. Internal audit will place reliance upon assurance mechanisms in the first and second lines of defence, where possible, to enable it to direct its resources most effectively, on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements. It may also take assurance from other independent assurance providers operating in the third line, such as those provided by independent regulators, for example.

As an additional line of assurance, sitting outside of the internal assurance framework and the Three Lines of Defence model, are external auditors, who are external to the organisation with a statutory responsibility for certification audit of the financial statements.

Nature of assurance: Independent of the first and second lines of defence. Internal audit operates to professional and ethical standards in carrying out its work, independent of the management line and associated responsibilities. External audit operates similarly.

Agenda Item 5



Report of the Chair of the Audit Committee

Special Audit Committee – 26 May 2020

Draft Audit Committee Annual Report 2019/20

Purpose:	This report provides the draft Audit Committee Annual Report 2019/20 municipal year.
Policy Framework:	None
Consultation:	Legal, Finance and Access to Services.
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Debbie Smith
Access to Services Officer:	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 2017/18 at the meeting in July 2018. A final draft was received at a special meeting of the Audit

Committee on 23rd August 2018 and the Audit Committee agreed that the Statement be endorsed and referred 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 and there is a possibility that the meeting in May 2020 will also be 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 September 2019 and draft Annual Governance Statement for 2019/20 was presented to the Audit Committee in May 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. The draft Statement of Accounts for 2019/20 are due to be presented to the Committee in June 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 30th 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: 11th June, 13th August, 16th September, 8th October, 10th December, 29th January, 11th February, 10th March. Note that meetings scheduled for the 14th April and the 26th May were postponed 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:

Attendance 2019/20	Possible	Actual
Independent Lay Members		
Mrs Paula O'Connor (Chairperson)	8	8
Non-Executive Councillors		
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

Paula O'Connor Chair of Audit Committee	Chair.Audit@swansea.gov.uk
Councillor Paxton Hood-Williams Vice Chair of Audit Committee	Cllr.Paxton.Hood-Williams@swansea.gov.uk 01792 872038
Ben Smith Section 151 & Chief Finance Officer	Ben.Smith@swansea.gov.uk 01792 636409
Jeff Dong Interim Deputy Section 151 & Chief Finance Officer	Jeffrey.Dong@swansea.gov.uk 07810438119/ 07811847582
Simon Cockings Chief Auditor	Simon.Cockings@swansea.gov.uk 01792 636479
Jason Garcia Wales Audit Office	Jason.Garcia@audit.wales

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

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

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

10 March 2020	<ul style="list-style-type: none"> • Internal Audit Annual Plan 2019/20 - Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019. • Moderate Report - Employment of Agency Staff. • Moderate Report - Fleet Maintenance. • Moderate Report - Gwyrosydd Primary School. • Moderate Report - Heol y Gors Plant. • Moderate Report - Ysgol Pen y Bryn. • Draft Internal Audit Annual Plan 2020/21 • Audit Committee Action Tracker • Audit Committee Workplan 2019-20
14 April 2020	Cancelled
26 May 2020	Cancelled

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

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
Regularity and Length of Audit Committee meetings	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.

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
Outstanding actions from the Audit Committee Performance Review 2017-18	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 6



Report of the Chief Auditor

Special Audit Committee – 26 May 2020

Internal Audit Annual Report 2019/20

Purpose:	This report reviews the work of the Internal Audit Section during 2019/20 and includes the Chief Auditor's required opinion on the internal control environment for 2019/20 based on the audit testing completed in the year.
Policy Framework:	None
Consultation:	Legal, Finance and Access to Services
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 This report reviews the work of the Internal Audit Section in 2019/20 and compares its performance against the Internal Audit Annual Plan for the year which was approved by the Audit Committee on 9th April 2019.
- 1.3 A series of Performance Indicators are used to measure the performance of the Internal Audit Section against agreed targets set at the start of the

year and also in comparison with other Welsh Authorities. A review of the Performance Indicators in 2019/20 is included in this report.

- 1.4 This report also contains the Chief Auditor's required opinion on the overall standards of the control environment in operation in the Council based on the testing performed during 2019/20.
- 1.5 This report and the annual opinion on internal control are key elements of assurance that are used in the Council's Annual Governance Statement.

2. Review of 2019/20

- 2.1 A summary of time spent in 2019/20 on the different categories of Internal Audit work is shown in Appendix 1.
- 2.2 As shown in the summary table, there was an increase of 30 days (2%) in the actual productive audit days achieved against the planned number of productive days. The overall resources of the team have remained unchanged throughout the year and there continues to be 9.1 FTE staff in the section as was the case in 2018/19.
- 2.3 Appendix 1 provides an analysis of the actual time spent by the team as recorded on the Galileo Audit Management System compared with the original plan for 2019/20.
- 2.4 The original Internal Audit Annual Plan for 2019/20 contained 160 separate audit assignments, of which 134 (84%) were completed to at least draft report stage and a further 7 audits were in progress at year end. A total of 11 audits from the original plan were deferred to 2020/21 and 8 audits originally on the plan were deemed to no longer be required when the team commenced the reviews in year. Taking into account those audits that were in progress, and those that were no longer required, 93% of the audit assignments on the Annual Plan 2019/20 had been completed or were in progress as at 31/03/20.
- 2.5 An audit report was produced for each audit which was discussed and agreed with the client. The reports included recommendations to improve any weaknesses or areas of concern identified during the audit in relation to systems, procedures and controls. During the year 99% of recommendations made were accepted by clients.
- 2.6 A list of the audits finalised each quarter has been included in the quarterly monitoring reports presented to the Audit Committee during the year. A complete list of each audit finalised during 2019/20 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 2.
- 2.7 As well as the planned audit work, a number of other pieces of work were undertaken during the year which are summarised below:

i) The following grants were audited and certified in 2019/20:

Grant	Amount £
Live Kilometre Support Grant 2018/19	n/a (Claim process)
Communities for Work Plus Grant 2018/19	£983k
Legacy Fund Grant 2018/19	£537k
SPPG Regional Co-ordinator Grant 2018/19	£40k
SPPG Outcomes Grant 2018/19	n/a (No. of outcomes)
Regional Consortium School Improvement Grant 2018/19	£8,968,203 (£9,408,028 inc. Match Funding)
Pupil Deprivation Grant (PDG) 2018/19	£7,469,677
LEA Disadvantaged Learners Grant	£2,887,214
SPPG Main Grant 2018/19	£14,086,658 (£178,000 income from partners)
Regional Consortia School Improvement Grant 2019/20	£8,855,920
Pupil Development Grant 2019/20 (Q1-Q3)	£1,003,832
Suresprung – Transitional Employer Support Grant	n/a (compliance with the Shaw Trust requirements)

- ii) A total of 19 days was spent in 2019/20 undertaking nine unplanned follow up reviews for those audits receiving moderate assurance audit reports.
- iii) Continuation of the NFI 2018 work and investigations undertaken on match results.
- iv) The certification of two additional grants that we were not made aware of during the annual consultation exercise. The grants concerned were the Legacy Fund Grant and the Communities for Works Plus Grant.
- v) The team also assisted in undertaking a special investigation in relation to one of the Councils Social Services establishments, as well as completing a one off review of the systems in place for car park income collection.
- vi) Other pieces of work undertaken in year have been reported to the Committee as part of the quarterly monitoring reports.

3. Follow Ups

- 3.1 It is important that action is taken to ensure that management have implemented the recommendations agreed following each audit. The Internal Audit Section uses a risk based approach to follow up audits as shown below:
- Fundamental audits are subject to a Recommendations Tracker exercise mid-way through the year to confirm that the agreed recommendations have been implemented. The results of the Recommendation Tracker exercise are reported to the Audit Committee.
 - Non Fundamental audits which receive a 'moderate' or 'limited' level of assurance have historically received a follow up visit usually within 6 months to test whether the 'high' and 'medium' risks recommendations have been implemented. The results of any follow up visits for non-fundamental audits are included in the quarterly monitoring reports presented to the Audit Committee.
- 3.2 Any audits that receive a 'moderate' or 'limited' level of assurance are also reported to the relevant Directorate Performance and Financial Monitoring (PFM) meeting to allow senior management to monitor the implementation of the recommendations arising from the audit.
- 3.3 The Recommendations Tracker exercise carried out in 2019/20 was reported to the Audit Committee on 10/12/19 where the conclusion was positive, with 76% of agreed recommendations due for implementation being implemented by the end of September 2019. The report also noted that of the five recommendations that had been partly implemented, one was classed as high risk, two were medium risk, one was low risk and one was a good practice recommendation. The partly implemented High, Medium and Low Risk recommendations all related to the Accounts Receivable audit. This audit continues to be completed on an annual basis, and as a result the implementation of the outstanding recommendations has been followed up as part of the 2019/20 audit. The remaining 6 recommendations that had not been implemented were classed either low risk or good practice and were in relation to the Accounts Payable audit. This is also audited on an annual basis.
- 3.4 During 2019/20, nine moderate audit follow up reviews were completed and it was found that in the majority of cases, suitable action had been taken to address the issues that had been highlighted. The outcome of all follow up reviews has been reported to Audit Committee throughout the year via the Internal Audit Quarterly Monitoring Reports. In addition, a number of client department representatives have attended audit committee meetings to provide an update to the committee on the action that has been taken to address the issues highlighted in the audit reports.

4. Performance Indicators

- 4.1 A series of 11 Performance Indicators (PI's) are used to measure the work of the Internal Audit Section as agreed by the Welsh Chief Internal Auditors Group (WCIAG). The PI's measure output, quality and cost and are also measured by other local authority Internal Audit Sections across Wales to provide comparable statistics.
- 4.2 The PI's are presented in detail in Appendix 3 which shows that in 2019/20, the Internal Audit Section met or exceeded the target set at the start of the year for 10 out of the 11 PI's. This was in line with the performance in 2018/19.
- 4.3 The PI that was not achieved in 2018/19 was PI 9 – average cost per directly chargeable day.
- 4.4 As agreed by the WCIAG, average cost for this performance indicator is made up of actual salary, NI and pensions costs of the Internal Audit Team. These costs have seen an overall increase of 3% on 18/19 costs. In addition, the number of directly chargeable days has decreased from 1,553 in 2018/19 to 1,526 in 2019/20. As a result, average costs per directly chargeable day has increased overall in 2019/20 to £308, from £294 in 2018/19. (Note that the number of productive days in 2018/19 was higher than expected due to a period of hand-over prior to one of the auditors retiring, resulting in an additional member of staff within the team during the hand-over phase).
- 4.5 As in previous years, where available PI data has been compared to the average results of other Local Authorities in Wales, as shown in Appendix 3. However, at the time of writing this report the results from a number of suitable comparator authorities had not been received.
- 4.6 Unfortunately, the comparison with other Internal Audit Sections across Wales is becoming less meaningful over time as a number of Authorities no longer collect the data or are only able to provide results for some of the PI's. In addition, consideration should be given to the variances in size of both the Local Authorities and their internal audit departments when comparing the results of Swansea's PI's with the group averages.
- 4.7 It should also be noted that the WCIAG reviews the PI's that are in use on an annual basis, so these may be subject to further change.

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

- 5.1 It is a requirement of the PSIAS that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to

assist in raising standards across the public sector and ensuring consistency in improvement.

- 5.2 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 5.3 The preferred method adopted in Swansea was a self-assessment review subject to external validation using the peer review group established by the Welsh Chief Auditors Group.
- 5.4 The outcome of the peer review was presented to the Head of Financial Services & Service Centre, the Director of Resources and the Chief Executive on 28/03/18 and to Audit Committee on the 10/04/18. In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS and CIPFA Application Note with no significant deviations from the Standards being noted. Some areas for improvement were highlighted as part of the review, all of which have been fully addressed. The updated PSIAS Compliance Report for the internal assessment for 2019/20 can be found in Appendix 4.
- 5.5 The results of the annual internal assessment of compliance with the PSIAS using CIPFA's detailed Local Government Application Note completed in February 2020 can be found in Appendix 4. In summary there are 336 best practice lines within the PSIAS. The self-assessment review of conformance against the PSIAS revealed that the Internal Audit Section is 99.1% compliant with the best practice of the PSIAS.
- 5.6 In addition to the self-assessment review, as part of the QAIP an action plan is compiled in order to set targets for improvement for the coming year in relation to those PI's that have not been achieved. A copy of the QAIP report and action plan for 2020/21 can be found in Appendix 5.
- 5.7 **The result of the external peer review and the updated internal assessment of conformance against CIPFA's detailed Local Government Application note confirm that the Internal Audit Section of the City and County of Swansea conforms with the International Standards for the Professional Practice of Internal Auditing and all engagements are undertaken in conformance with the Public Sector Internal Audit Standards.**

6. Statement of Organisational Independence

6.1 The PSIAS also require the Chief Auditor to confirm the organisational independence of the internal audit activity. As outlined in the self-assessment review, the organisational independence of the Chief Auditor can be confirmed for the following reasons:

- The Chief Auditor reports to the Chief Finance Officer (Section 151 Officer), who is a permanent member of Corporate Management Team.
- The Chief Auditor reports functionally to the Audit Committee and has unrestricted access to the Committee.
- As a third tier officer, the Chief Auditor can influence the control environment, has sufficient status to pursue audit issues and provide credible, constructive challenge to management.
- The Internal Audit Charter is reviewed and approved by Audit Committee and the Corporate Management Team on an annual basis.
- The risk-based audit plan is reviewed and approved by Audit Committee on an annual basis.
- The performance of the Internal Audit Function is reported to Audit Committee on a quarterly basis via quarterly monitoring reports, annually as part of the Internal Audit Annual Report and also as part of the QAIP programme.
- The Chief Auditor has no other management responsibilities other than Internal Audit and the Corporate Fraud Function.
- The Chief Auditor also has unrestricted access to senior management and the Audit Committee and has the ability to report to all levels in his own name which allows the internal audit activity to fulfil its responsibilities.
- The Chief Auditor also has the right of direct access to the Chief Executive as agreed by the Section 151 Officer.

7. Internal Control Opinion

7.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.

7.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.

7.3 The Internal Audit Section give levels of assurance for all reviews undertaken. The basis used for each level of assurance is shown in Appendix 6.

7.4 The table below provides a summary of the assurance levels across all audits in the audit universe as at the 31/03/20, compared to the assurance levels as at 31/03/19.

Level of Assurance	31/03/18		31/03/19		31/03/20		Variation	
	No.	%	No.	%	No.	%	No.	%
High	110	28	127	34	121	33	-6	-1
Substantial	244	63	224	61	220	61	-4	0
Moderate	31	8	17	5	22	6	+5	+1
Limited	2	1	0	0	0	0	0	0
Total	387	100	368	100	363	100	-5	0

- 7.5 Note that as a result of the consultation exercise, departmental restructures and other changes across the Council, the total number of audits in the audit universe will vary each year.
- 7.6 As can be seen in the table above, there has been a marginal increase in the number of audits receiving a moderate level of assurance since 2018/19. The Audit Committee has been made aware of the various moderate assurance reports that have been issued in 2019/20 as the summary details of these audits have been included in the quarterly monitoring reports. In addition, the committee has received updates from the relevant client department representatives for all of the moderate reports issued in year. A consistent theme running through the majority of the moderate audits issued in year has been in relation to reduced resources, resulting in a failure to adhere to standard control procedures. There has also been a marginal decrease in the number of audits with a high level of assurance. However, it should be noted that in both cases, the variance only represents 1% of the overall audit universe.
- 7.7 There are 14 audits which are classed as fundamental audits. The fundamental audits are the systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2019/20, 11 of the 14 fundamental audits have a high level of assurance. Two have a substantial level of assurance (Accounts Payable and NNDR/Business Rates) and one has a moderate level of assurance (Accounts Receivable).
- 7.8 Prior to the most recent audit, the NNDR/Business Rates audit had received consistent high assurance rating and had therefore been subject to an audit every two years. However, as a result of the findings of the most recent audit in 2019/20, a substantial level of assurance was awarded and as a result this audit will be completed on an annual basis going forward.
- 7.9 The Accounts Payable audit received a substantial assurance rating in 2019/20 as was also the case in 2018/19 and so this also continues to be audited on an annual basis.
- 7.10 The Accounts Receivable audit received a moderate assurance rating in both 2018/19 and 2019/20. The Audit Committee have had a number of updates from the client department in relation to the work that is ongoing

within the department to address the issues that have been identified. The Audit Committee will continue to receive updates on this during 2020/21. (Please note that due to the timing of the draft reports being issued and the onset of the Covid-19 crisis, the NNDR/Business Rates, Accounts Receivable and the Housing and Council Tax Benefits audit reports remain at draft stage at the time of compiling this report).

- 7.11 It is disappointing to note that one of the fundamental audits received a second moderate assurance rating in 2019/20. As detailed in updates provided to the Audit Committee from the client department, the reasons for the weaknesses identified in this area are in relation to reduced resources. As noted in previous annual reports, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Authority and this continues to be the case.
- 7.12 Despite this, it should be noted that of the 14 fundamental system audits, 11 have a high assurance level and two have a substantial assurance level. In addition, the results of the work undertaken in 2019/20 shows that as at the 31/03/20, 94% of all of the audits listed in the audit universe have either a high or substantial assurance rating. This provides reasonable assurance that across the Authority the systems of internal control are operating effectively.
- 7.13 Throughout the year, a significant amount of effort has been directed at further strengthening the systems of risk management across the Authority. Audit Committee continue to receive regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks to further strengthen assurance in this area. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date and all mitigating controls have been captured and remain effective. A new Risk Management System has also been introduced in the year which should ensure monitoring and control of risk is greatly improved.
- 7.14 As per the Terms of Reference, the Audit Committee must be satisfied that they have sufficient information in order to gain assurance over the risk management controls across the Council. Prior to the introduction of the new Risk Management System, the Committee highlighted concerns over the amount of information that was available to Members to allow them to discharge this responsibility. These concerns were also echoed by the Council's External Auditors. It is envisaged that the introduction of the new Risk Management System will facilitate greater scrutiny of the risk management arrangements in place by the Committee. However, it should be noted that at present, the members of the Audit Committee do not have access to the new system.
- 7.15 In addition, further developments in the year have seen a member of the Audit Committee joining the Governance Group which is tasked with

overarching responsibility for ensuring existing corporate governance arrangements are effective. 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.

- 7.16 Each of the Corporate Directors have also attended Audit Committee meetings throughout the year to outline governance, risk and control arrangements in place within each directorate. These improvements have further strengthened the overall assurance provided to the Audit Committee. A diagram illustrating the sources of the key areas of corporate governance assurance and how they interrelate can be found in Appendix 7.
- 7.17 At the time of writing this opinion, it is unclear as to the scale of additional spending, loss of income and funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the Covid-19 pandemic. We are also aware that the Council's emergency response has necessitated some rapid changes to working practices, controls and authorisation channels for approval and decision making by Senior Officers and Councillors. However, it should be noted that the Statutory Governance Chief Officers are resolving to maintain appropriate corporate grip to ensure that sufficient recording and reporting mechanisms are maintained throughout this unprecedented crisis.
- 7.18 The impact of the pandemic was not directly financially or operationally material on the 2019/20 internal audit plan. As a result, the impact of the crisis is not yet reflected in the audit universe as the crisis commenced at the latter end of the financial year. However, it should be noted that the national lock down arrangements and the prioritisation of the response to Covid-19 may have impaired the Council's ability to fully comply with normal operating procedures at all times during March and beyond.
- 7.19 The impact of the crisis will be financially and operationally material for the whole of 2020/21. It will affect council spending, income, controls and even directly affect our ability to meaningfully deliver the audit plan, particularly during the lock down phase. Throughout this period, the audit team is refocusing its efforts to support the Council to deliver its immediate, urgent response to the crisis. It is hoped that once the current restrictions are eased, the audit team can slowly begin prioritising audit work in the subsequent expected recovery phase.
- 7.20 The Audit Committee and the Council's External Auditors have raised a number of concerns throughout the year in relation to risk management arrangements and also in relation to the lack of pace with which Directorates have been able to deliver agreed savings targets. These concerns are echoed by Internal Audit and the Chief Finance Officer and the programme of planned audits for 2020/21 will seek to provide the Committee with some clarity on these issues.

7.21 **Overall, based on the work undertaken in 2019/20, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2019/20 which would have a material impact on the Council's financial affairs or the achievement of its objectives.**

8. Equality and Engagement Implications

8.1 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.

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

9. Financial Implications

9.1 There are no financial implications associated with this report.

10 Legal Implications

10.1 There are no legal implications associated with this report

Background Papers: Internal Audit Plan 2019/20

Appendices: Appendix 1 Internal Audit – Plan 2019/20 Summary
Appendix 2 Internal Audit – Audits Finalised 2019/20
Appendix 3 Internal Audit – Performance Indicators 2019/20
Appendix 4 Internal Audit – PSIAS Compliance Report
Appendix 5 Internal Audit – QAIP Report & Action Plan 2019/20
Appendix 6 Internal Audit – Audit Levels of Assurance
Appendix 7 Internal Audit – Governance & Assurance Map

INTERNAL AUDIT PLAN 2019/20 - SUMMARY

Categories of Audit Work	Plan 2019/20		Actuals 2019/20		Variation 2019/20	
	Days	%	Days	%	Days	%
People	322	13.6	335	14.2	13	4%
Place	371	15.7	420	17.8	49	13%
Resources	250	10.6	228	9.6	-22	-9%
Systems Audits	244	10.3	276	11.7	32	13%
Computer Audits	75	3.2	34	1.4	-41	-55%
Contract Audits	8	0.3	0	0.0	-8	-100%
Projects and Special Investigations	91	3.8	126	5.3	35	38%
Miscellaneous Audits	25	1.1	15	0.6	-10	0%
Cross Cutting Audits	110	4.6	92	3.9	-18	-16%
Productive Days	1496	63.2	1526	64.5	30	2%
Other Activities						
1. Staff Training	76	3.2	40	1.7	-36	-47%
2. Holidays & Public Holidays	409	17.3	425	18.0	16	4%
3 Sick, Special Leave, Phased Return	86	3.6	93	3.9	7	8%
4. Admin, Planning, Clerical Support etc	219	9.3	259	10.9	40	18%
5. Contingencies	64	2.7	6	0.3	-58	-91%
6. Secondments	0	0.0	0	0.0	0	0%
7. Vacancies	0	0.0	0	0.0	0	0%
8. Voluntary Reduction in Hours	0	0.0	0	0.0	0	0%
9. Maternity Leave	0	0.0	0	0.0	0	0%
10. Staff Appraisals	0	0.0	0	0.0	0	0%
11. Non Audit Work	16	0.7	17	0.7	1	6%
Non Productive Days	870	36.8	840	35.5	-30	-3%
Total Days	2366	100.0	2366	100.0	0	0%

AUDITS FINALISED 2019/20

Head of Service	Audit Title	Date Finalised	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Poverty & Prevention	Adult Prosperity & Wellbeing Service	11/06/19	High	4	4	0
Legal, Dem. Services & Business Intelligence	Coroner's Service	17/06/19	High	1	1	0
Property Services	Estates Management & Quadrant Rents	27/06/19	High	2	2	0
Adult Services	Flexible Support Service	01/05/19	High	3	3	0
Poverty & Prevention	Lifelong Learning Service	21/06/19	High	11	11	0
Fundamental Systems - S151	Pension Fund Administration	08/05/19	High	2	2	0
Financial Services & Service Centre	Purchase Card Administration	27/06/19	High	0	0	0
Highways & Transportation	Recovery of Abandoned Vehicles	25/04/19	High	5	5	0
Cultural Services	Special Events	14/05/19	High	5	5	0
Education Planning & Resources	St Joseph's Catholic Primary School	17/15/19	High	7	7	0
Education Planning & Resources	Bishopston Primary School	01/07/19	High	8	8	0
Financial Services & Service Centre	Insurance	05/07/19	High	3	3	0
Planning & City Regeneration	Economic Developmet Admin	21/08/19	High	4	4	0
Financial Services & Service Centre	Trusts & Charities	11/09/19	High	4	4	0
Poverty & Prevention	Community Safety	14/08/19	High	6	6	0
Highways & Transportation	CTU Fuel	23/08/19	High	8	8	0
Financial Services & Service Centre	Brexit	12/09/19	High	0	0	0
Financial Services & Service Centre	Taxation VAT	19/09/19	High	0	0	0
Adult Services	Business Support Team - Adult Services	25/09/19	High	9	9	0
Financial Services & Service Centre	Fairer Charging (Non Residential Care)	23/10/19	High	2	2	0
Education Planning & Resources	Pontarddulais Primary School	23/10/19	High	8	8	0
Chief Transformation Officer Audits	Welsh Translation Unit	28/10/19	High	7	7	0
Financial Services & Service Centre	Teachers Pensions 2019/20	29/10/19	High	0	0	0
Chief Transformation Officer Audits	Digital Strategy	30/10/19	High	2	2	0
Housing & Public Health	Tenancy Support Unit	11/11/19	High	3	3	0
Communications & Marketing	Communications & PR Team	21/11/19	High	6	6	0
Highways & Transportation	Road Safety	02/12/19	High	5	5	0
Housing & Public Health	Gorseinon District Housing Office	05/12/19	High	10	10	0
Education Planning & Resources	Pentrechwyth Primary School	18/12/19	High	10	10	0
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

AUDITS FINALISED 2019/20

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
Fundamental Systems - S151	Accounts Payable	03/04/19	Substantial	10	10	0
Housing & Public Health	Burials & Cremations - Swansea Crematorium	12/04/19	Substantial	10	10	0
Achievement & Partnership Service	Curriculum Support Unit & Welsh Service	12/06/19	Substantial	11	11	0
Adult Services	Fforestfach Day Service	17/04/19	Substantial	10	10	0
Poverty & Prevention	Info-Nation	12/04/19	Substantial	13	13	0
Housing & Public Health	Leashold Properties	04/04/19	Substantial	17	17	0
Education Planning & Resources	Morrison Primary School	11/06/19	Substantial	14	14	0
Housing & Public Health	Penlan DHO	12/06/19	Substantial	11	11	0
Planning & City Regeneration	Planning Services Admin & Fees	27/06/19	Substantial	14	14	0
Housing & Public Health	Pollution Control Division	20/05/19	Substantial	11	11	0
Achievement & Partnership Service	School Support Unit	11/06/19	Substantial	2	2	0
Highways & Transportation	Swansea Bus Station	14/05/19	Substantial	8	8	0
Planning & City Regeneration	Swansea Market	08/05/19	Substantial	14	14	0
Highways & Transportation	Transport Depot - Social Services	21/07/19	Substantial	12	12	0
Highways & Transportation	Transport Support	31/05/19	Substantial	2	2	0
Education Planning & Resources	Wanarlwydd Primary School	24/06/19	Substantial	10	10	0
Housing & Public Health	West Cross DHO	09/05/19	Substantial	13	13	0
Education Planning & Resources	Y.G.G. Pontybrenin	04/07/19	Substantial	13	13	0
Waste Management & Parks	Waste Management	05/07/19	Substantial	9	9	0
Education Planning & Resources	Crwys Primary	08/07/19	Substantial	13	12	1
Cultural Services	Libraries Administration	15/07/19	Substantial	9	9	0
Housing & Public Health	Licensing Division	06/08/19	Substantial	18	18	0
Education Planning & Resources	Y.G.G. Felindre	12/08/19	Substantial	0	0	0
Legal, Dem.Services & Business Intelligence	Legal Services Management of Risk	21/08/19	Substantial	5	5	0
Housing & Public Health	Food & Safety Division	06/09/19	Substantial	12	12	0
Child & Family Services	Emergency Duty Team	11/09/19	Substantial	11	11	0
Financial Services & Service Centre	Grants Receivable	17/09/19	Substantial	9	8	1
Communications & Marketing	Design Print	18/09/19	Substantial	5	5	0

AUDITS FINALISED 2019/20

Housing & Public Health	Furnished Tenancy Scheme	19/09/19	Substantial	13	13	0
Education Planning & Resources	Penyrheol Primary School	20/09/19	Substantial	9	9	0
Communications & Marketing	Tourism & Marketing	02/10/19	Substantial	7	7	0
Education Planning & Resources	St Davids RCT Primary School	03/10/19	Substantial	16	16	0
Education Planning & Resources	Swansea Pupil Referral Units	03/10/19	Substantial	15	15	0
Housing & Public Health	Home Improvement Team	04/10/19	Substantial	5	5	0
Education Planning & Resources	Cadle Primary School	15/10/19	Substantial	8	8	0
Education Planning & Resources	Pen y Fro Primary School	16/10/19	Substantial	10	10	0
Education Planning & Resources	St Joseph's Cathedral Primary	21/10/19	Substantial	12	12	0
Education Planning & Resources	Clwyd Primary School	22/10/19	Substantial	7	7	0
Education Planning & Resources	Pennard Primary School	28/10/19	Substantial	14	14	0
Education Planning & Resources	Glyncollen Primary School	28/10/19	Substantial	6	6	0
Child & Family Services	Discretionary Payments	07/11/19	Substantial	23	23	0
Chief Transformation Officer Audits	Risk Management (Place)	07/11/19	Substantial	4	4	0
Highways & Transportation	Clydach Stores Depot	08/11/19	Substantial	7	7	0
Education Planning & Resources	Olchfa Comprehensive School	13/11/19	Substantial	18	18	0
Education Planning & Resources	Waun Wen Primary School	15/11/19	Substantial	4	4	0
Cross Cutting Audits	Ethics & Values	18/11/19	Substantial	106	106	0
Education Planning & Resources	Pengelli Primary School	20/11/19	Substantial	12	12	0
Education Planning & Resources	Morrison Comprehensive School	25/11/19	Substantial	19	19	0
Highways & Transportation	Advance Payments Code	10/12/19	Substantial	2	2	0
Education Planning & Resources	Grange Primary School	11/12/19	Substantial	4	4	0
Child & Family Services	Taxi Authorisations	13/12/19	Substantial	7	7	0
Education Planning & Resources	Ysgol Gyfun Gwyr	18/12/19	Substantial	12	12	0
Education Planning & Resources	Hafod Primary School	19/12/19	Substantial	10	10	0
Education Planning & Resources	Bishop Vaughan Catholic Comprehensive School	19/12/19	Substantial	14	14	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

AUDITS FINALISED 2019/20

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
Poverty & Prevention	Young People's Service	13/06/19	Moderate	26	26	0
Cultural Services	Foreshores & Lettings	31/07/19	Moderate	11	11	0
Waste Management & Parks	Cleansing Service	08/08/19	Moderate	12	12	0
Financial Services & Service Centre	Disclosure & Barring Service (DBS)	26/09/19	Moderate	12	12	0
Education Planning & Resources	Gwyrosydd Primary School	08/11/19	Moderate	23	23	0
Education Planning & Resources	Pen y Bryn Special School	11/11/19	Moderate	26	25	1
Building Services	Heol y Gors Depot - Plant	20/11/19	Moderate	14	14	0
Highways & Transportation	Fleet Maintenance	22/11/19	Moderate	15	14	1
Chief Transformation Officer Audits	Employment of Agency Staff	17/12/19	Moderate	9	9	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
Total				1098	1092	6

(Note: Audit Universe updated with all assurance ratings above for 2019/20 audits on 14/04/20)

INTERNAL AUDIT - PERFORMANCE INDICATORS 2019/20

APPENDIX 3

Performance Indicator			2018/19		2019/20		2019/20	2020/21
			Target	Actual	Target	Actual	WCIAG Average	Target
1	Audit Assignments achieved against planned	%	75	87	75	84	Unavailable	75
2	Clients satisfied with quality of audit service	%	98	99	98	99	Unavailable	98
3	Audit recommendations accepted against made	%	95	99	95	99	Unavailable	95
4	Audits completed within planned time	%	70	90	70	93	Unavailable	70
5	Directly productive time against time available	%	65	65	60	65	Unavailable	60
6	Average period - from response to final report	Days	3	0.4	3	0.4	Unavailable	3
7	Average period - closing meeting to draft report	Days	10	0.8	10	1.3	Unavailable	10
8	Directly productive time achieved against planned time	%	90	102	90	102	Unavailable	90
9	Average cost per directly chargeable day	£	278	294	278	308	Unavailable	300
10	Staff turnover rate	%	15	9	15	0	Unavailable	15
11	Staff costs per £m gross revenue expenditure (inc. HRA)	£	650	607	650	602	Unavailable	650

Notes

> Quality Control Questionnaire (QCQ) return rate for 2019/20 was 91%.

> Comparator figures for 2019/20 above relate to the average results of the Welsh Local Authorities that had responded to the Welsh Chief Auditors Group at the time of writing this report. To be updated once group figures are released.



Report of the Chief Auditor

Internal Audit

Summary of Self-Assessment of PSIAS Conformance 2019/20

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

The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is complying with the PSIAS. Part of the internal assessment involves an annual review of compliance with the PSIAS using the detailed checklist included in CIPFA's Local Government Application Note. CIPFA released an updated version of the Local Government Application Note in February 2019 and this updated version has been used to complete the self-assessment for 2018/19. The annual self-assessment also fulfils the requirement established in the Accounts and Audit (Wales) Regulations 2014 for an annual assessment of the effectiveness of the Internal Audit service.

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

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

In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS, with no significant deviations from the Standards being noted. Some areas for improvement were highlighted as part of the review. All recommendations arising from the review have been fully implemented.

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

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

In summary there are 336 best practice lines within the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken during February 2020 by the Chief Auditor revealed that 99.1% of the best practice of the PSIAS was in place.

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

Standard	Conformance			Total
	C	P	N	
1. Mission of Internal Audit	1			1
2. Definition of Internal Audit	2			2
3. Core Principles	10			10
4. Code of Ethics	13			13
5. Attribute Standards				
1000. Purpose, Authority and Responsibility	21			21
1100. Independence and Objectivity	36	1		37
1200. Proficiency and Due Professional Care	21			21
1300. Quality Assurance and Improvement Programme	25			25
6. Performance Standards				
2000. Managing the Internal Audit Activity	41			41
2100. Nature of Work	30			30
2200. Engagement Planning	58			58
2300. Performing the Engagement	17	1		18
2400. Communicating Results	53			53
2500. Monitoring Progress	3		1	4
2600. Communicating the Acceptance of Risks	2			2
Total	333	2	1	336
Percentage	99.1%	0.6%	0.3%	100%

Key: C - Compliant. P – Partly Compliant. N – Non Compliant.

Summary of Part/Non-Compliance					
Ref	Conformance with the Standard	C	P	N	Evidence
5	Attribute Standards				
5.2	1100 Independence and Objectivity				
	Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?		P		Audits are rotated amongst staff but there is no specific policy to rotate audits as experience in particular areas is felt to be advantageous and knowledge base is deemed to be more efficient from a client perspective. The review of the audits is rotated between Senior Auditors / Principal Auditor as a compensating control to reduce the risk of over-familiarity or complacency.
6	Performance Standards				
6.4	2300 Performing the Engagement				
	Does the CAE control access to engagement records?		P		Working papers are either held on paper files or on the Galileo Audit Management System. Paper files are held in the Internal Audit room but are not locked away when the room is unattended. However, unauthorised access to the files is unlikely due to the position of the room within the Guildhall. The permission of the Chief Auditor is required before access to records is granted to anyone outside the Section.
6.6	2500 Monitoring Progress				
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?			N	A report/memo is provided to the service manager and Head of Service recording the results of the follow up visit but the original level of assurance is not revised on the basis of the follow up visit. The level of assurance will be reviewed when the next full audit of the service is completed. However, if any significant issues were identified during a follow up audit, they would be reported to the service management, senior management and the Audit Committee if appropriate.

Key: C - Compliant. P – Partly Compliant. N – Non Compliant.



Report of the Chief Auditor

Audit Committee – 26 May 2020

Internal Audit – Quality Assurance and Improvement Programme 2019/20

1. Introduction

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

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

2. Internal Assessment – Ongoing Review

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

- A comprehensive set of Performance Indicators are maintained as shown in Appendix 1. The PI's are measured at team and individual level with targets being set at the start of each year. The PI's measured at individual auditor level are monitored on a quarterly basis by the Principal Auditor and Chief Auditor and any issues identified are discussed with the auditor and action taken where necessary. The team PI's are monitored annually and are reported to the Chief Finance Officer and the Audit Committee in the Internal Audit Annual Report.
- An action plan has also been produced as part of this report as shown in Appendix 2 to provide some justification in relation to those PI's that have not been achieved, together with proposed action that will be taken in 2020/21 to try and rectify this going forward.
- The Welsh Chief Auditors Group collects performance indicator information from across Wales which is used to compare performance against other similarly sized internal audit teams.
- Performance indicator information is also used as part of the annual appraisal process under the Employee Performance Management Policy. All employees receive an annual appraisal which is a competency based process that reviews performance and training and development needs.
- Use is made of available training programmes to keep staff up to date with professional practice and to meet any skill shortages identified. Particular use is made of the annual training programme put together by the South Wales Chief Auditors Group.

3. Internal Assessment – Periodic Review

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

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

PSIAS was undertaken during February 2020 by the Chief Auditor revealed that 99% of the best practice of the PSIAS was in place.

4. External Assessments

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

5 Reporting

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

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

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

INTERNAL AUDIT – PERFORMANCE INDICATORS

No.	Performance Indicator		Target 2019/20	Actual 2019/20	Achieved/ Not Achieved
1	Audit assignments achieved against planned	%	75	84	Achieved
2	Clients at least satisfied with quality of audit service	%	98	99	Achieved
3	Audit recommendations accepted against made	%	95	99	Achieved
4	Audits completed within planned time	%	70	93	Achieved
5	Directly productive time against time available	%	60	65	Achieved
6	Average period from client response to issue of final report	Days	3	0.4	Achieved
7	Average period from closing meeting to issue of draft report	Days	10	1.3	Achieved
8	Directly productive time achieved against planned time	%	90	102	Achieved
9	Average cost per directly chargeable day	£	278	308	Not Achieved
10	Staff turnover rate	%	15	0	Achieved
11	Staff cost per £m gross revenue expenditure (incl HRA)	£	650	602	Achieved

INTERNAL AUDIT – PI ACTIONS 2020/21

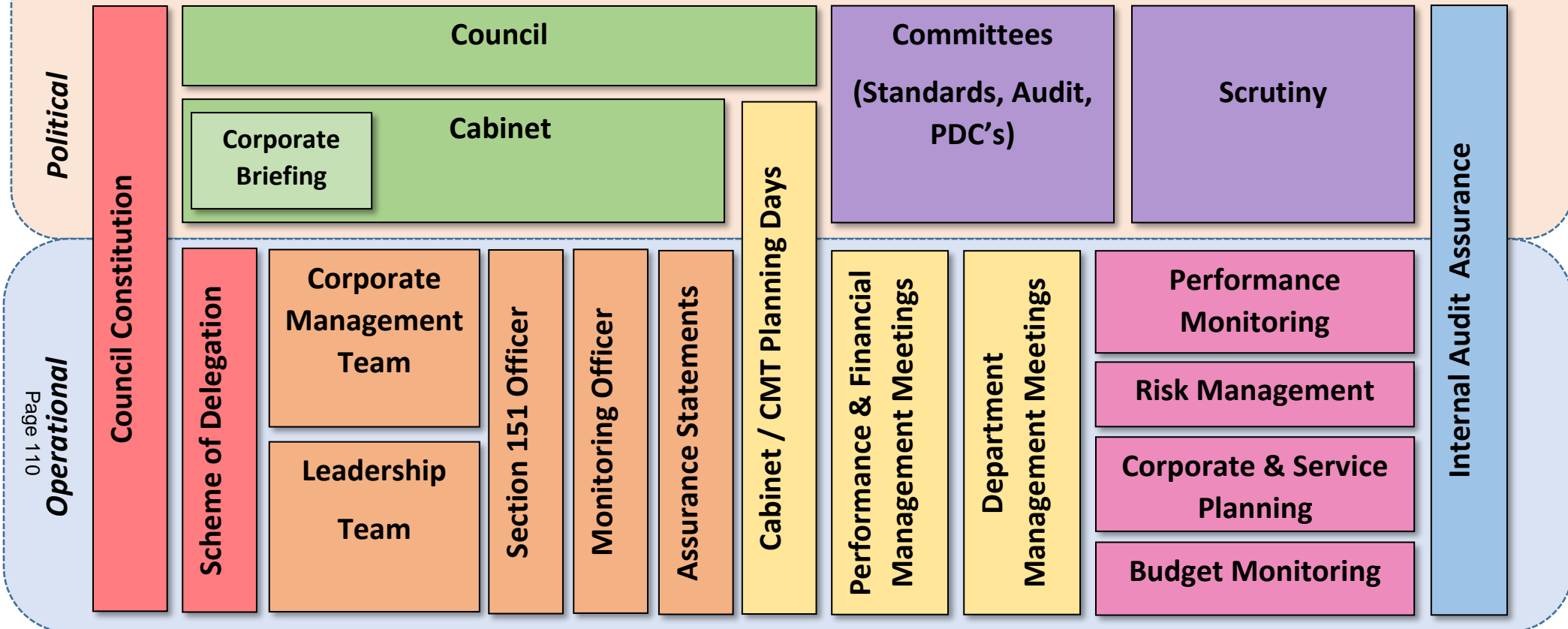
PI	Target / Result	Justification	Action to be taken 2020/21
9 - Average cost per directly chargeable day	£278 / £308	As agreed by the WCIAG, average cost for this performance indicator is made up of actual salary, NI and pensions costs of the Internal Audit Team. These costs have seen an overall increase of 3% on 18/19 costs. In addition, the number of directly chargeable days has decreased from 1,553 in 2018/19 to 1,526 in 2019/20. As a result, average costs per directly chargeable day has increased overall in 2019/20 to £308, from £294 in 2018/19. (Note that productive days in 2018/19 were higher than expected due to a period of hand-over prior to one of the auditors retiring, resulting in an additional member of staff within the team during the hand-over phase).	Costs will continue to be monitored throughout 2020/21.

AUDIT LEVELS OF ASSURANCE

Basis of Audit Level of Assurance

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

Corporate Governance Map



Assurance Framework (Golden Thread)



Agenda Item 7



Report of the Chief Auditor

Special Audit Committee – 26 May 2020

Internal Audit Recommendation Follow-Up Report Q4 2019/20

Purpose:	This report provides committee with the status of the recommendations made in those audits where the follow-up's has been undertaken in Q4 2019/20, to allow the Audit Committee to monitor the implementation of recommendations made by Internal Audit.
Policy Framework:	None
Consultation:	Legal, Finance and Access to Services
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Audit Committee's Performance Review for 2017/18 was completed in June 2018. One of the recommendations arising from the review was in relation to the tracking of the recommendations made by Internal and External Audit.
- 1.2 This report provides an overview of how recommendations made by Internal and External Audit are tracked and followed-up.

2. Standard Follow-up Procedures

- 2.1 An amended internal audit follow-up procedure was introduced in 2014 as a result of concerns being raised over the failure of management to implement audit recommendations.
- 2.2 The current procedures identify two methods of following-up on the implementation of recommendations made as a result of internal audit reviews for the fundamental audits and non-fundamental audits.

3. Fundamental Audits

- 3.1 These audits are undertaken on a yearly or two-yearly cycle. All fundamental audits are subject to a Recommendation Tracker Exercise each year, which is normally completed as at the end of September.
- 3.2 The exercise involves discussion with the client department to go through the agreed Action Plan together with a limited amount of testing to confirm whether the recommendations have been implemented.
- 3.3 The results of the Recommendation Tracker Exercise is reported to Audit Committee in a separate Recommendation Tracker report.

4. Non-fundamental Audits

- 4.1 All other audits that have been given a 'limited' or 'moderate' level of assurance are reported to Audit Committee as part of the Quarterly Monitoring Reports. All such audits are subject to a detailed follow-up visit within 6 months of the issue of the final report.
- 4.2 The follow-up visit concentrates on 'high risk' and 'medium risk' recommendations, and will include discussion with the client department and limited testing to confirm implementation.
- 4.3 The results of the follow-up visit are reported to Audit Committee as part of the Quarterly Monitoring Reports.
- 4.4 Where an audit has been given a 'high' or 'substantial' level of assurance, client departments are asked to confirm the implementation of the recommendations via e-mail.
- 4.5 The results of all follow-up's undertaken are logged and recorded on the Audit Management System (Galileo) to ensure completion is monitored appropriately.

5. Chief Auditors Group PI's

- 5.1 Following discussions at the Welsh Chief Auditors Group Meeting in October 2018, it was decided that a new Performance Indicator (PI) should be introduced to record the number of recommendations that

have been implemented as a percentage of those recommendations made. Note that this has not been introduced for 2018/19. It is envisaged that the new process that we have introduced from April 2019 will allow these details to be recorded.

6. External Audit Recommendation Tracking

- 6.1 Whilst it is not practicable to track every external audit recommendation without additional resources and a suitable ICT solution, Scrutiny Programme Committee will receive WAO audit reports and action plans to address recommendations and proposals and will review progress against recommendations within 12 months of the receipt of the report and action plan as their work plan allows. Audit Committee will also receive reports and action plans for information and it may decide that it wants to prioritise and track specific proposals / recommendations in addition to the oversight undertaken by Scrutiny. This does not include those WAO reports that would be intended specifically for Audit Committee.

7. Status of Implementation Update to Committee

- 7.1 The purpose of this report is to allow committee to monitor the implementation status for those audits that have been subject to a follow-up review in the quarter. This will include all follow-ups completed, except for the fundamental audits as the outcome of these follow-up reviews are reported to committee separately.

8. Equality and Engagement Implications

- 8.1 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.

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

9. Financial Implications

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

10. Legal Implications

10.1 There are no legal implications associated with this report

Background Papers: None

Appendix 1 – Summary - Recommendations accepted and implemented.

RECOMMENDATION TRACKING REPORT Q4 2019/20

Audit Title	Date Final Issued	Date Follow up Completed	Assurance Rating	Recommendations								Total Recs Acc'd	Total Recs Imp'd	Total Rec Not Imp'd*	Comments
				HR		MR		LR		GP					
				A	I	A	I	A	I	A	I				
Social Services -Transport Depot	21/06/19	20/01/20	Substantial Assurance	0	0	0	0	10	10	2	2	12	12	0	
Record Management	29/11/18	20/01/20	Substantial Assurance	0	0	4	4	9	9	5	5	18	18	0	
Cadle Primary School	16/10/20	21/01/20	Substantial Assurance	0	0	1	1	6	6	1	1	8	8	0	
Legal Services - Management of Risk	21/08/20	23/01/20	Substantial Assurance	0	0	1	1	2	2	2	2	5	5	0	
St. Davie's R.C. Primary	03/10/19	23/01/20	Substantial Assurance	0	0	2	2	11	11	3	3	16	16	0	
Design Print	18/09/19	28/01/20	Substantial Assurance	0	0	1	1	3	3	1	1	5	5	0	
Glyncollen Primary	28/10/19	03/02/20	Substantial Assurance	0	0	1	1	5	5	0	0	6	6	0	
Penny Fro Primary	16/10/20	03/02/20	Substantial Assurance	0	0	1	1	7	7	2	2	10	10	0	
Clwyd Primary	22/10/19	03/02/20	Substantial Assurance	0	0	1	1	6	6	0	0	7	7	0	
Economic Development - Admin	21/08/19	03/02/20	High Assurance	0	0	0	0	3	3	1	1	4	4	0	
Planning Services - Administrations - Fees	27/06/19	03/06/20	Substantial Assurance	0	0	0	0	10	10	4	4	14	14	0	
Pontarddulais Primary	23/10/20	05/02/20	High Assurance	0	0	0	0	5	5	3	3	8	8	0	
Swansea Pupil Referral Units	03/10/19	05/02/20	Substantial Assurance	0	0	2	2	10	10	3	3	15	15	0	
Welsh Translation Unit	28/10/19	05/02/20	High Assurance	0	0	0	0	6	6	1	1	7	7	0	
Bishopston Primary	01/07/19	07/02/20	High Assurance	0	0	0	0	5	5	3	3	8	8	0	
Waun Wen Primary	15/11/19	25/02/20	Substantial Assurance	0	0	1	1	1	1	2	2	4	4	0	
Waste Management	05/07/19	25/02/20	Substantial Assurance	0	0	2	2	7	7	0	0	9	9	0	
Clydach Stores Depot	08/11/19	25/02/20	Substantial Assurance	0	0	2	2	5	5	0	0	7	7	0	
Tenancy Support Unit	11/11/19	26/02/20	High Assurance	0	0	0	0	1	1	2	2	3	3	0	
Pengelli Primary	20/11/19	02/03/20	Substantial Assurance	0	0	1	1	6	6	5	5	12	12	0	

RECOMMENDATION TRACKING REPORT Q4 2019/20

Bussines Support Team - Adult Services	25/09/19	03/03/20	High Assurance	0	0	0	0	6	6	3	3	9	9	0	
Pennard Primary	28/10/19	13/03/20	Substantial Assurance	0	0	3	3	11	11	0	0	14	14	0	
Communications & Public Relations Team	21/11/19	17/03/20	High Assurance	0	0	0	0	3	3	3	3	6	6	0	
												207	207	0	100.0%

**Further details on the recommendations that have not been implemented are reported in Appendix 2 - omitted for Q4 as all recommendations have been implemented.*

Key

HR - High Risk. **MR** - Medium Risk. **LR** - Low Risk. **GP** - Good Practice.

A - Accepted. **I** - Implemented

Agenda Item 8



Report of the Chief Auditor

Special Audit Committee – 26 May 2020

Internal Audit Section – Fraud Function Anti-Fraud Plan for 2020/2021

Purpose:	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2020/21 and is designed to provide a strategic view of the areas that will be subject to examination.
Policy Framework:	None
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	It is recommended that Committee review, discuss and approve the Anti-Fraud Plan for 2020/21.
Report Author:	Jeff Fish / Jonathon Rogers
Finance Officer:	Simon Cockings
Legal Officer:	Debbie Smith
Access to Services Officer:	Catherine Window

1. Introduction

1.1 Obligation to combat fraud:

- S151 Local Government Act 1972 – *“Every Local Authority is under a statutory duty to secure the proper administration of its financial affairs”*, (i.e. to safeguard public funds).
- Council Constitution - The obligation set out in S151 is underpinned by the Financial Procedure Rules (FPR's) contained in the Council's Constitution. FPR's are the codification of the principles of sound financial management.

1.2 Principles of tackling fraud:

The aim of the Fraud Function is to adhere to the requirements set out in 1.1 by way of effective and appropriate actions in respect of combatting all fraud whether it is perpetrated from outside or inside the Council. The Fraud Function's approach will achieve this by focusing on three key themes:

- Acknowledge
- Prevent
- Pursue

1.3 Ensuring the counter fraud response is comprehensive and effective. Where possible, performance should be compared against each of the following six themes:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

1.4 The Council's existing Anti-Fraud and Corruption Policy summarises the Council's position, building on the content of a number of corporate policy statements, including:

- Anti-Fraud and Corruption Policy²
- Codes of Conduct (members and employees)
- Corporate Risk Management Policy
- Disciplinary Policy
- Whistle-blowing Policy

1.5 Overarching the above policies is the fact that Council Members and Officers are expected to adopt the highest standards of propriety and to follow the '*Nolan principles*'¹ of public life which are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

2. The Aims of the Anti-Fraud Plan

2.1 The Anti-Fraud Plan (AFP) represents the broad areas that will be covered and sets out to provide a balance between proactive and reactive counter fraud activity. It covers the activities of the Council that the Chief Auditor considers to be the most likely to be subjected to fraud in some form, either from within the organisation or from external sources.

2.2 The emerging fraud risks associated with Covid 19 are likely to be significant and reactive resources will need to be diverted timeously into previously unknown areas. The Fraud Function will also necessarily divert resources into increased prevention and business support for any new risk areas that are identified during and after the crisis.

2.3 The AFP aims to build on activities and outcomes identified, and also aims to focus on 'high risk' areas where the most significant losses can occur.

¹ The 'Nolan principles', which are the basis of the ethical standards expected of public office holders. The 7 principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, the courts and probation services, non-departmental public bodies, health, education, social and care services. The principles also apply to all those in other sectors that deliver public services. They were first set out by Lord Nolan in 1995 and they are included in the Ministerial Code – <https://www.gov.uk/government/publications/ministerial-code>

² This policy is continually reviewed

- 2.4 Some of the matters investigated by the Fraud Function will progress to criminal investigation and others will not, but in all cases appropriate action will be considered / taken, for example disciplinary proceedings in respect of Council employees.
- 2.5 Actions of the Fraud Function which overlap with Human Resources & Organisational Development (HROD) functions (and vice versa) will be subject to the *'Memorandum of understanding and expectations'*, which aims to:
- To address the potential overlap between disciplinary and criminal investigations / offences.
 - To clarify the roles of HROD and the Fraud Function, in particular the meaning, remit and purpose of the HROD Investigating Officer and the Fraud Function's Investigation Officer.

3. Measuring the value of the Fraud Function

- 3.1 The value of the Fraud Function to the organisation can be measured via the following headings:

Deterrent value:

The deterrent value of having a Fraud Function, offering a confidential way to report concerns, acting on the concerns, taking appropriate sanctions, and publicising successes is immeasurable.

Strengthening procedures:

Some internal investigations may not yield immediate and / or quantifiable financial outcomes. However, they may result in changes in policies and procedures that ultimately reduce the potential for loss by fraud or error by enhancing the robustness of those policies and procedures.

Quantifiable financial outcomes:

Fraud Function activities may identify money and / or assets that have been claimed / misappropriated via fraud or error, which can then be targeted for recovery. For example:

- Overpayments of Housing Benefit / Council Tax Reduction.
 - Council properties returned to stock.
 - Money resulting from action taken under the Proceeds of Crime Act 2002.
- 3.2 In addition, Fraud Function activities may result in extra liability being created, for example via the removal of Council Tax discounts and exemptions.
- 3.3 Progress and Annual reports to the Audit Committee on the Fraud Function's activities are a key part of assurance supporting the Annual Governance Statement which is published with the Annual Statement of Accounts.
- 3.4 The Fraud Function contributes to the Council's corporate vision and priorities by investigating allegations of fraud and corruption against the Authority, both from within the organisation and from external third parties.

4. Focussing Fraud Function resources

- 4.1 When considering where to focus the Fraud Function's resources due regard was given to:
- The Chartered Institute of Public Finance and Accountancy's (CIPFA's) *'Code of Practice on Managing the Risk of Fraud and Corruption'* and *'Fighting Fraud Locally'*.

- *'The Financial Cost of Fraud 2019'* produced Crowe and the University of Portsmouth's Centre for Counter Fraud Studies.
- *'Fighting Fraud & Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019'* supported by CIPFA Counter Fraud Centre.
- *'CIPFA Fraud and Corruption Tracker (CFact) Results 2019'*
The results of CIPFA's survey aim to provide a national picture of fraud, bribery and corruption in local government in England, Scotland and Wales.
- The requirements of FPR's, external guidance, best practice and legislation.
- The extent and scope of counter fraud activity in previous years, including the previous investigations, Internal Audit reports and recommendations made to strengthen controls or enhance systems.
- 'Cross-Government Fraud Landscape Annual Report 2019' published by the Cabinet Office

5. Summary

- 5.1 The aim of this document is to demonstrate the Council's ongoing commitment to tackle fraud, promote the highest levels of integrity, minimise the potential for reputational damage, and ensure transparency by 'being seen to be getting its own house in order'.

6. Equality and Engagement Implications

- 6.1 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 victimization 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 4) which demonstrates that there are no equality implications in relation to this report.

7. Financial Implications

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

8. Legal Implications

- 8.1 In accordance with the provisions of Section 151 of the Local Government Act 1972 and section 5 of the Accounts and Audit (Wales) Regulations 2005, the 'Responsible Officer' is responsible for ensuring that the Council has control systems in place "to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records."

Background Papers: None.

Appendices: Appendix 1 - Anti-Fraud Risk Assessment Checklist 2020/21.
Appendix 2 - Anti-Fraud Statement 2020/21.
Appendix 3 - Anti-Fraud Plan 2020/21.
Appendix 4 – Equality Impact Assessment Screening Form

Appendix 1 – Anti-Fraud Risk Assessment Checklist 2020/21

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This is explicitly set out within the Anti-Fraud and Corruption Policy and includes the code of conduct and advice on preventing Bribery. Where there is sufficient evidence, appropriate action, including criminal proceedings, will be taken. Internal and external web pages reinforce this stance.		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swansea Council has a full suite of appropriate policies in place, which are subject to regular review.		
3. Do we have dedicated counter-fraud staff?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Dedicated corporate team with two qualified full time investigators		
4. Do counter-fraud staff review all the work of our organisation?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The Internal Audit Plan, which is approved annually by the Audit Committee, takes a risk-based approach in deciding which areas are selected. There are insufficient resources available to cover every single area in the Council. Internal Auditors will always be alerted for potential control weaknesses in our systems, and for any potentially fraudulent behaviour.		
5. Have we an Audit Committee with a portfolio for fighting fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One of the Audit Committee's terms of reference is to monitor the counter fraud strategy, actions and resources. The Committee meets at least bi-monthly.		
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The Audit Committee receive an annual Anti-Fraud and Corruption review report, plus on-going internal audit reports at every meeting where any fraud risks would be highlighted and management are required to respond promptly.		
7. Have we assessed our management of counter-fraud work against good practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We use Cross Governments Landscape, Fighting Fraud Locally, Annual Fraud Indicators and CIPFA (Chartered Institute of Public Finance and Accountancy) resources including their Code of Practice 'Managing the Risk of Fraud and Corruption', and the results of their Fraud and Corruption Tracker survey. The Council is a member of NAFN (National Anti-Fraud Network) and participates in the NFI (National Fraud Initiative). This, coupled with other sources and affiliates, e.g. the Wales Audit Office, Welsh Chief Auditors Group and Welsh Fraud Officers Group, ensures we receive regular updates on best practice, legislation etc. Officers undertaking the Fraud Function have attended relevant anti-fraud related events and are Accredited Counter Fraud Officers / Specialists.		

8. Do we raise awareness of fraud risks with:		
• New staff (including agency staff)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Fraud awareness material containing a meaningful introduction to the Fraud Function is included in Corporate Induction training. This includes making new staff fully aware of relevant policies including the Anti-Fraud and Corruption Policy.		
• Existing staff?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Fraud Function web pages are available on the Staffnet, however, these are reviewed and updated as necessary		
• Elected members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Information on fraud and corruption risks is included in the Members Induction programme. Presentations are regularly delivered to the Audit Committee, including reports on Fraud Function activities and ongoing training in respect of fraud awareness.		
• Contractors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
There are robust controls in the Council Constitution's Contract Procedure Rules to guide and protect officers with a dedicated Council Procurement Team to ensure all public funds are spent appropriately and with appropriate due diligence of suppliers; also through our procurement process there are multiple declarations that suppliers and contractors must sign such as an anti-collusion clause to ensure competition for contracts is open and fair and also declarations relating to any convictions for fraud (and such clauses are 'termination events', i.e. should suppliers submit data that is found to be false then this would lead to the contract being terminated and where appropriate referring the matter for further investigation		
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Members of NAFN (National Anti-Fraud Network) Members of TFF (Tenancy Fraud Forum). Members of the Wales Fraud Officers Group. Members of the Local Organised Crime Board Members of the Wales Fraud Forum Participates in NFI (National Fraud Initiative). Has links to CIPFA (Chartered Institute of Public Finance & Accountancy). Has dialogue with the WAO (Wales Audit Office). Attends the Welsh Chief Auditors Group.		
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Through the National Fraud Initiative. Always responds promptly to information requests, e.g. from other agencies in relation to requests under Schedule 2 Part 1 Paragraph 2 of the Data Protection Act 2018 (prevention and detection of crime). Joint working with DWP's Counter Fraud and other agencies.		
11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal Audit carry out a number of pro-active audits that look to identify weaknesses in control. Any other audits consider the possibility of failure of control leading to fraud.		

12. Do we maximise the benefit of our participation in the National Fraud Initiative administered by the Cabinet Office, and receive reports on our outcomes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><u>General:</u> The Audit Section co-ordinates the collation of data for submission to NFI. Audit / Fraud Function also receive details of potential frauds and either investigate or distribute to relevant sections. Audit / Fraud Function monitors the progress of investigations via the NFI's on-line reporting facility.</p>		
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>The Council's suite of policies contains an Anti-Money Laundering Policy. All policies are readily available on Staffnet. Specific web pages also highlight this issue.</p>		
14. Do we have effective arrangements for:		
• Reporting fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>All financial irregularities should be reported to the Chief Auditor – this is stated in many policies and the FPR's. In addition there is a specific Whistleblowing Policy. Web pages are available containing a stand-alone narrative on the types of fraud and how to report them.</p>		
• Recording fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal Audit keep records of all fraud reported to them.		
15. Do we have effective whistle-blowing arrangements? In particular are staff:		
• Aware of our whistle-blowing arrangements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We have a policy in place, and it is available to all staff on the Council's Staffnet.		
• Confident in the confidentiality of those arrangements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
No evidence to suggest to the contrary.		
• Confident that any concerns raised will be addressed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
No evidence to suggest to the contrary.		
16. Do we have effective fidelity guarantee insurance arrangements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Cover: All persons under a contract of service apprenticeship with or hired or loaned to the Named Insured to the value of £10,000,000 Designated Officials such as Chief Treasury & Technical officer to the value of £20,000,000.</p>		

Fighting Fraud with reduced resources		
17. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>An Audit based Fraud Function consists of 2 officers</p> <p>Existing Audit staff can assist Fraud Function staff as and when appropriate. Subject to available resources, this assistance will continue when needed.</p> <p>The caseload will continue to be monitored and if necessary, notwithstanding the overall resource constraints, the Section 151 Officer and Audit Committee will continue to give due regard to whether additional resource needs to be applied to the fraud function.</p>		
Current risks and issues		
Housing tenancy		
18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Housing Department staff carry out checks prior to allocation of housing.		
19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Checks are carried out by Housing Department staff responsible for appropriate 'estate management' action in instances where the 'lawful tenant' is not in occupation.</p> <p>According to CIPFA Fraud and Corruption Tracker Results 2018/19 estimates fraud at £135 million for over 3632 separate cases. As a consequence:</p> <ul style="list-style-type: none"> • Up to date awareness sessions will need to be delivered to relevant Housing Department staff as necessary. • The Fraud Function is continuing to develop specific processes to aid identification, investigation, and prompt resolution of tenancy fraud cases utilising relevant legislation including: <ul style="list-style-type: none"> • The Prevention of Social Housing Fraud Act 2013, and, • The Prevention of Social Housing Fraud (Detection of Fraud) (Wales) Regulations 2014. 		
Procurement		
20. Are we satisfied our procurement controls are working as intended?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Controls appear to be adequate - Contract Procedure Rules.</p> <p>According to CIPFA Fraud and Corruption Tracker Results 2018/19 estimates fraud at £20.3 million, but this only accounts for 125 cases</p> <p>Consequently, subject to available resources, the Fraud Function intends to develop proactive rather than reactive work in this area.</p>		
21. Have we reviewed our contract letting procedures in line with best practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Procedures appear to be adequate. There has been no credible criticism of the Council's procurement procedures, e.g. from unsuccessful bidders.		
Recruitment		

22. Are we satisfied our recruitment procedures that:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Prevent us employing people working under false identities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Resources & Organisational Development impose rigorous controls of this nature for appointments.		
• Confirm employment references effectively?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources & Organisational Development – References Policy.		
• Ensure applicants are eligible to work in the UK?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources & Organisational Development.		
• Require agencies supplying us with staff to undertake the checks that we require?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources & Organisational Development		
Personal Budgets for Social Care (Direct Payments)		
23. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Personal Budgets have been subject to Departmental and Internal Audit review. Subject to available resources, the Fraud Function intends to develop proactive rather than reactive work in this area.		
24. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The existing whistle-blowing policy is fit for purpose. The Fraud Function web pages also re-inforce the message.		
Council tax discount & exemptions		
25. Do we take proper action to ensure that we only award discounts and exemptions to those who are eligible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The Council Tax Section undertakes regular postal and in-person reviews. In 2014 'Data Tank' was commissioned to identify cases where an award of SPD may not be appropriate, and they undertake bi-annual reviews. Subject to the availability of financial resources, the authority is to consider to continue utilising 'Data Tank' by either undertaking rolling reviews or a bi-annual exercise in 2020. This risk in this area was underlined by the CIPFA Fraud and Corruption Tracker Results 2018/19. The Council is also participates in the bi-annual National Fraud Initiative (NFI).		

Housing benefit		
26. When we tackle housing benefit fraud do we make full use of data matching?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
As a Council, we utilise data matching via several avenues: <ul style="list-style-type: none"> • VEP (Verifying Earnings and Pensions) Alerts and checks – real time information from HMRC supplied by DWP • Housing Benefit Matching Service – monthly via the DWP. • National Fraud Initiative – biannually via the Cabinet Office. • Interactive Data Extraction and Analysis software – as and when necessary via the Audit Section. 		

Other fraud risks		
27. Do we have appropriate and proportionate defences against the following fraud risks		
<ul style="list-style-type: none"> Business rates? _ 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>The Council has a process of postal and in-person reviews to check properties for indication of a business operating undeclared.</p> <p>Subject to available resources, this is an area that the Fraud Function intends to explore to determine the extent of any fraud, in particular:</p> <ul style="list-style-type: none"> Properties occupied by a registered charity or community amateur sports club, and used for charitable purposes which can be awarded 80% mandatory or 100% discretionary relief. Empty business properties are exempt from paying business rates for 3 months after the property is vacated. Note COVID19 changes to NNDR accounts may apply 		
<ul style="list-style-type: none"> Right to Buy? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>To help tackle the shortage of affordable housing Welsh Government abolished the 'Right to Buy' scheme in Wales on 26.1.2019.</p>		
<ul style="list-style-type: none"> Council Tax Reduction? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>National roll-out of joint working commenced 29th Aril 2019, and the joint working with DWP's Counter Fraud Division is a business as usual function.</p>		
<ul style="list-style-type: none"> Schools? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>There is a schools audit programme within the Internal Audit plan each year.</p>		
<ul style="list-style-type: none"> Grants? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>There is a grants audit programme within the Internal Audit plan each year.</p>		

Appendix 2 - Anti-Fraud Statement 2020/21

1. Defining Fraud

- 1.1 What is fraud? The Fraud Act 2006 details the legal definitions of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For the purposes of this strategy, fraud is defined as:

'...the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.'

The definition covers various offences including deception, forgery, theft, misappropriation, collusion and misrepresentation.

- 1.2 What is Corruption? Corruption is defined as...

'...the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of any person.'

These inducements can take many forms including cash, holidays, event tickets, meals.

- 1.3 What is Bribery? The Bribery Act 2010 creates offences where:

'...an individual or commercial organisation offers or receives a bribe to bring about or reward the improper performance of a function or activity.'

Bribery can be the acceptance of gifts, money, and hospitality in return for providing something of value to the briber. More information on bribery can be found in the Council's 'Anti-Fraud and Corruption Policy'.

- 1.4 What is Theft? The Theft Act 1968 details the legal definition of theft. For the purposes of this statement, theft is defined as...

'...the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it e.g. client funds, including cash, equipment, vehicles, data, etc.'

Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or Members whilst on Council property.

- 1.5 What is Financial Malpractice/Irregularity? This term is used to describe...

'...any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements.'

These actions do not have to result in personal gain.

2. Statement of Intent

2.1 We recognise that dealing with fraud is important and that there is a duty to Council Tax payers and Welsh / Central Government to ensure that all public funds are administered correctly.

2.2 We aim to cover the principles set out in the '*CIPFA Code of Practice on managing the risk of fraud and corruption*' that define the governance and operational arrangements necessary for an effective counter fraud response. The five key principles are to:

- Acknowledge the responsibility of the relative body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

2.3 Our intention to combat fraud and corruption is made up of the following key elements:

Acknowledge

The Council acknowledge that as an organisation we are at risk of fraud and will seek to understand our fraud risks, we will:

- Maintain the Fraud Function whose officers are trained and qualified to an appropriate level;
- Maintain a risk based approach to tackling fraud referrals to make optimum use of the available resources.

Prevent

The Council recognises that fraud and corruption are costly, in terms of both financial losses and reputational risk. The prevention and detection of fraud is therefore a key objective of the authority. The Internal Audit Section and its Fraud Function are mutually complimentary and work side by side to provide the Council's audit and fraud investigation functions. They employ a multi-disciplinary approach that resources permitting, includes pro-active work determined by a formal risk assessment. In addition, the Fraud Function is free to work with other agencies in pursuance of the Council's anti-fraud aims. In addition, the prevention and detection includes a commitment to:

- Continue to promote a zero tolerance anti-fraud culture across the community by publicising the impact of fraud on the community. We will also continue to assist our partners and stakeholders to understand and reduce the threats of fraud. Furthermore, we will continue to deter fraudsters through specific publicity and general campaigns.
- Publicise counter fraud work to the widest possible audience and appropriate successful prosecutions will be reported, where permissible to the media.
- Undertake data matching exercise with other Local Authorities and relevant external organisations to pro-actively identify fraudulent activity.
- Continue to ensure it has access to all intelligence sources and best practice to combat fraud and corruption, for example via the National Anti-Fraud Network (NAFN) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Operate a Whistleblowing policy to ensure concerns of internal probity can be raised in confidence and ensure protection for those who come forward.

- Strive to prevent fraud from entering systems in the first place by ensuring that appropriate staff receive fraud awareness signposts/training/material.

Pursue

The Council will take a strong approach to punishing fraud and recovering fraud losses:

- In cases where fraud is discovered we will take criminal, civil or disciplinary action or a combination of these. Decisions will be based on our Human Resources & Organisational Development Policies and the Code for Crown Prosecutors, which includes the evidential and public interest tests for prosecution.
- In all appropriate cases of fraud or corruption recovery action will be taken to ensure the money is returned to us, this may include civil recovery methods or recovery through criminal proceedings using the Proceeds of Crime Act where appropriate.
- The Fraud Function will continue to work in partnership with other relevant organisations such as Trading Standards and South Wales Police.

2.4 Turning Strategy into Action

'Fighting Fraud Locally – The Local Government Fraud and Corruption Strategy 2016-2019' suggests that Local Authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against the following six themes. It is the Fraud function's intention to adhere to the themes:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business.
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk.
- **Competence** – having the right skills and standards.
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes.
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

3. Responsibilities

Corporate Responsibilities

- 3.1 The Council is committed to the maintenance of a robust framework of procedures and policies, which if adhered to, will prevent fraud. The whistle blowing process and the Fraud Function web pages bolster these processes by being a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.
- 3.2 The endorsement of this statement sends a clear message that fraud against the Council will not be tolerated and where reported it will be investigated and where identified it will be dealt with in a professional and timely manner using the strongest punishment available in accordance with available guidance. In addition, restitution will always be sought for the loss incurred. Through the creation and enhancement of a strong anti-fraud culture, the Council aims to deter potential perpetrators from targeting its finances and services. Within the corporate framework, there are a number of facets that exist to protect the Council against fraud. These include:

- The Constitution, Financial Procedure Rules;
- An established Audit Committee;
- Codes of conduct for Members and Employees;
- Statutory responsibility for the oversight of all financial and legal affairs;
- An Anti-Fraud and Corruption Policy;
- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- Effective employee vetting procedures – reference and DBS checks;
- Internal controls regularly reviewed and annually certificated by Heads of Service;
- Checks by Internal Audit in line with the Audit Plan;
- A confidential reporting code (Whistle-blowing procedure);
- A Complaints procedure available to the public;
- An External Audit;
- A Fraud Function;
- Participation in the National Fraud Initiative, the National Anti-Fraud Network, the Tenancy Fraud Forum, and the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre;
- Internal and external webpages offering anti-fraud advice to employees and the public;
- Contract Procedure Rules.

Councillor Responsibilities

- 3.3 The Council's Members lead by example at all times, maintaining the highest standards of probity, honesty, integrity and accountability in their dealings. This expectation is detailed in the Council's Constitution under the Members Code of Conduct.
- 3.4 Councillors are required to declare any potential conflicts of interest that could be deemed to impact on the way they perform their roles. Councillors are also required to register any gifts or hospitality offered or received over a given value (£25.00 as at December 2017).

Manager Responsibilities

- 3.5 Managers are responsible for ensuring that adequate systems of internal control exist within their areas of responsibility and that these controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud, therefore, rests with managers who are required to assess the types of risks and scope for potential internal and external frauds associated with the operations in their area. Internal Audit undertakes independent assessments of the key risks and associated controls within systems across the Council.
- 3.6 Managers will ensure that staff receive appropriate training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it is crucial they are regularly reminded of fraud and risk issues.
- 3.7 Managers are required to report all instances of suspected, reported or detected fraud to the Chief Auditor who will offer advice on the best approach to each incident. This ensures that there is a consistent and co-ordinated professional approach to all investigations and that the associated procedures are fully compliant with legislation.

Employee Responsibilities

- 3.8 Members of staff are a very important element in the Council's efforts to combat fraud and corruption. The employees Code of Conduct and Anti-Fraud and Corruption Policy explain the requirement for all staff to be vigilant and describes how they should raise any concerns they may have.

- 3.9 The Code and Policy mentioned in 3.8 require that employees report their suspicions or knowledge of any possible fraud or corruption to their Line Manager. Where an employee feels unable to use this route they are expected to report to the Head of Service or independently to the Monitoring Officer.
- 3.10 Through its Whistle-blowing Policy, the Council provides employees and councillors with the means to report instances of suspected fraud, corruption or breaches of the Council's policies. The policy offers employees and councillors protection from recrimination and allows them anonymity if they so choose.
- 3.11 Gifts/hospitality over £25 must be recorded. However, for Housing and Public Protection staff ALL gifts /hospitality must be recorded and registered (as a number of small gifts over a period of a year could take the value over £25).

Contractor Responsibilities

- 3.12 All Contractors appointed by the Council must act with complete honesty and integrity when engaging in works or delivering services for the Council, its service users and residents. All contractors must comply with all applicable laws, statutes, regulations and codes relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010. The Council requires the employees of contractors to report any suspicions or knowledge they may have in relation to fraud, bribery and/or corruption against the Council. Contractors or their employees may report all concerns to the Council's client-side staff who will in turn report the matter to the appropriate line manager or they may make a report using the Council's whistle blowing policy.

Internal Audit and Fraud Function Responsibilities

- 3.13 As part of the Council's system of internal control, the Internal Audit team are required to undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.
- 3.14 The Council provides an anti-Fraud Function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.
- 3.15 The Chief Auditor is responsible for making appropriate arrangements to co-ordinate the Council's work on the National Fraud Initiative and to undertake internal data matching across Council systems.
- 3.16 The Chief Auditor or his representative will advise Heads of Service of all instances of reported or detected fraud or corruption in their service area and where appropriate undertake any subsequent investigation.
- 3.17 The Chief Auditor or his representative is responsible for reporting to and liaising with the local police/Council's Legal Section on individual cases and for issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.

General Public – Responsibilities

- 3.18 The Council's expectation is that residents, service users and other members of the public will not tolerate abuse of the Council's assets or services. They are therefore encouraged to report any suspicions or knowledge they may have regarding any acts of fraud and corruption being perpetrated against the Council.
- 3.19 The Fraud Function web pages should raise awareness of how to report fraud by providing a 'one stop shop' containing an overview of all types of fraud, including how to report fraud. This includes: on-line report forms, telephone hot lines, an investigation mailbox, and an address for postal reports. Reports can be made anonymously. In any case, all reports / contact details will be treated with sensitivity, professionalism and in confidence.

4. Reporting Fraud

4.1 A summary of the telephone numbers/email addresses to report concerns relating to fraud, corruption, bribery or other financial irregularities follow.

4.2 **Blue Badge fraud**

- Online at www.swansea.gov.uk/bluebadgefraud
- By telephoning 01792 637366.
- By e-mail to fraud@swansea.gov.uk

4.3 **Council Tax Reduction fraud**

- Online at www.swansea.gov.uk/reportctrfraud
- By telephoning 01792 635359
- By e-mail to fraud@swansea.gov.uk

4.4 **Other frauds that affect the Council**

- Online at:
 - Staffnet: www.swansea.gov.uk/Staffnet/fraud
 - Public web-site: www.swansea.gov.uk/fraud
- By telephoning 01792 635359
- By e-mail to fraud@swansea.gov.uk

4.5 **In all instances the frauds mentioned above can also be reported in writing to:**

Fraud Function
Internal Audit Section
Financial Services and Service Centre
Guildhall
Swansea
SA1 4PE

4.6 **Housing Benefit fraud – dealt with by the Department for Work and Pensions**

- Online at www.gov.uk/report-benefit-fraud
- By telephoning 0800 854440
- In writing to NBFH, PO Box 224, Preston, PR1 1GP

4.7 **Fraud that does not affect Swansea Council can be reported to Action Fraud**

- Online at www.actionfraud.police.uk/report-a-fraud-including-online-crime
- By telephoning 0300 123 2040.

5. Recording fraud reports/investigations

5.1 The Fraud Function records all details of every fraud report/investigation.

5.2 These records are held securely but can be readily retrieved in appropriate circumstances for review and reporting purposes.

6. Reporting fraud outcomes

6.1 The Fraud Function records information that enables the following to be reported on as necessary:

- The number of fraud referrals received.
- The number of fraud referrals by type.
- The number of fraud referrals accepted for investigation.
- The number of referrals not accepted for investigation.
- Outcomes.

6.2 Outcomes include the following:

- Overpayments / additional liability raised / recovered,
- Council Housing brought back into stock,
- CTRS Administrative Penalties,
- Prosecutions,
- Other monies recovered, e.g. via Proceeds Of Crime Act 2002 or Profit Orders awarded under The Prevention of Social Housing Fraud Act 2013,
- Disciplinary action - warnings or dismissals.

6.3 In addition to measurable outcomes, there are other valuable benefits, which are not readily measurably. Namely:

- The deterrent value of having a Fraud Function:
 - Offering a confidential way to report concerns,
 - Taking action in respect of the concerns,
 - Seeking appropriate sanctions,
 - Publicising activities / successes.
- The strengthening of procedures:
 - Some internal investigations may not yield quantifiable actual savings.
 - However, they may result in changes in policies and procedures, which ultimately reduce the potential for future loss by fraud or error by enhancing the robustness of those policies and procedures.

Appendix 3 - Anti-Fraud Plan 2020/21

1. Introduction

- 1.1 This document sets out the Fraud Function's Anti-Fraud Plan 2020/21, which covers the principles set out in the '*CIPFA Code of Practice on managing the risk of fraud and corruption*'.
- 1.2 We know that fraud will be attempted against the Council during the coming year and as a result, we will maintain a team dedicated to investigating allegations of fraud, seeking to punish those who have committed fraudulent acts against the Council, identifying losses to be recovered and, where appropriate, taking appropriate recovery action
- 1.3 Estimates published in the CIPFA Fraud and Corruption Tracker Results 2018 suggest that fraud is committed in all organisations to varying degrees. Some areas that are considered to more at risk than others are:
 - Council Tax Discounts,
 - Council Tax Reduction,
 - Housing Tenancy,
 - Payments for Social Care,
 - Procurement
- 1.4 Fraud Function resources will be directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.
- 1.5 As in 2.2 above the new and emerging fraud risks from Covid 19 will be prioritised in order to strengthen the efficiencies required to support the residents and businesses of Swansea.
- 1.6 The Fraud Function support will need to be responsive as needs are identified and collaboration with a number of partners may be required e.g. Others Local Authorities, Trading Standards and Welsh Government.
- 1.7 Prevention strategies will be identified and implemented as and when required and post event assurance will be developed in line with the Welsh and UK Governments.

2. Content of the Plan

Activity	Detail	Target Outcomes
Tackle social housing tenancy fraud	Continue to work in partnership the Housing Department and Legal Section to combat tenancy fraud: from unlawful subletting to bogus succession claims.	<p>Raise awareness of the problem of social housing fraud and the damage that it does.</p> <p>Prevent the unlawful succession to social housing properties by people that do not have a right to succeed the tenancy</p> <p>Reduce the number of properties being unlawfully sub-let.</p> <p>Recover properties where tenancy fraud has been identified.</p> <p>Undertake criminal prosecutions & utilise Unlawful Profit Orders to recover any profit made by offenders, in accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006.</p>
Tackle Council Tax fraud	Utilise internal and external Data Matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards and exemptions.	<p>Recover single person discounts 'incorrectly' claimed.</p> <p>Recover other disregards and discounts 'incorrectly' claimed.</p> <p>Identify cases of council tax evasion through non registration of liability and banding,</p>

Activity	Detail	Target Outcomes
Tackle Council Tax Reduction fraud	National roll-out of joint working commenced 29 th April 2019, and the joint working with DWP's Counter Fraud Division is now 'business as usual'.	Sharing information and expertise between the Fraud Function & DWP's Counter Fraud Division: <ul style="list-style-type: none"> • To ensure that the totality of welfare benefit and CTRS frauds tackled in the most efficient and effective manner. • To identify overpayments and excess reductions. • To take sanction action in appropriate cases. Administrative Penalties and prosecutions.
National Fraud Initiative 2020 (NFI)	Participate in the biannual National Fraud Initiative coordinated by the Cabinet Office.	To ensure an appropriate number of matches are examined with particular reference high fraud risk matches To identify processes and procedures that need to be made more robust. To identify overpayments and excess reductions. To take appropriate action against offenders.
Internal Employee Matters <ul style="list-style-type: none"> • Abuse of Position • Travel and subsistence • Flexi time/timekeeping • Other matters of misconduct/gross misconduct 	Continue to assist Human Resources & Organisational Development in conjunction with various client departments The Fraud Function will continue to work with internal departments and external organisations in order to undertake risk assessments, and gather intelligence and evidence to point towards or away from fraud and error.	Support disciplinary process Consider as appropriate criminal/civil proceedings. To take appropriate action against offenders Maintain the Council's good reputation

Activity	Detail	Target Outcomes
<p>Tackle other internal and external fraud, examples includes:</p> <ul style="list-style-type: none"> • Procurement fraud • Social Care (Direct Payments) • Blue badge • Income collection and banking • Grants • Payroll • Pensions • Etc. 	<p>During 2020/21, the Fraud Function will continue to investigate various anomalies and referrals.</p> <p>The Fraud Function will continue to work with internal departments and external organisations in order to undertake risk assessments, and gather intelligence and evidence to point towards or away from fraud and error.</p> <p>Subject to available resources, the Fraud Function will consider and investigate any other frauds if it is in the best interests of the Council and the public it serves.</p>	<p>Maintain public confidence by being 'transparent'.</p> <p>.</p> <p>Identify fraud, error and over payments.</p> <p>Assist in the recovery of 'losses', financial or otherwise.</p>
<p>Raising Awareness</p>	<p>Continue to raise awareness of the role of the Fraud Function both inside and outside the Council.</p> <p>The aim is to maintain reputation and to encourage the reporting of potential fraud in the belief that action will be taken.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> • New – A guide to Corporate Fraud is included in Corporate Induction Training provided by Human Resources. • Existing – Continue to develop and deliver training as and when required. <p><u>Members:</u> Continue to deliver presentations/ reports to the Audit Committee and other members as necessary.</p> <p><u>Public:</u> Continue to publicise activities, successes, and prosecutions.</p>

Equality Impact Assessment Screening Form

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: Resources

Directorate: Finance

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

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

(b) Please name and describe here:

Anti-Fraud Plan for 2020/21: Outlines planned areas of activity for the Internal Audit Section's Fraud Function for 2020/21 and is designed to provide a strategic view of the areas that will be subject to examination.

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (L)

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

Because they need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an internal basis i.e. Staff
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (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 type="checkbox"/>	<input checked="" type="checkbox"/>
Older people (50+) →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Any other age group →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disability →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Race (including refugees) →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Asylum seekers →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gypsies & travellers →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Religion or (non-)belief →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sex →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sexual Orientation →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gender reassignment →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Welsh Language →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Poverty/social exclusion →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Carers (inc. young carers) →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Community cohesion →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Marriage & civil partnership →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pregnancy and maternity →	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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

None – Not required - financial and internal administration only

Equality Impact Assessment Screening Form

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**
 Plan covers all Corporate Services

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.

There are no equality implications identified.

Equality Impact Assessment Screening Form

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: Jeff Fish
Job title: Corporate Fraud Investigator
Date: 29/04/20
Approval by Head of Service:
Name: Ben Smith
Position: Chief Finance Officer and Section 151 Officer
Date: 29/04/20

Please return the completed form to accesstoservices@swansea.gov.uk

Agenda Item 9



Report of the Deputy Chief Executive

Special Audit Committee – 26 May 2020

Draft Annual Governance Statement 2019/20

Purpose:	This report provides the draft Annual Governance Statement 2019/20 and allows the Audit Committee the opportunity to contribute to the annual review of governance.
Policy Framework:	Code of Corporate Governance.
Consultation:	Corporate Management Team, Annual Governance Group, Access to Services, Finance, Legal.
Recommendation(s):	It is recommended that the Audit Committee reviews the Annual Governance Statement prior to approval by Council as part of the Statement of Accounts.
Report Author:	Richard Rowlands
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Catherine Window / Rhian Millar

1. Introduction

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

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

- 1.3 The review of governance is brought together in the Annual Governance Statement (AGS) which is to accompany the Council’s Annual Statement of Accounts. The AGS is a key document informed by a number of both internal and external assurance sources.
- 1.4 This report provides the opportunity for the Audit Committee to review and contribute to the amended AGS prior to being signed off and published.

2.0 Code of Corporate Governance

2.1 Following a number of high profile cases of failed corporate governance, in both the private and public sectors, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published a Framework for Delivering Good Governance in Local Government in 2007. The Framework was reviewed by CIPFA and SOLACE in 2015 to ensure it remained fit for purpose and a revised Framework was published in spring 2016. The new ‘Delivering Good Governance in Local Government Framework 2016’ applies to annual governance statements prepared for the financial year 2016/17 onwards.

2.2 The revised framework defines governance as:

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

2.2.1 The Framework also states that:

‘To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.’

2.3 The Framework introduces 7 principles as follows: A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. B) Ensuring openness and comprehensive stakeholder engagement. C) Defining outcomes in terms of sustainable economic, social and environmental benefits. D) Determining the interventions necessary to optimise the achievement of the intended outcomes. E) Developing the entity’s capacity, including the capability of its leadership and the individuals within it. F) Managing risks and performance through robust internal control and string public financial management. G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

2.4 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.

3.0 Annual Governance Statement

3.1 The AGS should report publically on the extent to which the Council has complied with its own code of governance on an annual basis, including how it has monitored and evaluated the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the AGS should itself add value to the effectiveness of the corporate governance and internal control framework.

3.2 The draft AGS 2019/20 is attached at Appendix A.

3.3 The final version of the AGS will be reported to Council in September before being signed by the Chief Executive and Leader and then published with the audited Statement of Accounts 2019/20.

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.

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

4.3 The Annual Governance Statement is incorporated within the Annual Statement of Accounts and is a description of the Council's Governance arrangements 'as is' at the time of writing and does not have a direct impact on the relevant protected groups.

5. Financial Implications

5.1 There are no financial implications associated with this report.

6. Legal Implications

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

Background Papers: None.

Appendices: These will be included within the report.

Appendix A Annual Governance Statement 2019/20.

Appendix B EIA Screening Form.

Appendix A

1. Scope of Responsibility

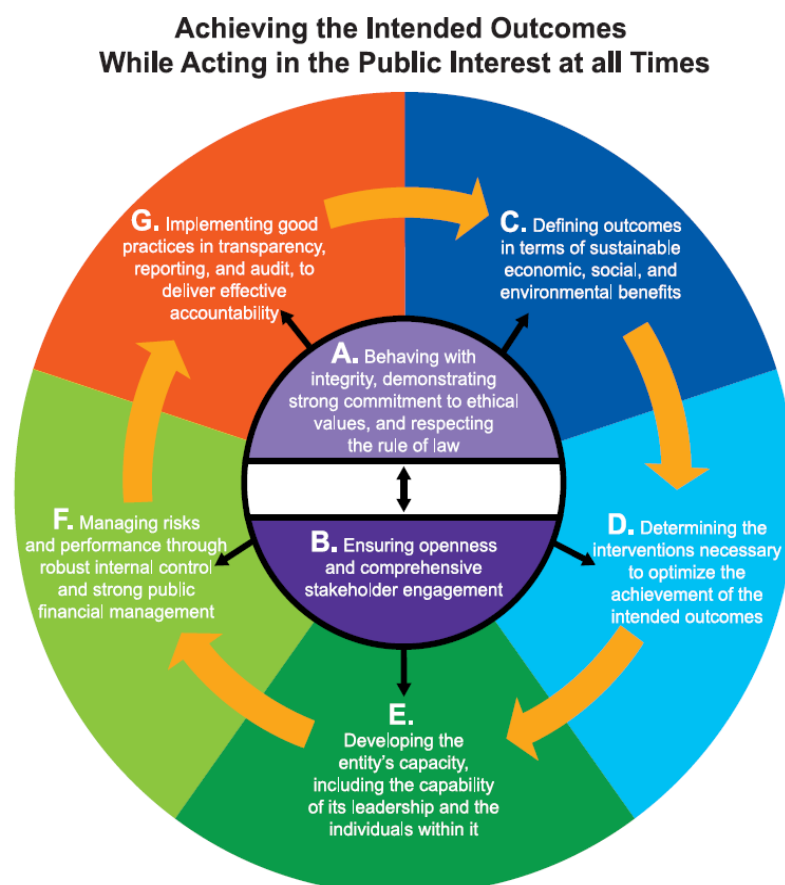
- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea adopted a Code of Corporate Governance on 24 August 2017, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. A copy of the Code can be found on the Council's website.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

- 3.1 The Council has adopted a Code of Corporate Governance based on the “*Delivering Good Governance in Local Government*” framework published by CIPFA and SOLACE in 2016.



- 3.2 This Statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018). The Council aims to achieve a good standard of governance by adhering to the 7 key principles of the CIPFA/Solace 2016 Guidance.

- 3.3 The 7 key principles are:

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

- F) Managing risks and performance through robust internal control and strong public financial management.
 - G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.4 The application of the principles of good governance is summarised below which sets out supporting information for the 7 key principles.
- 3.5 **Note - This Governance Statement and the issues set out within are likely to continue to be materially affected by the COVID-19 pandemic. The full-scale of the impact that the Authority faces responding locally and nationally to the crisis remains unclear. In addition, the national lock down arrangements and the prioritisation of the response to COVID-19 has affected the preparation of the Statement. However, it should be noted that the Statutory Governance Chief Officers are resolved to maintain appropriate corporate grip to ensure that sufficient governance is maintained throughout this unprecedented crisis and during the recovery.**

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub Principles:

Behaving with Integrity

Demonstrating strong commitment to ethical values

Respecting the rule of law

How we do this:

- The behaviour and expectations of officers/members is set out in the Constitution, Officer and Member Code of Conduct and Protocol.
- The Monitoring Officer provides training on the code of conduct and ensures the highest standards of conduct by the authority, members and officers – including use of Council email protocol.
- The Standards Committee is responsible for monitoring and scrutinising the standards of Members.
- Member led authority principles with training to senior officers and Cabinet members.
- Compliance with a suite of policies/rules set out in the Constitution.
- The Constitution sets out requirements as to gifts and hospitality and there are regular reminders circulated to both officers and members.
- Adoption of Member Dispute Resolution Protocol.
- Officers/members declarations of interest.
- Officer Secondary Employment Policy.

- The Council's appraisal and recruitment system based on competencies, training and objectives underpin personal behaviours with ethical values.
- Commitment to working to promote high standards of performance based on the Nolan principles.
- Adoption of Welsh Government ethical ways of working.
- The Swansea Pledge.
- The Constitution contains comprehensive Procurement and Financial Procedure Rules.

- The Statutory officers and Members ensure compliance with legislative and regulatory requirements via a robust framework including the scheme of delegation, induction training, standing procedures and rules set out in the Constitution.
- Reports to Committees have legal/finance clearance.
- Robust Scrutiny and Call-In function.
- Robust audit challenge.
- External challenge from auditors, Ombudsman and other external agencies.
- The Monitoring Officer ensures the Council complies with statute and reports on any maladministration.
- An effective anti-fraud and corruption framework supported by a suite of policies i.e. whistleblowing.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

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- The Council is committed to ensuring an open culture evidenced by open meetings and publication of agendas and minutes.
- A Forward Plan showing key decisions to be made by Council and Cabinet is published.
- There is appropriate Consultation and Engagement supporting the decision making process including annual budget consultation, co-production, engagement with trade unions and engagement with Disability and LGBT communities.
- There are Public questions at Council and Cabinet.
- There is engagement with children and young people to meet the requirement of the UNCRC.
- There is pre-decision scrutiny of Cabinet decisions and Call-In procedure
- Corporate and Directorate risks are published.

- The Council adopts a Team Swansea approach working as a whole Council and effectively engages with stakeholders to ensure successful and sustainable outcomes by:
 - targeting communications;
 - effective use of social media;
 - formal and informal meetings with key stakeholder groups i.e. External auditors, Welsh Government, Health board.
- The Council has an extensive range of partnerships to support the delivery of the Council’s objectives including:
 - The Public Services Board.
 - The Safer Swansea Partnership.
- The Council has adopted the Community/Town Council Charter and facilitates the Community/Town Council forum meetings with the 24 Councils.

- The Council has appropriate structures in place to encourage public participation which is used to inform proposals and key decisions including:
 - A Consultation and Engagement framework.
 - “Have your Say” consultations on website.
 - The Scrutiny Programme Committee invites stakeholder contributions and participation.
 - An Annual Staff Survey with responses considered by CMT/Senior Management.
 - A Complaints Policy and Annual Report to assess organisational learning and change.
 - The appointment of Councillor Champions who provide a voice for under-represented groups.

Principle C

Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

- The Council has a clear vision which is set out in the Corporate Plan *Delivering a Successful & Sustainable Swansea* which prioritises 6 Well-being Objectives.
- Delivery of the Corporate Plan is monitored through the Council's Performance Management Framework with quarterly and annual performance monitoring by CMT/Cabinet.
- There is an Annual Performance Review.
- Annual Service Plans address the sustainability of service delivery along with key corporate priorities.
- There is monthly Performance and Financial Monitoring meetings held for each Directorate.
- There is a Corporate Risk Management Policy ensuring consistent application of risk registers and terminology and audit scrutiny.

- The Council takes a long term and sustainable view and balances the economic, social and environmental impact of policies and plans by:
 - Medium Term Financial Planning covering 3 financial years approved annually by Council.
 - Refresh of the Corporate Plan annually
 - Annual service planning.
- The Council's *Sustainable Swansea: Fit for the Future* programme seeks to modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services.
- There is public and stakeholder engagement.
- Council has passed a motion on climate change.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this:

- The Council ensures that decision makers receive objective and rigorous analysis of options with intended outcomes and risks by:
 - written reports from Officers;
 - report clearance by legal, finance and Access to Services officers;
 - embedding of impact assessment in decision making process;
 - clear option appraisals reflected in reports detailing impact, risk and any best value considerations.
- The results of consultation exercises are fully considered by decision makers with consultation responses set out in report.
- Consultation on budget proposals is extensive and includes roadshows with staff.
- The Council has a Corporate Risk Management Policy.

- The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through:
 - A timetable for producing and reviewing plans on an annual basis.
 - Working with a consultation and engagement framework.
 - Quarterly and annual performance monitoring including achievement of national and local performance indicators.
- There is robust Medium Term Financial Planning.
- There is an Annual budget setting process in place including an extensive consultation exercise.

- The Council ensures the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities.
- To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny Performance Panel.
- Sustainable Swansea – Fit for the Future.
- The Council ensures the achievement of “social value” through the effective commissioning of service in compliance with CPR’s e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts).

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Sub Principles:

Developing the entity's capacity

Developing the capability of the entity's leadership and other individuals

How we do this:

- The Council aims to ensure that Members and Officers have the right skills, knowledge and mind set to operate efficiently and effectively to achieve intended outcomes by:
 - adopting a comprehensive induction training programme for members and officers;
 - a Councillor Training Programme based on a Training Needs Assessment;
 - annual performance review of staff;
 - adoption of a mentoring scheme.
- Operational capacity is supported by the Transformation & Future Council objective to help tackle rising demand and reducing revenue budget.
- The Organisational Development Strategy aims to develop the right staff with the right skills to work in a sustainable way.
- There is engagement with benchmarking groups such as APSE, CIPFA.
- There is collaborative and partnership working including the Public Service Board, ERW.

- Effective shared leadership and understanding of roles and objectives is supported by:
 - The Leader and Chief Executive have clearly defined leadership roles.
 - The Chief Executive Appraisal and Remuneration Committee have responsibility for the appraisal of the Chief Executive.
 - There has been member led training with both senior officers and cabinet members.
 - There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Ex, CMT and Heads of Service.
 - The Transformation and Future Council objective and the Organisational Development Strategy.
- The Constitution sets out the Scheme of Delegation which is regularly reviewed.
- Annual appraisal and performance review.

Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub Principles:

Managing risk

Managing performance

Robust internal control

Managing data

Strong public financial management

How we do this:

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- Risk management is an integral part of decision making supported by:
 - A revised Corporate Risk Management Policy with clear nominated officer responsibility.
 - New risk register application.
 - Monthly review of risks by CMT.
 - Monthly review of Directorate Risks at PFM meetings.
 - The publication of Corporate & Directorate Risks allowing greater scrutiny.
 - The Audit Committee regular review of risks (see para 8.11)

- There are quarterly performance monitoring reports to Cabinet.
- Each Head of Service produces an Annual Service Plan setting out clear objectives and SWOT analysis of their service.
- There are regular reports as to performance indicators and milestones against intended outcomes.
- There is robust scrutiny challenge by pre decision scrutiny, inquiries and Call-In.
- Monthly Directorate Performance and Financial Monitoring meetings.

- CIA provides independent assurance on the adequacy of internal control through the IA plan approved by the Audit Committee.
- The Audit Committee provides independent and objective assurance on effectiveness of internal control, risk management and governance arrangements.
- The Council is dedicated to tackling fraud and corruption and has an Anti-Fraud and Corruption Policy and Whistleblowing Policy
- The Audit Committee receives an annual report on the fraud function and Anti-Fraud Plan.
- The Internal Audit Plan is approved by Audit Committee.

- The Council demonstrates effective safeguarding of personal data and information by:
 - The appointment of a Data Protection Officer.
 - The adoption of a Data Protection Policy.
 - An Information Governance Unit and Senior Information Risk Officer.
 - An information asset register
 - The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI).
 - Data Protection training is mandatory.

- The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan.
- Financial management is integrated at all levels of planning and control by:
 - financial implications are included in all decision making reports;
 - there is a specific Corporate risk around Financial Control and MTFP aspects of Sustainable Swansea owned by the S151 officer.

Principle G

Implementing good practices in transparency, reporting and audit to deliver effective accountability

Sub Principles:

Implementing good practice in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this

- The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-
 - A Report Authors Protocol which ensures consistency in reports.
 - A Clear Writing guide for Officers.
 - All reports are signed off by Cabinet Member, legal, finance and Access to Services officers.
 - The Council has a Publication Scheme which is available on the website.
 - Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report.
 - Reports are published on the website and agendas are published in the Welsh Language.

- The Council reports at least annually on performance as evidenced by:
 - Quarterly and annual reports to Cabinet on performance.
 - An annual Review of Performance report setting out how the Council has performed in meeting its Corporate Objectives.
 - The Annual Statement of Accounts audited by external auditor and approved by Council and published demonstrates how the Council has achieved performance, value for money and the stewardship of resources.
- Senior Managers complete Senior Management Assurance Statements (SMAS) reflecting performance against governance, risk management and internal control. The SMAS contribute to the Annual Governance Statement.
- The Council have adopted the Code of Corporate Governance based on CIPFA framework.

- Through the assurance mechanisms set out below the Council can demonstrate effective accountability:
- The Internal Audit work plan provides assurance on the council's control mechanisms, risk management and governance arrangements which is monitored by the Audit Committee.
- All agreed actions from Internal Audit reviews are monitored.
- Reports and plans to implement WAO and Internal Audit recommendations reported (as relevant) to Scrutiny and Audit Committee.
- Peer Review and inspection from regulatory bodies and external compliance reviews which are reported to CMT/Cabinet and used to improve service delivery.
- There is Scrutiny and audit review of WAO reports and action plans.
- Assurance on risks associated with delivery of services through third parties is achieved by:
 - Commissioning and monitoring arrangements and compliance with Contract Procedure Rules.
 - SMAS reflect risk assessments in relation to partnership/third party working.

Internal Assurance

External Assurance

Annual Governance Statement

Council/
Cabinet/
Committee

Internal Audit

External audit

Monitoring
officer/S151
officer

External Regulators/
Inspections

CMT -SMAS

Statutory
Inspections

Audit
Committee

Scrutiny

4. Review of Effectiveness

4.1 The City and County of Swansea annually reviews the effectiveness of its governance framework including the system of internal control.

- (a) Statements from Corporate Management Team (CMT), Statutory Officers, the Internal Audit Manager and the Audit Committee.
- (b) External organisations i.e. Wales Audit Office and regulators.
- (c) Core evidence mapped to Council, Cabinet and Committees.

4.2 The following highlights the review of the governance framework in order to compile the Annual Governance Statement and sets out the assurance of CMT, officers and external organisations.

INTERNAL SOURCES OF ASSURANCE

5 Corporate Management Team/SMAS

5.1 The Senior Management Assurance Statements (SMAS) form part of the governance assessment framework. Through the SMAS each Director responds to 15 good governance statements covering:

- Risk Management
- Partnership/Collaboration governance
- Compliance with Policies/Rules/Legal & Regulatory requirements
- Programme and Project Assurance
- Budget Monitoring
- Planning and Decision Making
- Internal Control Environment
- Fraud & Financial Impropriety
- Performance Measurement & Management

5.2 The Directors assess assurance using a 5 point maturity scale for their areas of responsibility ranging from “Not in place” to “Embedded”. Directors are expected to consult with their Heads of Service to support a directorate approach to each statement.

5.3 The Four SMAS from the Directors of Corporate Resources, Social Services, Place and Education are challenged and reviewed at CMT. The Director of Social Services submitted a SMAS for the directorate and a further two, one each for Adult Services and Child & Family.

5.4 The assurance statements summarised by 9 categories showed overall that there were no categories that were deemed as being “Not in place” or with “Limited Application”. A small number (4.6%) of categories were regarded as showing “Mixed Application”. These categories were: Performance Reviews (2); Data breaches / security (2); Partnership Governance (1) and Future Generations Act (1). These have been captured in the significant governance

risks for 2020/21 where relevant. However, 69% demonstrated “Strong Application” and 26% were described as “Embedded”.

- 5.5 The Council established an Annual Governance Group for the purpose of challenging the SMASs and assisting and overseeing the development of the Annual Governance Statement. The Group is led by the Deputy Chief Executive and members include the Council’s Section 151 Officer and Monitoring Officer, as well as the Strategic Delivery & Performance Manager and a member of the Audit Committee. The Chief Internal Auditor attends in an advisory capacity. The work of the Group in reviewing the SMASs and finalising the Annual Governance Statement and CMT in reviewing and approving the SMASs and Statement was disrupted by the COVID-19 situation. CMT reviewed the SMAS and draft Annual Governance Statement on 11th May 2020. The Significant Governance Issues for 2020/21 as identified by CMT are those set out below.

6. The Monitoring Officer

- The Chief Legal Officer is the Monitoring Officer with a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The Standards Committee has the responsibility for monitoring the ethical standards of conduct and to deal with any breaches of the Code referred to the Committee by the Public Service Ombudsman (PSOW).
- In 2019/20 the Monitoring Officer was notified of 14 complaints relating to members conduct by the PSOW. The PSOW decided not to investigate 10 of those complaints. Three complaints were investigated with no outcome yet and 1 complaint is outstanding. There are regular PSOW bulletins circulated to all councillors as to Code of Conduct issues.
- During 2018 and 2019 the Standards Committee interviewed the Leader, Leaders of the Opposition, the Chairs of Planning, Democratic Services and Licensing Committees and the Chief Executive. All those interviewed indicated their support for the Code of Conduct and their commitment to maintaining the highest ethical standards amongst councillors.
- An audit of officer gifts and hospitality was undertaken in 2018/19 with recommendations to improve consistency across departments. Members and officers are required to register their personal interests, gifts and hospitality with regular reminders sent out by the Head of Democratic Services. A Gifts and Hospitality Policy is currently under review.
- The Monitoring Officer has not had to issue any statutory Section 5 Local Government and Housing Act 1989 reports during 2019/20.
- A number of amendments to the Constitution were adopted by Council including a new Call-In procedure enabling greater scrutiny of Cabinet decisions and changes to the Financial Procedure and Contract Procedure Rules. Further work is being undertaken by the Monitoring Officer and Head of Democratic Services in terms of publication of officer delegated decisions. At the outset of

COVID-19 it was anticipated that emergency decisions would need to be made rapidly and also set in the context of new emerging legislation which would need to be monitored on a daily basis.

- The Deputy Chief Executive has overall responsibility for governance and as part of his strengthening of governance arrangements has presented the assurance framework to audit committee.

7. The S151 Officer

- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2019/20. The reports consistently identified some service revenue budget overspends at year end, albeit reducing throughout the year and by third quarter down to a miniscule margin of variation, so that underspend was as likely as overspend based on available information and stressed the need for service expenditure to be if at all possible contained within the budget set by Council. Towards the year-end the local Health Board settled £5m of long standing debt, for which full bad debt provision had been made, enabling Social Services to record a £5m one off underspend. Total service underspending has now been confirmed (at just under £7.5m) and is an extremely good outcome. On even more positive note the equally fully planned substantial continued underspending on capital financing (£7.5m) and contingency and central inflation (around £6m) has enabled sums to be added to the capital equalisation reserve and carried forward on contingency which is a prudent way of planning for and addressing some of, the future certain increased costs of financing the ambitious mid-term capital programme and the uncertainty of COVID-19.
- No **Mid Term Budget Statement 2019/20** was presented this year given the substantially delayed settlement due to the December General Election but the **Review of Reserves** was presented to Council on 24/10/19 which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years. The conclusion of the Statement was that the Council would potentially struggle to deliver within the overall resources identified to support the budget in 2020/21 and beyond unless the local government settlement was much enhanced (which was duly confirmed by February 2020). The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.
- The Revenue and Capital Budgets were approved by Council on 05/03/20. They continued to set out an ambitious programme of approved capital spending plans and future capital spending plans (partly financed by the Swansea Bay City Deal but predominantly by unsupported borrowing) which would require budget savings to be delivered to help facilitate that major capital investment and economic regeneration stimulus. These plans are likely to be materially affected by COVID-19. It remains entirely unclear as to the scale of additional spending, the loss of income, and the funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the

COVID-19 pandemic. The impact was not directly financially material on the 2019-20 accounts but the national lock down arrangements and the prioritisation of the response to COVID-19 may have impaired our ability to fully prepare the accounts to our normally exceptionally high standards in line with accounting standards. Any necessary deviation caused will be disclosed separately throughout these accounts. The impact will be very financially material for the 2020-21 accounts (many tens of millions of pounds) but its net impact is less clear: by way of exemplification our increased costs, and lost income, will far exceed available reserves so the presumption is that all, or the very vast bulk of all, costs will be reimbursed by partners, Welsh Government or UK government through contributions or grant. The S151 officer triggered the necessary mechanisms for the Emergency Financial Assistance Scheme with Welsh Government in March 2020.

- The **Medium Term Financial Plan 2021/22 – 2023/24** was approved by Council on 05/03/2020. The Plan outlined the range of options around funding faced by the Council over the period, the key reliance on the scale and value of future local government finance settlements and the strategy to be adopted to address the various scenarios as well as the inherent risks to the success of the adopted strategy. All spending and funding assumptions were set before the full substantial economic scale of the COVID-19 pandemic was fully apparent. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
- The **Wales Audit Office Annual Audit Summary 2019** dated March 2020 (and referred to below) noted that the Council has put in place proper arrangements to secure value for money from the resources it uses. Significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position. . This reflected external auditor concerns that the Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets. The Council is seeking to address this through a refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace.
- The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:

- Investment Strategy Statement.

- Internal Dispute Resolution Process.
- Funding Strategy Statement.
- Administration Strategy Statement.
- A full actuarial valuation to be carried out every third year.
- Communications Strategy Statement.

8. Chief Internal Auditor's Internal Control Opinion

- 8.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.
- 8.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.
- 8.3 There has been a marginal increase in the number of audits receiving a moderate level of assurance since 2018/19. The Audit Committee has been made aware of the various moderate assurance reports that have been issued in 2019/20 as the summary details of these audits have been included in the quarterly monitoring reports. In addition, the committee has received updates from the relevant client department representatives for all of the moderate reports issued in year. A consistent theme running through the majority of the moderate audits issued in year has been in relation to reduced resources, resulting in a failure to adhere to standard control procedures. There has also been a marginal decrease in the number of audits with a high level of assurance. However, it should be noted that in both cases, the variance only represents 1% of the overall audit universe.
- 8.4 There are 14 audits which are classed as fundamental audits. The fundamental audits are the systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2019/20, 11 of the 14 fundamental audits have a high level of assurance. Two have a substantial level of assurance (Accounts Payable and NNDR/Business Rates) and one has a moderate level of assurance (Accounts Receivable).
- 8.5 Prior to the most recent audit, the NNDR/Business Rates audit had received consistent high assurance ratings and had therefore been subject to an audit every two years. However, as a result of the findings of the most recent audit in 2019/20, a substantial level of assurance was awarded and as a result this audit will be completed on an annual basis going forward.
- 8.6 The Accounts Payable audit received a substantial assurance rating in 2019/20 as was also the case in 2018/19 and so this also continues to be audited on an annual basis.
- 8.7 The Accounts Receivable audit received a moderate assurance rating in both 2018/19 and 2019/20. The Audit Committee have received a number of updates

from the client department in relation to the work that is ongoing within the department to address the issues that have been identified. The Audit Committee will continue to receive updates on this throughout 2020/21. (Please note that due to the timing of the draft reports being issued and the onset of the COVID-19 crisis, the NNDR/Business Rates, Accounts Receivable and the Housing and Council Tax Benefits audit reports remain at draft stage at the time of writing this opinion).

- 8.8 It is disappointing to note that one of the fundamental audits received a second moderate assurance rating in 2019/20. As detailed in updates provided to the Audit Committee from the client department, the reasons for the weaknesses identified in this area are in relation to reduced resources. As noted in previous annual reports, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Authority and this continues to be the case.
- 8.9 Despite this it should be noted that of the 14 fundamental system audits, 11 have a high assurance level and two have a substantial assurance level. In addition, the results of the work undertaken in 2019/20 shows that as at the 31/03/20, 94% of all of the audits listed in the audit universe have either a high or substantial assurance rating. This provides reasonable assurance that across the Authority the systems of internal control are operating effectively.
- 8.10 Throughout the year, a significant amount of effort has been directed at further strengthening the systems of risk management across the Authority. Audit Committee receive regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks to further strengthen assurance in this area. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date and all mitigating controls have been captured and documented. A new Risk Management System has also been introduced in the year which should ensure monitoring and control of risk is greatly improved.
- 8.11 As per the Terms of Reference, the Audit Committee must be satisfied that they have sufficient information in order to gain assurance over the risk management controls across the Council. Prior to the introduction of the new Risk Management System, the Committee highlighted concerns over the amount of information that was available to Members to allow them to discharge this responsibility. These concerns were also echoed by the Council's External Auditors. It is envisaged that the introduction of the new Risk Management System will facilitate greater scrutiny of the risk management arrangements in place by the Committee. However, it should be noted that at present, the members of the Audit Committee do not have access to the new system.
- 8.12 In addition, further developments in the year have seen a member of the Audit Committee joining the Governance Group which is tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective. 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.

- 8.13 Each of the Corporate Directors has attended Audit Committee meetings throughout the year to outline governance, risk and control arrangements in place within each directorate. These improvements have further strengthened the overall assurance provided to the Audit Committee.
- 8.14 At the time of writing this opinion, it is unclear as to the scale of additional spending, loss of income and funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the COVID-19 pandemic. We are also aware that the Council's emergency response has necessitated some rapid changes to working practices, controls and authorisation channels for approval and decision making by Senior Officers and Councillors. However, it should be noted that the Statutory Governance Chief Officers are resolving to maintain appropriate corporate grip to ensure that sufficient recording and reporting mechanisms are maintained throughout this unprecedented crisis.
- 8.15 The impact of the pandemic was not directly financially or operationally material on the 2019/20 internal audit plan. As a result, the impact of the crisis is not yet reflected in the audit universe as the crisis commenced at the latter end of the financial year. However, it should be noted that the national lock down arrangements and the prioritisation of the response to COVID-19 may have impaired the Council's ability to fully comply with normal operating procedures at all times during March and beyond.
- 8.16 The impact of the crisis will be financially and operationally material for the whole of 2020/21. It will affect council spending, income, controls and even directly affect our ability to meaningfully deliver the audit plan, particularly during the lock down phase. Throughout this period, the audit team is refocusing its efforts to support the Council to deliver its immediate, urgent response to the crisis. It is hoped that once the current restrictions are eased, the audit team can slowly begin prioritising audit work in the subsequent expected recovery phase.
- 8.17 The Audit Committee and the Council's External Auditors have raised a number of concerns throughout the year in relation to risk management arrangements and also in relation to the lack of pace with which Directorates have been able to deliver agreed savings targets. These concerns are echoed by the Chief Auditor and the Chief Finance Officer and the programme of planned audits for 2020/21 will seek to provide the Committee with some clarity on these issues.
- 8.18 Overall, based on the work undertaken in 2019/20, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2019/20 which would have a material impact on the Council's financial affairs or the achievement of its objectives.

9. The **Audit Committee**

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 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.
- 9.6 We have reviewed the work programme at each Committee meeting, taking account of risk and priorities.
- 9.7 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.

- 9.8 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.”
- 9.9 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.
- 9.10 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.
- 9.11 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.
- 9.12 At the meeting on 9th April 2019 the Committee received the Corporate Fraud Teams 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.
- 9.13 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 draft was received at a special meeting of the Audit Committee on 16th September 2019. The Annual Governance Statement was presented to full Council as part of the Statement of Accounts on 29 August 2019.

- 9.14 The Chair attended the Scrutiny Panel Conference 10th June 2019 and also Scrutiny Panel on 8th July 2019.
- 9.15 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.
- 9.16 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 and the meeting in May 2020 is due to be held remotely. 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.

EXTERNAL SOURCES OF ASSURANCE

10. External Auditors

- The WAO audit work in 2018-19 included a follow-up review of the Auditor General for Wales 2015 national report 'Delivering with Less – Leisure Services'. Following a commissioning review of the Council's Cultural services, on 1 October 2018, seven Council leisure centres transferred to Freedom Leisure, a not-for-profit organisation to manage and operate these facilities for a period of 19.5 years. Their review looked at the Council's Cultural services commissioning review and decision-making arrangements in transferring these leisure centres to a not-for-profit organisation. The WAO audit concluded that: the Council has contracted out the future management of its leisure centres, but lacks a full strategic plan to evaluate the leisure service's contribution to achieving the Council's objectives.
- WAO audit work in 2018-19 also included a follow-up review of our 2014 report into the Council's arrangements to support safeguarding of children. WAO also considered the Council's progress in implementing the recommendations contained in the Auditor General's report, 'Review of Corporate Safeguarding Arrangements in Welsh Councils' (July 2015). Overall, WAO found that: The Council has addressed most of the recommendations in our previous national and local safeguarding reports but should strengthen some aspects of its

corporate safeguarding arrangements. WAO made further proposals for improvement to the Council in this regard.

- WAO were satisfied the Council has met its legal duties for improvement planning and reporting and is likely to meet the requirements of the Local Government Measure (2009) during 2019-20.
- WAO undertook the Well-being of Future Generations examination in 2018-19 that considered the extent to which the Council has acted in accordance with the sustainable development principle in developing its new approach to employability, called 'Swansea Working'. WAO concluded that the Council is acting in accordance with the sustainable development principle in developing and implementing the 'step' ('Swansea Working' is an explicit element of Council strategies to tackle poverty and prevention), but there are opportunities to further embed the five ways of working.
- **Wales Audit Office Annual Audit Summary 2019** dated March 2020 (and referred to below) noted that the Council has put in place proper arrangements to secure value for money from the resources it uses. Significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position. This reflected external auditor concerns that the Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets. The Council is seeking to address this through a refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace.
- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2018/19** to Audit Committee on 13/8/19 and to Council on 29/08/19. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The Auditor General issued an unqualified audit report on the financial statements and the report concluded that the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund, (which was presented to the Pension Fund Committee on the 12/9/19), gave a true and fair view of the financial position of the Council and had been properly prepared.

11. Statutory external inspections/regulators

The Council is subject to Statutory External Inspections by various bodies including ESTYN and Care Inspectorate Wales (CIW).

- CIW reported on its inspection of services for children living in Swansea in October 2018. Overall, CIW found good quality practice in Swansea Council children's services, with positive outcomes being achieved for many children and young people. CIW also issued a Local Authority Performance Review and concluded that Swansea Council is a learning organisation and fully aware of its strengths and areas in need of improvements and have a proactive approach

to improvement and ensuring positive outcomes; however this is an ongoing significant challenge due to budgetary and workforce issues.

- The Estyn profile of school inspections for 2019-2020 is very positive in all sectors. Between the summer term 2019 and spring term 2020, 13 schools were inspected by Estyn in Swansea. 12 schools were judged to be good or excellent in all of the five areas that are inspected under the current framework. One school was judged adequate in the area of teaching and learning but good in all other areas. All inspection results and recommendations, as well as other intelligence, is discussed in regular meetings and appropriate support and challenge through the advisory team is identified as a result. Overall the picture for Swansea compared to other authorities is very positive and against the trend of inspection results across Wales.

CORE EVIDENCE

12. Council & Cabinet

The following provide assurance based on reports covering 2019/20. In some instances reports from 2018/19 are reflected in the Annual Governance Statement as the reports for 2019/20 are not yet available.

- Council adopted a revised Corporate Plan 2019/22 *Delivering a Successful and Sustainable Swansea* on 25 October 2018. The Corporate Plan for 2019/22 was refreshed and approved at Cabinet on 19th March 2019 and was refreshed again and approved by Cabinet on 19th March 2020. The Corporate Plan sets out the Council's values and principles underpinning the delivery of the objectives and sets out how the Council will monitor progress through quarterly and annual performance monitoring reports.
- Performance on delivery of the Council's Well-being Objectives is monitored quarterly by Cabinet. Quarterly Reports during 2019/20 contain outturn compliance with performance indicators and an overview of performance for each Objective provided by Directors/Heads of Service. The End of Year Performance Monitoring Report for 2018/19 was presented to Cabinet on 15th August 2019. End of Year 2019/20 and Quarter 1 2020/21 Performance reporting has been suspended for the time being during the COVID-19 response; reporting will resume as soon as possible in line with the Council's COVID-19 recovery plans.
- The Annual Review of Performance 2018/19 was approved by Cabinet on 17th October 2019 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 6 Objectives set out in the Corporate Plan 2018/22. The results showed that overall the Council has made significant progress undertaking the steps to meet its Well-being Objectives but that there were areas for development and lessons learnt.

- The Corporate Complaints Policy is in line with the Welsh Government Model Complaints Policy and was in place throughout 2019/20. It enables the public to tell the Council what they think about services. The Corporate Complaints Annual Report 2018/19 was presented to Cabinet on 23rd January 2020. The report reflects the continued emphasis on prompt resolution of complaints and includes compliments about services. Whilst the total of complaints to the Public Service Ombudsman for Wales increased from 62 to 83 only 1 was upheld, 9 were resolved by quick fix/voluntary settlement, 1 was not upheld and the remaining referrals were either out of jurisdiction, premature or closed after initial consideration. There was an assurance that there were no s 16 Public Interest reports during the year.
- The Audit Committee Annual Report 2018/19 was presented to Council on 24th October 2019 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2018/19. In particular, the report highlighted the work that had been undertaken throughout the year in line with the Committee's terms of reference. The report also provided an update on the implementation of the actions arising from the Performance Review facilitated by the Wales Audit Office.
- The Equality Review Report 2018/19 was reported to Cabinet on 19th September 2019, which highlighted progress against the Equality Objectives. The report highlighted work linked to the core principles i.e. co-production, engagement and embedding of children's rights.
- The Welsh Language Annual Report 2018/19 reflected progress and compliance on the 169 Welsh Language Standards with which the Council has to comply. The report contained an overview of activity and how the Council internally promotes the Welsh Language Standards with tools and information. The report concluded that good progress continued to be made on implementing the Welsh language standards during 2018/19 and general feedback indicated that officers were more educated and much more aware of the need for compliance than they were previously.
- There were a number of key reports presented to Cabinet/Council during 2019/20 including reports relating to the Swansea Bay City Deal and a number of Cabinet responses to Scrutiny reports.

13. Committees

- The **Scrutiny Programme Committee (and established Scrutiny Panels and Working Groups)** met throughout 2019/20 and were supported by the Council's Scrutiny Team. The scrutiny function is delivered through the Scrutiny Programme Committee (SPC) together with a number of Scrutiny Inquiry and Performance Panels. The SPC is a group of thirteen Scrutiny Councillors and other members who are co-optees who organise and manage what Scrutiny will look at each year. All scrutiny activity within the council is managed by the committee through a single workplan. Specific work is undertaken both through

the committee and by establishing informal panels (for in-depth activities) or working groups.

- The **Scrutiny Annual Report 2018/19** was presented to Council on 24th October 2019. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. It shows that the Scrutiny Programme Committee met on 14 occasions. In total, there were 95 panel and working group meetings during that municipal year with 2 Inquiries relating to the Natural Environment (completed) and Equalities (ongoing). Two Inquiry Panels reconvened to follow up actions agreed by Cabinet – CAMHS and Tackling Poverty. There was also pre decision scrutiny undertaken on a number of Cabinet reports and a high level of councillor commitment.
- There is a strong relationship with audit, inspectors and regulators. There are well-established links between the scrutiny function and Estyn, in respect of Education Services and School Improvement, and similarly with CIW (Care Inspectorate Wales), in respect of Audit Services and Child & Family Services. Respective Scrutiny Performance Panels are routinely provided with relevant reports from Estyn and CIW, and are discussed as required. All Wales Audit Office local performance audit reports and relevant national Wales Audit Office reports (those with implications for local government) are also included in the Scrutiny Work Programme (dealt with by the Committee or relevant Performance Panels) and there is co-ordination with the Audit Committee. Scrutiny considers the Council's response / action plans following WAO reports and follows up progress as necessary. Regional scrutiny continues with ERW and Swansea Bay City Region City Deal. The Swansea Scrutiny Team is providing support for the ERW joint scrutiny arrangement.
- There was a positive external assessment of our scrutiny arrangements from the Wales Audit Office Review of Scrutiny 2018, and Care Inspectorate Wales inspection of Child & Family Service and Foster Swansea. A Scrutiny Improvement Action Plan was agreed by Scrutiny Programme Committee following self-evaluation and consideration of WAO Review of Scrutiny findings.
- The **Standards Committee** met on 3 occasions during 2019/20 and the **Standards Committee Annual Report 2018/19** was presented to Council on 27th November 2019. The Committee is chaired by an independent person and is responsible for monitoring the ethical standards of the authority and maintaining the highest standards of conduct by elected councillors. The Committee commenced discussions with the Political Group Leaders as to ethical values within the council and this work has been finalised and hopefully will form part of the Annual Report for 2019/20. The Standards Committee were also instrumental in ensuring the Ombudsman's Code of Conduct Casebook was considered and circulated to all members by the Monitoring Officer. The Members Internal Dispute Resolution Process has not yet been utilised, which underpins the strong commitment to, and provides assurance, that the Council's Code of Conduct is adhered to.

- The **Audit Committee** met on 8 occasions during 2019/20 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member who is also the Chair of the Committee. The Committee receive all Wales Audit Office reports once reported to Scrutiny Programme Committee. The Committee may decide to track or prioritise specific proposals or recommendations in addition to the oversight provided by Scrutiny. This arrangement provides additional assurance that the Council responds and puts in place action plans to address any recommendations. The Committee also receives quarterly updates on the overall status of risk within the Council to give assurance that the risk management process is being followed.
- During 2015/16 a Local Pension Board was established, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council (and Pension Fund Committee) as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Terms of Reference for the Board were established and appropriate Board members were appointed. The Board convened meetings on 5 occasions during 2019/20.
- The **Pension Fund Committee** establishes and keeps under review policies to be applied by the Council in exercising its discretions as an administering Authority under the Local Government Pension Scheme (LGPS) Regulations. The Committee is Chaired by a Councillor and membership consists of six elected Members, including the Chair, and two lay members. The Committee met on 5 occasions during 2019/20 and dealt with all issues relating to the governance and administration of the Pension Fund. The Chair of the Pension Fund Committee also represents the Council on the Joint Governance Committee of the Wales Pension Partnership, a collaborative working arrangement between the 8 local government pension funds in Wales.
- The **Democratic Services Committee** reviews the adequacy of provision by the authority of staff, accommodation and other resources to discharge Democratic Services functions. The Committee is Chaired by a Councillor and, along with the Chair, membership consists of thirteen elected Members. The Committee met on 3 occasions and considered the Social Media Guide for Councillors, a review of Councillors' Broadband and Telephone and IT, the Councillors' Handbook and Personal Safety.

Significant Governance Issues

The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement **2018/19** and the action taken during the year to address the issues.

Significant Governance Issue linked to Framework	Action taken	Status
<p>Maintaining sufficient financial discipline (revenue service spending) to deliver Corporate Objectives and Sustainable Swansea (red risk on Corporate Register)</p> <p>The Council will continue to face unprecedented financial challenge. It is essential that approved service savings are made in a timely way with full risks and impact being understood.</p>	<ul style="list-style-type: none"> • Re-shaping Board now moved into CMT/Cabinet Away Day so that both the monitoring of savings and the transformation programme activity can be reviewed with both CMT and the Executive • Robust challenge of financial position continued by CMT / Corporate Directors resulting in positive and improving position going into Q3 • Annual review of Sustainable Swansea underway with revised programme to deliver future savings in years 3 onwards. 	<ul style="list-style-type: none"> • Ongoing
<p>Engagement and communication</p> <p>The views of the public, service users, staff and external partners must be taken into account in decisions impacting upon them. It is essential that there are sufficient structures in place to encourage and enable public participation.</p>	<ul style="list-style-type: none"> • Co-Production Strategic Framework developed and presented to the Equalities PDC. • Integrated Impact Assessment under development. • The Access to Services team has also produced the Engagement and Consultation Strategy recently approved by CMT. The team also supports all services in ensuring EIAs are completed as part of the budget process and the SDU promotes Future Generations. Services to 	<ul style="list-style-type: none"> • Complete

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	consider the Act when Service Planning.	
<p>Performance Reviews</p> <p>Whilst there is a strong performance management system with regular supervision/training of staff evidenced across the authority there is evidence of inconsistency associated with the IT appraisal use.</p>	<ul style="list-style-type: none"> • New appraisal solution being developed, which will be delivered digitally through the new Oracle Cloud solution in November 2021. 	<ul style="list-style-type: none"> • Ongoing
<p>Project Governance</p> <p>It remains the position that significant officer time will need to be dedicated to major projects with which the Council is involved. Consideration will need to be given to adequately resourcing project teams to ensure strong and transparent governance arrangements are in place.</p>	<ul style="list-style-type: none"> • Project leads identified. • Organisational capacity identified and funded. • Business Case to Cabinet and CMT. • Monitored through the Project Board and CMT. 	<ul style="list-style-type: none"> • Complete
<p>Decision to Leave the European Union</p> <p>Any consequences of leaving the European Union will have to be planned, monitored and managed.</p>	<ul style="list-style-type: none"> • Formed a Brexit Steering Group and held meetings. • Service areas have completed assessments on preparedness for Brexit. Business Continuity Plans have been reviewed. • Potential implications on service delivery is a standing item on work team agendas, Leadership team and CMT. • Brexit is a Corporate Risk that is reviewed monthly at CMT. 	<ul style="list-style-type: none"> • Complete
<p>Partnership/Collaboration/Regional Working Governance</p>	<ul style="list-style-type: none"> • Produced and reported to Council on 25/07/19 the Annual Report 2018/29 	<ul style="list-style-type: none"> • Complete

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<p>As there is increased drive for partnership/regional working the council will need to focus on ensuring the appropriate governance arrangements and benefit to Swansea residents.</p>	<p>on Regional Working outlining Governance arrangements, including scrutiny; priorities and progress; challenges and areas for further development; future plans and opportunities.</p>
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The following table identifies issues which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during **2020/21** to address the issues. **At the time of writing the COVID-19 crisis occurred and so the timescales and actions will be impacted depending on the severity and longevity of the crisis.**

Significant Governance Issue linked to Framework	Action to be taken
Budget pressures (including external and demand-led pressures and overspends) & problems living within budgets.	<ul style="list-style-type: none"> • Continue robust monitoring of budgets, savings and transformation programme activity at PFM and with both CMT and the Executive. • Annual review of Sustainable Swansea underway with revised programme to deliver future savings in years 3 onwards.
Lack of workforce capacity, capability and resilience and relying on staff goodwill.	<ul style="list-style-type: none"> • Development of a Workforce Plan to support high performance and enable a skilled, flexible and engaged workforce.
Performance Reviews, i.e. appraisals system / induction training not fit for purpose.	<ul style="list-style-type: none"> • Continue to develop a new appraisal solution to be delivered digitally through the new Oracle Cloud solution in November 2021. • Address Induction training of new staff as part of the review of the induction process and future policy reviews.
Embed the Future Generation Act principles into the Council's processes and decision making.	<ul style="list-style-type: none"> • Further development of integrated impact assessments to be undertaken to ensure that legal and regulatory compliance are embedded into the decision making process.

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	<ul style="list-style-type: none"> • Provision of training/information on the requirements of the Future Generations Act.
Patchy Partnership Governance, including application of risk management.	<ul style="list-style-type: none"> • Continue to address the challenges and areas for further development as set out within the Annual Report on Regional Working.
ICT Disaster recovery.	<ul style="list-style-type: none"> • Resolve through the move to cloud services, particularly Oracle Cloud in November 2021.
Use and governance of social media accounts	<ul style="list-style-type: none"> • Complete the review underway of the use of social media and social media access.
Continue to improve risk management arrangements	<ul style="list-style-type: none"> • Services and risk owners to continue to improve their compliance to the Council's Risk Management Policy and Framework, including monthly risk reviews and improving the quality of risk controls. • Develop the Council's new risk register application to produce reports to help oversee the status of risk.

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

Signed Chief Executive

Date

Signed..... Leader

Date

Equality Impact Assessment Screening Form – Appendix B

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: Strategic Delivery Unit, Communications & Marketing

Directorate: Resources

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function <input type="checkbox"/>	Policy/ Procedure <input type="checkbox"/>	Project <input type="checkbox"/>	Strategy <input type="checkbox"/>	Plan <input type="checkbox"/>	Proposal <input type="checkbox"/>
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(b) Please name and describe here:

Annual Governance Statement:

The Council is required by the Accounts and Audit (Wales) Regulations 2014 to undertake a review of its governance arrangements, at least annually. The review is intended to show how the Council has complied with its Code of Corporate Governance.

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery <input type="checkbox"/> (H)	Indirect front line service delivery <input type="checkbox"/> (M)	Indirect back room service delivery <input checked="" type="checkbox"/> (L)
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(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS...?

Because they need to <input type="checkbox"/> (H)	Because they want to <input type="checkbox"/> (M)	Because it is automatically provided to everyone in Swansea <input type="checkbox"/> (M)	On an internal basis i.e. Staff x (L)
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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"/>	x	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>

Equality Impact Assessment Screening Form – Appendix B

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

The Annual Governance Statement is incorporated within the Annual Statement of Accounts and is a description of the Council's Governance arrangements 'as is' at the time of writing and is not subject to consultation.

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 x (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 type="checkbox"/> (M)	Low risk x (L)
---	---	-------------------

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

Yes x 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 → x 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 Annual Governance Statement is incorporated within the Annual Statement of Accounts and is a description of the Council's Governance arrangements 'as is' at the time of writing and does not have a direct impact on the relevant protected groups.

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.

Equality Impact Assessment Screening Form – Appendix B

Screening completed by:
Name: Richard Rowlands
Job title: Strategic Delivery & Performance Manager
Date: 13 th May 2020
Approval by Head of Service:
Name:
Position:
Date:

Please return the completed form to accesstoservices@swansea.gov.uk

Agenda Item 10



Report of the Head of Communications & Marketing

Special Audit Committee – 26 May 2020

Performance Management Framework

Purpose:	The report presents the Council's Performance Management Framework.
Report Author:	Richard Rowlands
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar / Catherine Window
For Information	

1.0 Introduction

- 1.1. The Council's Performance Management Framework (the 'Framework') is in place to ensure that the Council's key priorities are planned, embedded and communicated throughout the Council and to other stakeholders and is monitored for delivery.
- 1.2 This report provides the Audit Committee with an introduction to the Framework and where it fits into the Council's overall governance arrangements.

2.0 Legislative background

- 2.1 The Framework encompasses a number of different elements, which are underpinned by two main pieces of legislation: the Local Government (Wales) Measure 2009 and, more recently, the Well-being of Future Generations (Wales) Act 2015.
- 2.2 The Local Government Measure 2009 places the Authority under a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2.3 The Well-being of Future Generations Act 2015 places public bodies in Wales under a duty to think about people now and in the future when they make their decisions.

2.4 This means that the Council's Framework is primarily concerned with sustainable planning and improvement and accountability, which are key components of good corporate governance.

3.0 The Performance Management Framework and Governance

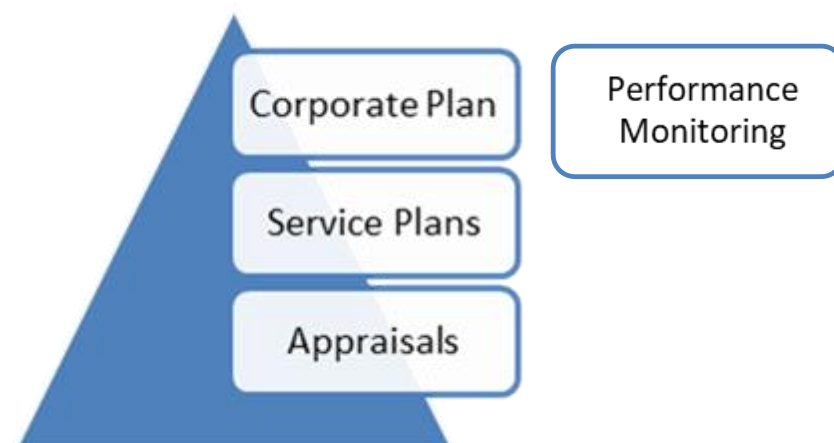
3.1 The legislative underpinnings mean that the Council's Framework is a key element of the Council's Governance arrangements and the principles of good governance based on the "*Delivering Good Governance in Local Government*" framework published by CIPFA and SOLACE in 2016, especially the following principles:

- defining outcomes in terms of sustainable economic, social and environmental benefits;
- determining the interventions necessary to optimise the achievement of the intended outcomes;
- managing risks and performance through robust internal control and strong public financial management;
- implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.2 This is described in more detail within the Council's Annual Governance Statement.

4.0 Elements of the Performance Management Framework

4.1 A diagram illustrating the Council's Framework is set out below:



4.2 Corporate Plan

4.2.1 The Council has an obligation to establish 'Well-being Objectives' under the Well-being of Future Generations Act and 'Improvement

Objectives' under the Local Government Measure 2009; these Objectives are set out in the Council's Corporate Plan.

- 4.2.2 The Corporate Plan describes the Council's six Well-being and Improvement Objectives and the steps being undertaken to meet these Objectives. The Plan outlines how these Objectives contribute to the seven national Well-being Goals outlined in the Well-being of Future Generations Act.
- 4.2.3 The Plan also sets out how the Council is maximising its contribution to the Well-being and Improvement Objectives and national Goals through the way in which the Council works, which is in line with the ways of working and sustainable principles described in the Act.
- 4.2.4 The Corporate Plan 2018-22 was refreshed for 2020/22 and was approved by Cabinet on 19th March 2020.

4.3 *Service Plans*

- 4.3.1 Service Plans allow each Head of Service to set out their priorities and plans for the year, show how they intend to spend their budget and contribute to the Council's Well-being and Improvement Objectives set out in the Corporate Plan through sustainable ways of working. Service Plans help Heads of Service communicate this to their staff and to other key stakeholders.
- 4.3.2 Service Planning starts in October and ends in March each year to coincide with the annual budgeting cycle. Service Planning was reviewed in readiness for 2020/21 planning and a new template was co-produced in conjunction with a group of volunteer Heads of Service / their representatives from each directorate. This review was undertaken following feedback received from Leadership Team after the previous Service Planning round in 2019/20.

4.4 *Appraisals*

- 4.4.1 Staff appraisals are completed each year and are an important means by which corporate, service and team objectives are communicated to individual staff and where their contribution is determined and reviewed.
- 4.4.2 The Council is continuing to develop a new appraisal solution to be delivered digitally through the new Oracle Cloud solution in November 2021.

4.5 *Performance Monitoring and Reporting*

- 4.5.1 Performance meeting the Council's Well-being and Improvement Objectives as set out in the Corporate Plan is monitored using the results measured by Corporate Plan performance indicators compared

to agreed targets and against the results from the same period of the previous year where comparison is possible. This is reported to Cabinet and Scrutiny each quarter and at the year-end through the Quarterly and Annual Performance Monitoring Reports.

4.5.2 The Well-being of Future Generations Act 2015 and Local Government Measure 2009 also requires the Council to publish an annual report setting out progress meeting the 'steps' described in the Corporate Plan to achieve the Council's Well-being and Improvement Objectives.

4.5.3 This Annual Review of Performance must also show that taking such steps to achieve the Council's Objectives is consistent with sustainable ways of working and is maximising the Council's contribution both to the corporate Objectives and to the seven National Goals prescribed in the Well-being of Future Generations Act. The Annual Review of Performance must be published before 31st October each year; the Annual Review of Performance 2018/19 was approved by Cabinet on 17th October 2019.

5.0 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 implications associated with this report.

6.0 Legal Implications

6.1 There are no legal implications.

7.0 Financial Implications

7.1 There are no financial implications.

For Information

Background papers: None.

Appendices: None



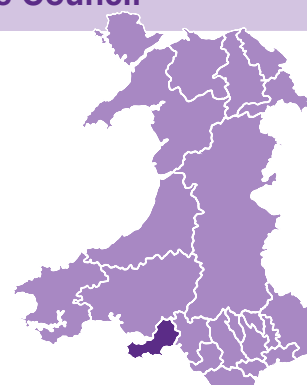
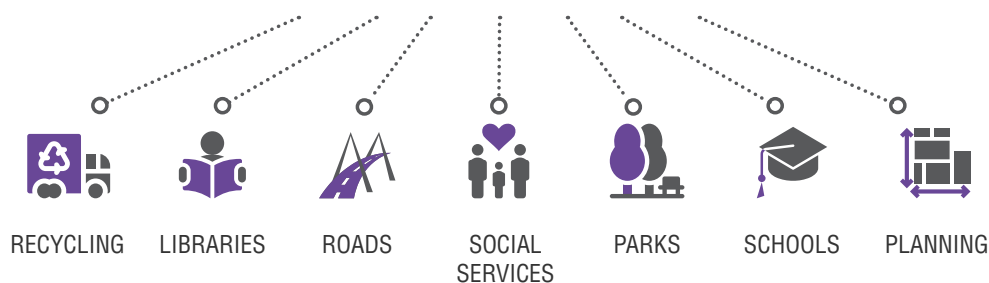
This is our audit summary for City & County of Swansea Council. It shows the work completed since the last Annual Improvement Report, which was issued in October 2018. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our **website**.

Some of the Services the Council provides:

About the Council



Our duties

We complete work each year to meet the following duties:

- **Audit of Accounts**

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

- **Value for money**

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**

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**

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.



To meet our duties we complete specific projects, but we also rely on other audit work, and the work of other regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). The findings from our audit work are summarised below.



Audit of City & County of Swansea Council's 2018-19 Accounts

Each year we audit the Council's financial statements.

For 2018-19:

- ✓ The Council provided the 2018-19 draft financial statements for audit on 20 May 2019 which was significantly ahead of the statutory deadline of 15 June 2019. The earlier delivery of the financial statements for audit has been achieved without any impact on the quality of the draft statements or the supporting documentation we have been provided. As such Council officers should be commended for this excellent achievement.
- ✓ The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 13 August 2019 and subsequently to Full Council at its meeting on the 29 August 2019. We gave an unqualified opinion on the Council's financial statements on 30 August 2019, 16 days ahead of the statutory deadline.
- ✓ The Council's Annual Governance Statement and Narrative Report were prepared in line with the [CIPFA Code and relevant guidance](#). They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- ✓ In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for the certification of a number of grant claims and returns. Our work has not identified any significant issues.

Value for Money

We are satisfied that the Council has put in place proper arrangements to secure value for money from the resources it uses. Significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position.

Our review of all 22 Welsh Councils financial sustainability in 2019-20 sought to assess the sustainability of councils' short to medium-term financial position. We undertook this assessment because we identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the recent experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services. In Swansea, we concluded that the Council continues to face a significant financial challenge and 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.

Our recent work with the Council has provided us with 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. In addition, 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. 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, it is undertaking a fundamental review and refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace. We will be further reviewing these new transformation arrangements during our 2020 Audit Programme.

Our audit work in 2018-19 included a follow-up review of the Auditor General for Wales 2015 national report Delivering with Less – Leisure Services. Following a commissioning review of the Council’s Cultural services, on 1 October 2018, seven Council leisure centres transferred to Freedom Leisure, a not-for-profit organisation to manage and operate these facilities for a period of 19.5 years. Our review looked at the Council’s Cultural services commissioning review and decision-making arrangements in transferring these leisure centres to a not-for-profit organisation. Our audit concluded that: the Council has contracted out the future management of its leisure centres, but lacks a full strategic plan to evaluate the leisure service’s contribution to achieving the Council’s objectives.

Our audit work in 2018-19 also included a follow-up review of our 2014 report into the Council’s arrangements to support safeguarding of children. We also considered the Council’s progress in implementing the recommendations contained in the Auditor General’s report, ‘Review of Corporate Safeguarding Arrangements in Welsh Councils’ (July 2015). Overall, we found that: The Council has addressed most of the recommendations in our previous national and local safeguarding reports but should strengthen some aspects of its corporate safeguarding arrangements. We have made further proposals for improvement to the Council in this regard.

Continuous Improvement

We are satisfied the Council has met its legal duties for improvement planning and reporting and is likely to meet the requirements of the Local Government Measure (2009) during 2019-20.

Well-being of Future Generations Examinations

The examination that we undertook in 2018-19 considered the extent to which the Council has acted in accordance with the sustainable development principle in developing its new approach to employability, called ‘Swansea Working’. We concluded that the Council is acting in accordance with the sustainable development principle in developing and implementing the ‘step’ (‘Swansea Working’ is an explicit element of Council strategies to tackle poverty and prevention), but there are opportunities to further embed the five ways of working.

Our examination in 2019-20 considered the extent to which the Council is acting in accordance with the sustainable development principle in effecting the successful transfer of leisure facilities to the Council’s delivery partner. We concluded that the Council has taken appropriate steps to ensure the current service is sustainable but has yet to develop its strategy and intended outcomes for the future provision of leisure services in Swansea.

Other Inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response. CIW reported on its inspection of services for children living in Swansea in [October 2018](#). CIW also issued a [Local Authority Performance Review](#). Estyn did not inspect local government education services at Swansea during the period.

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The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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.

This document is also available in Welsh.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Financial Sustainability Assessment – **City and County of Swansea**

Audit year: 2019-20

Date issued: March 2020

Document reference: 1821A2020-21

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Jason Garcia, Justine Morgan and Colin Davies under the direction of Huw Rees.

Contents

The Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets.

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The cost of funding significant additional unsupported borrowing will add additional pressures to the revenue budget position over the medium and longer term	13

Summary report

Summary

What we reviewed and why

- 1 The project sought to assess the sustainability of councils' short to medium-term financial position.
- 2 This included a focus on the financial strategy of each council as well as reviewing financial 'indicators' of each council's financial position in relation to:
 - Performance against budget
 - Delivery of savings plans
 - Use of reserves
 - Council tax
 - Borrowing

Exhibit 1: about the Council

This exhibit sets out some background information on the Council's net revenue budget, the number of staff it employs and the value of its fixed assets



The Council's net revenue budget for 2019-20 was £443.3 million



The Council employs around 11,050 people



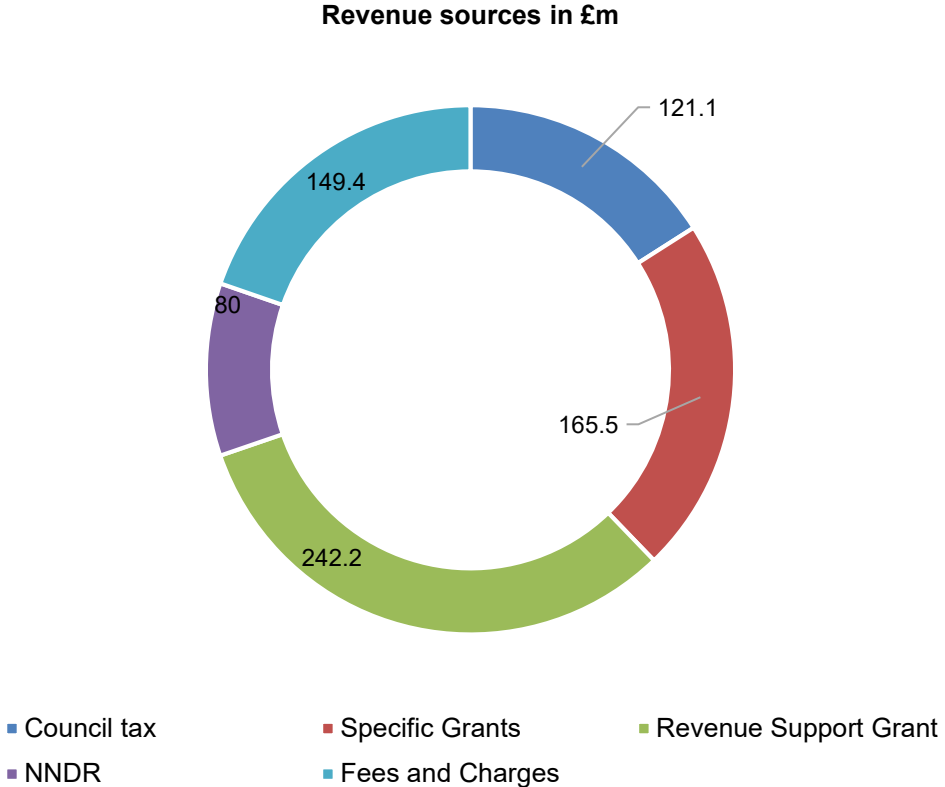
The Council's fixed assets as at 31 March 2019 were £1,380 million

Source: City and County of Swansea website and 2018-19 financial statements

- 3 We undertook this assessment because we identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the recent experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services.

Exhibit 2: the Council's sources of revenue

The pie chart below shows how much money the Council expects to receive from different funding sources during 2019-20



Source: Figures derived from Council's self assessment return

4 We undertook the review during the period October 2019 to January 2020.

What we found

5 Overall we found that the Council continues to face a significant financial challenge and 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. We reached this conclusion because:

- the Council has developed a strategy to support financial resilience but needs to ensure it is sustainable over the medium term;
- for the last three years the Council has not been able to maintain its cost of services within annual budgets;
- the Council does not have a good track record of delivering planned savings, adding to in-year financial pressures;
- the Council has a reasonable level of useable reserves, but recent unplanned use of reserves needs to be controlled to support financial sustainability;

- the Council has achieved good levels of council tax collection rates but the arrears balance is increasing, and
- the cost of funding significant additional unsupported borrowing will add additional pressures to the revenue budget position over the medium and longer term.

Detailed report

The Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling spending within budgets

The Council has developed a strategy to support financial resilience but needs to ensure it is sustainable over the medium term

Why strategic financial planning is important

- 6 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.

What we found

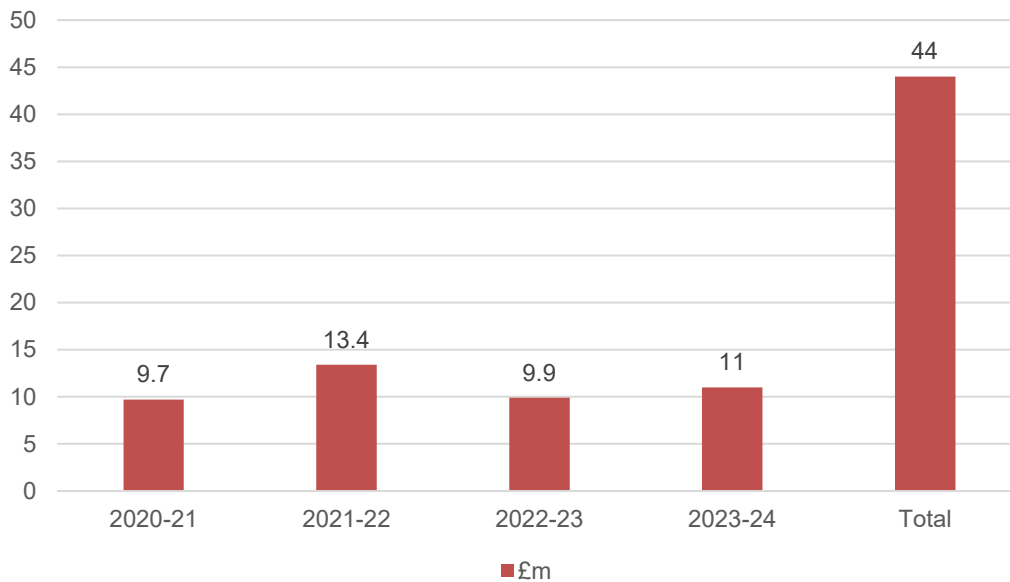
- 7 We found that the Council has developed a strategy to support financial resilience but needs to ensure it is sustainable over the medium term. We reached this conclusion because:
 - the Council's Medium Term Financial Plan (MTFP) identifies an anticipated funding gap over next few years, which is based on reasonable assumptions.
 - the Council has identified a financial deficit of £44 million to 2023-24. £9.7 million of this relates to 2020-21 and needs to be met from financial savings. The deficit for the period 2021-22 to 2023-24 totals £34.3 million and assumes an annual increase in Welsh Government Funding of 2% per annum. This deficit will need to be funded from financial savings and future increases in Council Tax.
 - for the last three years, the Council has not been able to maintain its cost of services within annual budgets and as a result has utilised some of its reserves to manage these overspends.
 - in December 2019, the Welsh Government announced a 4.2% increase to the Council's revenue support grant for 2020-21. The January 2020 Cabinet report on the Budget proposals for 2020/21 to 2023/24 sets out that this increase has, in large part, contributed to the Council's total savings requirement for 2020-21 reducing to £9.7 million.
 - in common with other councils, some service areas have seen significant real-terms reduction in their budget in recent years. The capacity of these

service areas to continue to make year on year savings in real terms whilst continuing to deliver services is likely to be a major challenge for the Council.

- the Council's 'Sustainable Swansea – Fit for the Future' programme aims to transform service delivery to improve services and outcomes for citizens and to help deliver the financial savings and income generation targets needed to meet the projected funding gap.
- a significant amount of work has been ongoing with a high number of specific service reviews being undertaken. However, this programme has yet to demonstrate that it will achieve the level of transformational change at the pace and scale needed to deliver the challenging level of efficiency savings necessary in the medium term. The Council is planning a major review of this programme in 2020 to assess how the programme should be amended to reflect current challenges.

Exhibit 4: projected funding gap

The following graph shows the funding gap that the Council has identified for the period 2020-21 to 2023-24.



Source: City and County of Swansea Cabinet report on budget proposals 9 January 2020

For the last three years the Council has not been able to maintain its cost of services within annual budgets

Why accurately forecasting expenditure is important

- 8 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities.

What we found

- 9 We found that for the last three years the Council has not been able to maintain its cost of services within annual budgets. We reached this conclusion because:
- in recent years the Council has overspent at a service expenditure level against its revenue budgets and to some extent has needed to utilise reserves to fund these overspends.
 - the Council has 4 directorates. Since 2016-17, the Directorates of Resources, Social Services and Education have consistently overspent against budget. However, Poverty and Prevention (now part of Social Services) and the Directorate of Place have generally managed their annual expenditure within budgets.

Exhibit 5: amount of overspend/underspend relative to total net revenue budget

The following exhibit shows the amount of overspend or underspend for the Council's overall net revenue budget for the last two years and also the year to date as at December 2019.

Year	Original net revenue budget £m	Actual outturn net revenue budget £m	Amount of overall surplus/overspend £m	Percentage difference from net revenue budget
2017-18	£418.8m	£419.3m	£0.5m overspend	0.12% overspend
2018-19	£433.2m	£432.9m	£0.3m surplus	0.07% surplus
2019-20	£443.3m	£443.3m	balanced budget	n/a

Source: City and County of Swansea Budget Monitoring reports

- in 2019-20, there has been an improvement in managing expenditure within budget with all service areas with the exception of Non Schools – Education.
- despite this improved performance in 2019-20, the Council still faces significant challenges ahead in relation to how its services maintain expenditure within their budgets. Increased service demand pressures in both education and social services coupled with the need to find significant additional savings across all services adds to these challenges.

The Council does not have a good track record of delivering planned savings, adding to in-year financial pressures

Why the ability to identify and deliver savings plans is important

- 10 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered this can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.

What we found

- 11 We found that the Council does not have a good track record of delivering planned savings, adding to in-year financial pressures. We reached this conclusion because:
- the Council has not met its savings targets in any of the last 5 years. During this time a total of £83.3 million of savings have been identified but only £62.7 million have been delivered. The Council's MTFP has generally been predicated on the Council achieving 80% of planned savings. On average over the last 5 years the Council has achieved 75.2% of its planned savings.
 - the Council is predicting that it is unlikely to meet its savings target for 2019-20. For 2019-20 the Council predicts that of £12.6 million planned savings, £2.0 million (15.9%) will not be achieved.

Exhibit 6: savings delivered during 2018-19 as a percentage of planned savings

The following exhibit sets how much money the Council intended to save through planned savings during 2018-19 and how much of this it actually saved.

£16.5m	£10.3m	£6.2m	62.4%
Total planned savings	Planned savings delivered	Planned savings not delivered	Percentage savings achieved

Source: City and County of Swansea Council self assessment

The Council has a reasonable level of useable reserves, but recent unplanned use of reserves needs to be controlled to support financial sustainability

Why sustainable management of reserves is important

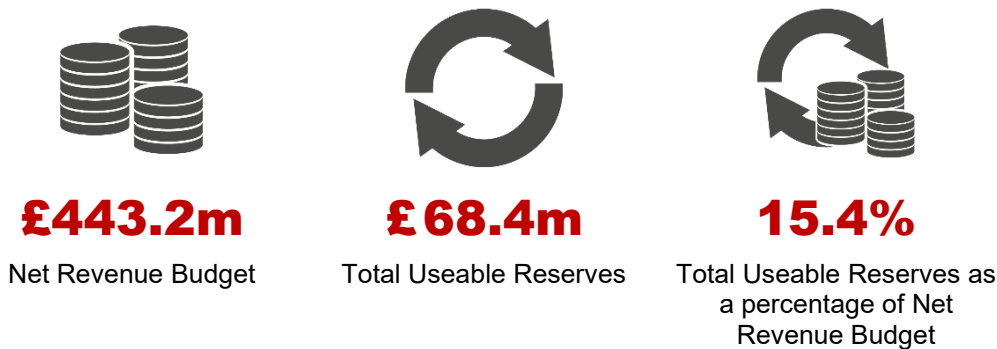
- 12 Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves can also be an important funding source to support ‘invest to save’ initiatives designed to reduce the on-going cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.

What we found

- 13 We found that The Council has a reasonable level of useable reserves, but recent unplanned use of reserves needs to be controlled to support financial sustainability. We reached this conclusion because:
- the Council has £68.4 million of useable reserves including a General Fund Reserve of £9.4 million as at 31 March 2019.
 - the Council’s general reserve fund was £12.6m as at 31 March 2016. Between 1 April 2016 and 31 March 2019 this has reduced to £9.4 million because of the need to fund unplanned service overspends. It is however planned that this reserve will remain at this level for the next three years.
 - whilst the Council has predicted reserve levels up until 31 March 2021, it has been unable to provide predictions for the longer term, although it will be aiming to maintain the general reserve fund balances at the current level. It is important that the Council maximises the benefit it can obtain from its useable reserves to support the aims of the “Sustainable Swansea” project for transforming service provision and identifying further efficiency savings.

Exhibit 7: amount of reserves vs annual budget, 2018-19

This exhibit shows the amount of usable reserves the Council had during 2018-19 compared with its net revenue budget for the same year.



Source: City and County of Swansea Council

The Council has achieved good levels of council tax collection rates but the arrears balance is increasing

Why council tax collection rates are important

- 14 Failure to collect the amount of council tax due to the Council will result in less income. This in turn may increase the financial pressures on the Council and require it to make additional savings. Whilst council tax is not the biggest source of funding for councils in Wales, it remains a key income source.

What we found

- 15 We found that the Council has achieved good levels of council tax collection rates but the arrears balance is increasing. We reached this conclusion because:
- the Council has continued to achieve relatively high levels of council tax collection despite recent increases in council tax levels.
 - the Council has a good track record of collecting council tax and for 2017-18 and 2018-19, although the collection rate for 2018-19 (97.0%) was slightly lower than for 2017-18 (97.3%).
 - council tax has increased as a percentage of the council's revenue income over recent years and is expected to amount to 16% of income in 2019-20.
 - in October 2019 the Council decided to implement a Council Tax premium of 100% of the standard rate of Council Tax on long term empty dwellings and second homes. By 2021-22 this will provide the Council with an additional annual income of £3 million.

- as at 31 March 2018 Council Tax arrears amounted to £7.1 million. This had increased to £7.8 million by 31 March 2019.

Exhibit 8: council tax collection rates

This exhibit shows the percentage of council tax due that the Council collected during 2018-19



Income collected from council tax at 31 March 2019 was 97% against a collectable debit of **£137.0m**

Source: Stats Wales

The cost of funding significant additional unsupported borrowing will add additional pressures to the revenue budget position over the medium and longer term

Why maintaining sustainable levels of borrowing is important

- 16 Borrowing can be a valuable source of funding, for example to fund large scale capital projects such as new schools or leisure centres. However, the cost of repaying borrowing including interest costs can have a long-term impact on ongoing revenue budgets. Councils that fail to properly balance the benefits and costs of borrowing with their current and predicted revenue budgets risk reducing the amount of funding available for service delivery. Borrowing to fund commercial activity has the potential to generate additional income to fund council services, however, it can also bring significant risks that would be associated with any commercial activity.

What we found

- 17 We found that the cost of funding significant additional unsupported borrowing will add additional pressures to the revenue budget position over the medium and longer term. We reached this conclusion because:
- the Council is undertaking a capital investment programme which will require significant additional unsupported borrowing to be taken out in the next couple of years.

- since 2015-16 Council borrowing has increased from £410.8 million to £561.2 million as at 31 March 2019. This borrowing has been utilised to support the ambitious capital programme in place at the Council. Some of this borrowing has been taken in advance of need due to beneficial interest rates and this has resulted in the level of investments as at 31 March 2019 increasing to £121.9 million.
- the current capital programme is planning to spend an additional £360 million for the period to 2024-25. This includes £172.6 million for the 21st Century Schools programme and £135 million for the Swansea Central Phase 1 project. To fund this programme an additional £104.5m of unsupported borrowing is planned to be taken.
- The Council is currently predicting that at 31 March 2023 their total borrowing will be £614 million (90%) against a maximum authorised limit of £681.9 million. For 2019-20 the Council is predicting capital interest costs totalling £31.9 million. This has increased by 13.5% from £28.1 million in 2017-18 and in 2019-20 will equate to 7.25% of net revenue expenditure. The planned additional borrowing will increase this percentage further in the medium term and this will add additional pressures to the delivery of Council budgets.
- The Council has outstanding borrowing totalling £7.3 million at 31 March 2020 to fund commercial investments and these investments are expected to generate £5.3 million in 2019-20 which equates to 1.2% of the net revenue expenditure budget.
- In December 2018 the Council changed its policy in relation to minimum revenue provision moving from a 4% reducing balance method to a 2.5% straight line basis for unsupported borrowing. This has the benefit of generating approximately £2.7 million revenue savings annually for the period 2019-20 to 2022-23. Annual savings will continue to be realised until the 2028-29 financial year following which increased charges will be seen up until 2056-57.

Exhibit 9: Council borrowing

The exhibit below shows the total amount of money that the Council has borrowed to fund commercial investments, as well as the cost of all the borrowing that the Council has as a proportion of its net revenue budget.



£7.3m

Amount of borrowing to fund commercial investments



5.85%

Cost of total borrowing as a proportion of net revenue budget 2018-19

Source: City and County of Swansea Council

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

Agenda Item 13



Report of the Head of Communications & Marketing

Special Audit Committee – 26 May 2020

WAO Proposals for Improvement: Six-month status update July to December 2019

Purpose:	The report presents an overview of the status of Swansea Council's response to earlier proposals for improvement made by WAO to provide assurance to the Committee on progress.
Report Author:	Richard Rowlands
Finance Officer:	Paul Roach
Legal Officer:	Debbie Smith
Access to Services Officer:	Catherine Window

For Information

1. Background

- 1.1 The Audit Committee requested a regular overview on the status of the Council's response to earlier WAO proposals for improvement.

2. Overview of progress

- 2.1 This is the fifth six monthly report (July – December 2019), which reviews progress and describes next steps to meet the proposals for improvement previously made by WAO in reports concerning Swansea Council.
- 2.2 The detail is set out in Appendix A.

3. Future Reports

- 3.1 All WAO local performance audit reports and relevant national WAO reports (i.e. those with recommendations for local government) and action plans to address WAO proposals for improvement are now scheduled as a matter of course into the Scrutiny work programme.

- 3.2 WAO local performance audit reports and relevant national WAO reports (i.e. those with recommendations for local government) will also go to Audit Committee **for information purposes only** once reported to Scrutiny. The Committee may decide to prioritise and track specific proposals / recommendations in addition to the oversight provided by Scrutiny; this process does not include the WAO reports that would ordinarily go to Audit Committee.
- 3.3 This arrangement should provide Scrutiny, Audit Committee, Members and WAO with assurance that there is a consistent, proportionate and sustainable system in place to ensure that the Council responds and puts in place action plans to address any WAO recommendations and that these are appropriately challenged and followed-up.

4. Equality and Engagement Implications

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

5. Legal Implications

- 5.1 There are no direct legal implications.

6. Financial Implications

- 6.1 There are no direct financial implications.

For Information

Background papers: *None*

Appendices: Appendix A - WAO Proposals for Improvement: Six-month status update report July to December 19

Status at 31/12/19	Area	Ref	Title of Audit	ACTION	LEAD Officer	KEY MILESTONES	Achievements to date: December 19 Dec-19	Next Milestone
Open	Governance	1.3	WAO Annual Improvement Report 2015/16	<p>P2 Ensure records of delegated decisions made by officers are accurately recorded</p> <p>Improve transparency and create and publish a corporate record of executive decisions delegated to officers:</p> <ul style="list-style-type: none"> Establish financial thresholds for recording decisions Ensure that relevant officers and Cabinet members are aware of and understand the approach to be adopted Implement the approach through populating the appropriate section of the Council's website. 	Monitoring Officer & Chief Legal Officer	2017/18	Delegated Decisions Recording in place. Council adopted the new Contract Procedure Rules meaning that all Delegated Decisions over £1M shall be reported.	Work has commence on this and the Amendments to the Council Constitution report will be presented to Council in May 2020. The amendments will include widening the Call In to delegated decisions.
Open	Governance	1.21	WAO Good Governance 2016/17	<p>P2 Whilst potential financial savings are consistently identified the Council should ensure that the process for concluding a review consistently identifies the intended impact for service users and the means by which that impact will be evaluated in the future.</p>	Section 151 Officer & Chief Finance Officer		Progress has bene severely impacted by substantial delays to UK and Welsh Government budget setting and means 20-21 budget consultation and approval process will be shortened and delayed. Effectively we are running down SSFFF and drawing that programme to a close and looking to refresh and relaunch new budget strategy for 20-21 onwards under the Deputy CX direction taking into account major changes proposed by WG to local government business, regional working etc.	Complete refresh and relaunch of replacement to Sustainable Swansea which will include a refocussing on outcomes as well as financials. Initial; development work being undertaken by Deputy CX supported by key officers. Will ultimately be a new policy for adoption by Council once drafted and consulted upon. When sufficiently developed to address the findings made re citizen/user outcomes it is then recommended that this action can be closed.
Open	Change	2.2	WAO Annual Improvement Report 2015/16	<p>Build relevant actions into the Innovation Programme, including:</p> <ul style="list-style-type: none"> increasing employee empowerment problem solving and learning, and; <p>ensure delivery across all Service Areas through the performance review process</p> <p>Proposal P4 Improve performance management by:</p> <ul style="list-style-type: none"> Increasing the coverage, positive impact and frequency of formal staff appraisals. 	Strategic HR&OD Manager Leadership Team	2017/18	Proposals presented and agreed by Leadership Team	Preparation work to be undertaken between January and March with a view to launching pilots in Service areas across the Council from April onwards.
Open	Delivery	3.2	Corporate Assessment 2014/15	<p>P4 Ensure service business plans consistently incorporate workforce and asset management requirements as expected in corporate guidance</p> <p>Workforce</p> <ul style="list-style-type: none"> Integrate workforce planning activities in all Business Plans. All Business Plans consistently follow corporate guidance 	Strategic HR&OD Manager Leadership Team	2017/18	<p>Social Services;Adult Services and Child and Family</p> <ul style="list-style-type: none"> Age Profile completed Qualifications mapped Training Needs Surveys issued for AS and C&F – returns due mid Jan '20 <p>Education; EPR and Achievement and Partnership</p> <p>Major area restructures underway and nearing completion The work will be managed through Light touch PM methodology, with professional project management skills made available throughout.</p> <p>Place: Not all areas on board currently, but some quite advanced with their activities:</p> <p>Housing – Workshop completed, and working on identifying key areas such as apprenticeships and professional development in key specialisms to ensure retirements are replaced appropriately at the right time</p> <p>Culture – Workshop to be completed to get them started.</p> <p>Waste – not engaged yet, but Parks and Cleansing developing new roles and considering future needs for the service</p> <p>Highways and Transportation – engaged and keen, workshop required to get them started.</p> <p>CBS – well developed and work continues annually to match apprenticeship requirements directly to demand analysis – assistance offered but not required at this time. We provide an annual data update report to the HOS. Next one due in Jan 2020.</p>	<p>Social Services;Adult Services and Child and Family; • Succession planning roles</p> <ul style="list-style-type: none"> Apprentices opportunities identified Future Workforce Plan draftAge profile work to commence as part of full service WF snapshot (LP) <p>Education;Critical posts will be identified as part of the restructure reviews Workforce Plan will follow when all restructures completed</p> <p>Restructures required before workforce plan can be drafted, however, all areas will have been fully reviewed and restructured to be fit for the future challenges, with minimal changes required before 2022 allowing for stability to be re-established. Each area is restructuring concurrently, and additional work will be required when Schools will be looking at staffing reductions from February to May.</p>

Agenda Item 14



Report of the Section 151 Officer

Special Audit Committee – 26 May 2020

Revenue and Capital Budget Monitoring 3rd Quarter 2019/20

Purpose: To provide the Audit Committee with the Revenue and Capital Budget Monitoring Report which was presented to Cabinet on 20 February 2020.

Report Author: Ben Smith

Finance Officer: N/A

Legal Officer: N/A

Access to Services Officer: N/A

For Information

1. Background

1.1 To provide the Audit Committee with the Revenue and Capital Budget Monitoring Report which was presented to Cabinet on 20 February 2020.

Background papers: None.

Appendices:

Appendix 1 - Revenue and Capital Budget Monitoring Report which was presented to Cabinet on 20 February 2020.



Report of the Cabinet Member for Economy & Strategy

Special Cabinet – 20 February 2020

Revenue and Capital Budget Monitoring 3rd Quarter 2019/2020

Purpose:	To report on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.
Policy Framework:	Budget 2019/20. Transformation and Future Council (Sustainable Swansea –fit for the future)
Consultation:	Cabinet Members, Corporate Management Team, Legal and Access to Services.
Recommendation(s):	It is recommended that: <ol style="list-style-type: none"> 1) The comments and variations in this report, and the actions in hand to address these, are noted; 2) The substantial improvement to date be noted and Directors remaining plans to assure Cabinet that service budgets can be sustainably brought back into line for 2019-20 and beyond continue and are implemented by 1 April 2020, and earlier still wherever possible; 3) No officer may consider any material further spending commitments until those savings plans, as referenced in recommendation 2 to address service overspending are fully assured and delivered.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2019/20, including the latest assessment of the delivery of savings.
- 1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:
 - projected variations (mainly shortfalls) in relation to budget savings agreed by Council in February 2019
 - Variations arising from other service pressures not directly linked to specific savings plans (e.g. increased service demand, price and pay inflation, increased, but most often unfunded, regulatory obligations and burdens from both UK and Welsh governments)
- 1.3 The report includes comments from Directors in relation to the variations highlighted and the action that is in hand or proposed as appropriate.
- 1.4 The report also includes the latest completed Savings tracker summary in Appendix C that indicates the current overall forecast delivery % of the various savings streams by the services is at 84%. Any shortfalls in achieving savings will be reflected in the table at 2.3 and in Appendix A.

2. Revenue Outturn Forecast Based on 3rd Quarter position

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2019/20 and the forecast variation at this time.
- 2.2 Other than projected variations on Directorate expenditure, it is still too early to forecast final variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2018-19 of £0.3m though in previous years has returned a modest surplus) – it is assumed at the current time that these remain largely as per the approved budget.
- 2.3 The overall Directorate position is summarised below:-

DIRECTORATE

	FORECAST VARIATION 2019/20 £000	SAVINGS VARIATION 2019/20 £000	OTHER VARIATION 2019/20 £000
RESOURCES	-596	1,757	-2,353
PEOPLE - SOCIAL SERVICES	-99	842	-941
PEOPLE - EDUCATION	1,629	0	1,629
PLACE	-500	731	-1,231
NET DIRECTORATE EXPENDITURE	434	3,330	-2,896

- 2.4 Directors' comments on the above variations are shown at Appendix B:-
- 2.5 Within the *Sustainable Swansea* Delivery Programme, work continues to develop service delivery plans that will include all savings requirements across all strands. This includes the cross cutting nature of new reviews as well as the completion of current in-flight reviews.
- 2.6 Whilst continuing to significantly improve, the above potential service overspend, and more pertinently continued shortfall in original savings plans, remains a risk, albeit a diminishing one, more especially so given the overall position is helped temporarily by some one-off grant funding sources . A number of the overspend areas follow on from the outturn position for 2018/19 and need to be considered in the light of the forecast savings going forward within the 2019/20 budget, Medium Term Financial Plan, and the cumulative effect of non-achievement of savings going forward.
- 2.7 Corporate Management Team has re-enforced the current arrangements for budget monitoring in particular :-
- focus on a range of corrective actions;
 - targeted immediate spend reduction action;
 - spending control on all vacancies and contracts;
 - a continued reminder that **no Responsible Officer is authorised to overspend their budget in line with Financial Procedure Rules;**
 - and consequently that Directors have brought forward to Cabinet and Corporate Management Team detailed and realistic mitigation plans to contain service overspending.
- 2.8 Offsetting opportunities do exist to temporarily ameliorate the currently identified service demand and price pressures as follows.
- £1m was set aside in the budget for the potential costs relating to the impact of the Apprenticeship Levy. The final costs relating to this levy will only be known once final employee related costs are calculated at the year end. Should the full allocation not be required then any saving will be proposed to be used to mitigate service pressures at year end.
 - £2m was also set aside to meet any specific and significant inflationary increases arising in year. A Commercial savings target was held corporately in 2018/19 and initially 2019/20. Any actual contract/procurement savings were delivered within services and not allocated to this central target. For 2019/20 this total has been allocated to services and is funded from the Inflationary provision to avoid double counting against previous contract procurement savings. Given the overall financial projection at this stage it is proposed by the S151 officer that £1.1m is allocated to services to cover commercial pricing pressures as outlined in the 1st Quarter report and the remaining £0.9m be conserved for now as a hedge against potential service over spending with any final underspend being allocated equally to the Capital Equalisation Reserve and Restructure Reserve .

- Use of the Contingency Fund as detailed below.

3. Contingency Fund Provision for 2019/20

- 3.1 The contingency fund is set at the £7.072m contribution for 2019/20 as set out in the budget report approved by Council in February 2019. This is significantly higher than in recent years reflecting additional mitigation against any repeated overspending.
- 3.2 The current potential calls on the contingency fund for 2019-20 are:-

Contingency Fund 2018/19	Prediction
	2019/20 (£m)
Budgeted contribution for year.	7.072
One off interim support arrangements for Chief Executive and ongoing regional working.	-0.030
One off support to a range of events celebrating the 50 th anniversary of the granting of city status to Swansea .	-0.158
Support for Swansea Community Awards.	-0.003
Key Cities Subscription.	-0.010
High Street Multi Story Car Park urgent lift works.	-0.135
New Depot : CTU equipment(previous service earmarked reserve fully used in extremis to balance budget 18-19. Anticipated spend now funded in 19-20)	-0.314
Western Powerhouse subscription	-0.020
Community Help Fund	-0.025
Christmas trading City Centre car park support . BID to support in addition.	-0.050
Equalities consultation and co-production support	-0.005
ER/VR in year costs if ultimately exceeding balance on Restructure Reserve of £3m (this is currently not expected to be needed on basis of levels of ER/VRS).	0.000
Section 151 officer proposes to utilise current year underspend on contingency fund by allocating it between Capital Equalisation Reserve and Restructure Reserve	-6.322
Balance 31st March 2020	0

The above table lists current potential calls on the budgeted contingency fund. The final amounts will be dependent on a number of factors during the year including speed of implementation, actual costs/commitments incurred and final Directorate

outturn position. Spend approvals will be deliberately limited to seek to maximise underspend here as part of mitigating budget savings action.

As set out in the 2018-19 Revenue outturn report to members some £3m remained within the Restructure Reserve to contribute toward ER/VR costs in 2019-20. The S151 officer proposes that any such costs over and above this £3m will be funded via the contingency. The final costs of ER/VR will only be known towards the end of the year once all management actions re savings proposals etc are implemented. At this stage it is assumed that all ER/VR costs will be able to be contained within the sum left in the Restructure Reserve.

Based on current forecast the S151 officer proposes to utilise the current year forecast underspend on the Contingency Fund of £6.322m to provide additional funding in the Capital Equalisation Reserve and the Restructure Reserve. This provides further flexibility to manage the large scale capital programme ambition in the short term for the former item and renewal of funding to continue to centrally underwrite staff restructuring costs (early retirements and voluntary redundancies if needed), including those proposed by schools themselves, for the latter item.

However , the S151 officer proposes to reserve his final position on the recommended levels of use of the restructure reserve and contingency fund until the absolute success or otherwise of reducing the forecast overspend is known at year-end.

- 3.3 The current indication is that, for 2019-20, there still needs to be some further closely targeted mitigating action and delivery of savings proposals if a fully balanced budget for services for the year is to be achieved .
- 3.4 The action being taken includes working through existing plans on an accelerated delivery basis :
- Management and Business Support Review: ongoing review of the management structure across the Council and future requirements given the Council's priorities, future challenges and the changing nature of the role of managers
 - Reducing the Pay Bill: review of options to reduce employee costs across the Council as part of our overall future workforce strategy (subject to trade union consultation at the appropriate time)
 - Commercialism through third party Procurement Savings and Income Generation: review of further options to increase income from fees and charges, trading etc, in addition to the targets already set for 2019/20
 - Progressing implementation of Commissioning Reviews and Cross Cutting Themes.
 - Further implementation of the Social Services Saving Plan through which we have identified mechanisms for bringing down overall costs.
 - Continuing the extant spending restrictions which have been reviewed, refreshed and reissued by Corporate Management Team.
 - Directors detailed action plans which are summarised in their commentary in Appendix B.

3.5 It should be noted that at this time, although the Council continues to pursue a number of VAT related claims, some are more advanced than others, there is NO certainty of windfalls from VAT refunds or any other external source being received in the current year.

4. Revenue Budget Summary

4.1 The position reported above reflects the best known current position. A net £0.434m of shortfall in service revenue budgets, offset wholly by £0.434m of identified additional savings from the non-allocation of the Inflation provision. This is materially better than the equivalent 3rd Quarter report for 2018-19.

4.2 Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be contained within the relevant limits of the current year budget as set by Council.

4.3 As previously mentioned, it is too early to provide an accurate forecast as to the potential outturn on corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, but offset by an often increasing tax base.

4.4 Included in the projected budget for 2019/20 for other corporate items are capital finance charges. At this early stage no variance is forecast, in any case any underspending or overspending will be transferred at year end to or from the capital equalisation reserve, a strategy previously agreed by Council. This will be reviewed and updated during the year as various capital schemes/programmes progress.

4.5 The overall judgement at this point is that there remains some residual need to identify and implement all existing budget savings across all Council Services to improve the 2019/20 position and beyond.

4.6 There remains a degree of confidence that some further inroads can continue to be made into the forecast overspend position by ongoing management and member action/mitigation.

4.7 There continue to be risks around general inflationary pay and price pressures in the forthcoming year including significant increases to the National Living Wage from April 2020 which will significantly impact contractors to the Council in some service areas. It may also put further pressure on the lower end of the current local government pay spine. Whilst entirely welcomed from a policy perspective, nevertheless the Council simply cannot afford to fund them in isolation, unless additional support is forthcoming from the UK and Welsh Governments, otherwise savings will have to be made elsewhere to meet such pressures.

4.8 Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.

4.9 The Section 151 Officer has previously considered professional advice given as to funding levels within the Insurance Reserve and notwithstanding the ongoing modest draws from the reserve over the duration of the MTFP to help support the

revenue budget, he is satisfied there is at least a further £2.648m of headroom (over funding) beyond that reasonably likely needed to meet future claims. This enabled a previous transfer to be made between earmarked reserves and bolster the capital equalisation reserve yet further in anticipation of the substantial future capital spending which remains to be predominantly financed from unsupported borrowing. This transfer was approved by Council on the 24th October 2019 in the annual Review of Revenue Reserves report.

- 4.10 It remains imperative that sustainable base budget savings are found to replace in year one off actions to stabilise the 19-20 budget ahead of the finalisation of the 2020-21 budget round.

5. Capital Budget

- 5.1 Expenditure to 31st December 2019 is £86.448 million, summarised as follows:

Directorate	Budget 2019/20	Actual to 31/12/19	% spend
	£'000	£'000	
Corporate Services	3,299	1,289	39.1%
People	16,852	6,703	39.8%
Place (General Fund)	94,586	44,387	46.9%
Place (HRA)	60,746	34,069	56.1%
Total	175,483	86,448	49.3%

- 5.2 Expenditure on major capital schemes is detailed in Appendix D.

- 5.3 It should be noted that the actual spend to 31 December may only have 7 or 8 months costs relating to external invoices. The capital budgets were reviewed during October which resulted in some budgets being re-profiled into later years. Nevertheless it remains highly likely that some capital expenditure slippage will occur and this will help reduce the in-year revenue costs of capital financing.

6. Housing Revenue Account

- 6.1 The current repairs forecast is £100k underspent, which is mainly due to lower than forecast spend on responsive repairs; which is partly offset by some additional electrical maintenance costs. In addition to this, there is £150k income from technical design fees and an underspend on employee costs of £160k due to higher than anticipated vacancies. As it stands, the slippage on the Capital programme will lead to a reduction in capital finance costs, and we are forecasting this to be in the region of £1m. There are no other material budget issues to flag at this stage.

7. Legal Issues

- 7.1 There are no legal issues contained within this report.

8. Equality and Engagement Implications

8.1 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.

8.2 The Revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

Background papers: None.

Appendices:

Appendix A – Revenue Budget forecast 2019/20

Appendix B – Directors comments on variances and action plans

Appendix C – Savings tracker summary

Appendix D – Expenditure on major Capital Schemes

Appendix A

REVENUE BUDGET PROJECTION QUARTER 3 2019/20

<u>DIRECTORATE</u>	BUDGET 2019/20 £000	PROJECTED 2019/20 £000	VARIATION 2019/20 £000
RESOURCES	46,291	45,695	-596
PEOPLE - SOCIAL SERVICES	120,750	120,651	-99
PEOPLE – EDUCATION	170,600	172,229	1,629
PLACE	56,769	56,269	-500
<i>NET DIRECTORATE EXPENDITURE</i>	394,410	394,844	434
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	1,850	1,416	-434
CONTINGENCY FUND	6,322	6,322	0
<i>OTHER ITEMS</i>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	86	86	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	12,971	12,971	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	14,478	14,478	0
NET INTEREST CHARGES	18,119	18,119	0
<i>NET REVENUE EXPENDITURE</i>	448,236	448,236	0
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-5,310	-5,310	0
<i>TOTAL BUDGET REQUIREMENT</i>	442,926	442,926	0
DISCRETIONARY RATE RELIEF	400	400	0
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	443,326	443,326	0
COMMUNITY COUNCIL PRECEPTS	1,465	1,465	0
<i>TOTAL REQUIREMENT</i>	444,791	444,791	0
<i>FINANCING OF TOTAL REQUIREMENT</i>			
REVENUE SUPPORT GRANT	242,197	242,197	0
NATIONAL NON-DOMESTIC RATES	80,014	80,014	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	121,115	121,115	0
COUNCIL TAX - COMMUNITY COUNCILS	1,465	1,465	0
<i>TOTAL FINANCING</i>	444,791	444,791	0

Director's comments on budget variances**Director of Resources**

The directorate is undergoing a substantial realignment of all service budgets to address historic cumulative variances and this will see the undelivered historic items fully removed by 1 April 2020. For completeness the full range of variations, in year management one off and permanent actions and new year planned base budget proposals to mitigate those historic shortfalls will be reported for the remainder of 2019-20.

Variance	£000	Explanation and Action
<u>Savings Variation</u>		
18/19 Sustainable Swansea Savings targets:		
Management review of grade 10 and above	113	These three areas form part of Corporate Services proposals to merge and review cross-cutting functions across the Council related to Business Support functions, exploring new ways working including regional collaboration where possible. Limited opportunities are available regarding shared services and the regional working options are very slow in progressing, with little if any appetite across other organisations. Further Proposals and plans are now in place to achieve this saving by 1 st April 2020.
Service review/regional working/shared services	239	
Stopping or reducing services through new ways of working	597	
Merging of Land Charges with Planning and Building Control as per the Commissioning Review	25	The team has successfully merged with Planning and savings achieved in the Place Directorate. It was planned that new ways of working would release this £25k in legal, however, this is no longer possible.
Establishing Business Support hubs in the People and Place Directorates	-79	An additional saving achieved as a result of implementing the 'One Council' approach to Business Support.
19/20 balance	-125	Additional savings as a result of vacancy freeze and delay in appointing staff.
16/17 & 17/18 saving targets	531	Alternative proposals are now in place to deliver this by 1 st April 2020
Sub total	1,301	

Other saving targets:		
Transfer and review of the Welsh Translation Unit, including cost and charges	150	The Welsh Translation Unit is reviewing ways of working however, the demand for Welsh translation continues to increase. In order for the Council to meet its statutory responsibilities and statutory deadlines. New proposals are in discussion related to this saving.
16/17 Communications model & Corporate Health & Safety/Wellbeing	306	This saving is challenging with the identified model of merging the marketing and communications from across the council into one team not able to progress. In addition, the increase in demand in the referrals to occupational health has not enabled the growth of this area to become income generating due to all spare capacity being used internally. Alternative proposals are now in place to achieve the saving by 1 st April 2020.
Total Savings variation	1,757	
Other Net Underspends	-2,353	Mainly as a result of Legal Services underspends of £-688k due to staff savings of £-427k and income from the Liberty Stadium court case £-130k, Financial Services underspends due to CTRS forecasted underspend of £-450k, however, this dependant on caseloads & net staff savings of £-503k, Digital and Transformation staff savings of £-400k and potential IT contract cost savings of £-295k due to Oracle support and maintenance contract which has been negotiated as part of the Oracle Cloud implementation, training of support team on new contact centre technology and other contract costs, however, these are subject to confirmation.
Total Variation	-596	

Corporate Services underwent significant change in 2017/18 which followed into 2018/19, in order to realise savings and rebalance the budget.

The Directorate has proactively and strictly managed spending throughout the year, and as a base budget has performed well. The legacy savings from the previous years have affected the budget and these have been offset by underspends on service areas mainly as a result staff savings through managing vacant posts and from a one off income item in relation to the Liberty Stadium court case and Council Tax Reduction Scheme (CTRS)

underspend, which is dependent on caseloads. This has resulted in an overall Directorate variance of £-596k.

Detailed plans and proposals are now in place to deliver alternative savings to the above variances. The full year effect of those savings will not be felt until 1st April, but as a result of reflecting these savings against in-year budgets for some services this has created a new overspend position, even though the Directorate as a whole is underspending in-year. Individual service overspends have occurred where they have adopted a new unplanned saving mid-year which will not materialise until 2020/21. This is not without difficulty in some areas where vacant posts have been left unfilled and ultimately deleted in the savings proposals. This continues to create pressure across Resources and work has been prioritised accordingly.

Action Plans for Resources include:

- Releasing of vacancies in each service
- Ensuring all legacy savings are achieved, which were previously allocated to services
- Service budget reviews to release additional savings, reviewing the risk across the Council including impact on other Directorates.
- A range of other measures are being considered as part of in year and annual budget savings considerations , these include.
 - Review of the CTRS which is a demand-led service
 - Reductions in corporate services.
- Bringing forward savings as a result of digital wherever possible
- Reducing and stopping fees and subsidies wherever possible.

Director of Social Services

Social Services

Variance	£000	Explanation and Action
Savings Variation		
Implement preferred options as outcome of Commissioning Review (Learning Disability, Physical Disability & Mental Health service provision)	500	This project continues with dedicated resource and senior management input. Initial retendering exercise underway. The continued effect of increases to minimum wage and the need to diversify the supplier base will cause costs to increase.
Review of CHC Arrangements/LD MH Right Sizing and Review	248	This scheme has had success in obtaining external funding for appropriate placements. This work will continue.
Review all packages of care to ensure fit for purpose and effectively manage new admissions to domiciliary care.	140	Domiciliary care continues to be subject to significant demand pressures. Rightsizing work is therefore likely to release capacity rather than reduce spend.
Direct Payments Strategy - Targeted increase in recourse to direct payments as alternative to non-complex	100	Savings in this area continue through reviews of allowances paid and, where appropriate, the reclaim of unused balances.

Appendix 1

Variance	£000	Explanation and Action
domiciliary care packages		
Income Targets	-500	Targets are expected to be exceeded in this area due to significant deferred payment receipts as well as funding transfers received in respect of legislative changes.
Maximise Income Opportunities in Outdoor Centres	25	Staffing changes have taken place in the centres, however there is an expected overspend in this area.
Creation of a single family support function across Poverty & Prevention and CFS	50	This target is 87% achieved. Unachieved savings are primarily a consequence of the Youth Offending Service's disaggregation from regional arrangements.
Increase income from training delivered	10	This saving target is dependent on income that will not be realised until later in the year.
Realignment of employability service to maximise efficiency of grant and management.	100	This saving is currently 50% achieved. An Employability Commissioning Review is underway to identify further opportunities to offset core funds to achieve this target in 19/20 and beyond.
Direct licensing model with Duke of Edinburgh Wales in line with other authorities.	20	The model is dependent on income generated to make savings and cover costs. As the area is expected to overspend, this saving target is unachieved.
Transfer Client Income and Finance from Social Services to Corporate Centre and make efficiencies in the process.	17	This saving has been largely achieved through increased income. It remains possible that this saving will be achieved.
Cross Cutting Savings	132	Cross cutting savings arising from a combination of proposed changes to terms and conditions are unlikely to be achieved.
Other		
Independent Child and Family Placements	1,360	This budget is subject to both fee and demand pressures, with a number of high cost placement in Q3.
Adoption Fees	200	The council contributes towards a regional adoption service where costs are shared between partners dependent on placement activity. This forecast corresponds with the latest placement information.
External Residential Care	-324	Tight management of costs and increased income mean than business as usual underspends are predicted in these areas.
External Domiciliary Care	-193	

Appendix 1

Variance	£000	Explanation and Action
Internal Staffing and Services	-3,219	A number of grants have been received that are able to support the overall financial position. Work to ensure services are designed in a way that enables the Council to access all funding sources continues and will cause significant underspends to appear in this financial year.
Third Party Spend	-265	The Directorate continues to maintain tight vacancy and cost management approaches.
MHLD Complex Care	1,500	This remains an area of significant pressure. Additional budget has been allocated but is being outstripped by pressures on demand and fees.
Overall Variation	-99	

Director's Comments

For the first time in some years, we are predicting an overall underspend at the third quarter. This is largely driven by increased income, both client and grant. Work is underway to mitigate the time limited nature of the grants and to manage the challenge provided by increasing demand for services.

The Directors action plan as outlined in the Quarter 2 report for Social Services to mitigate the previous overspend forecast included:

In order to address the £1m gap, an in year review of gross expenditure across the Directorate compared to last financial year is being undertaken. For any increases above 2% wage inflation, remedial action will be taken to bring increased spend back below 2% by year end.

In addition to the above, a vacancy freeze will be implemented across the Directorate for any posts which do not give rise to either a safeguarding or business continuity risk.

Finally WG have announced a further tranche of regional grants to address Winter pressures and the local authority will seek to draw down further funding to accelerate transformational activity this financial year.

Director of Education

Variance	£000	Explanation and Action
Home to School Transport	545	Inflationary fuel price pressures and continuing demand, particularly within the ALN and post 16 sector continue to increase costs. These demand and price pressures are inherently volatile and uncontrollable within current transport policy.
Catering and Cleaning	786	The service continues to be subject to substantial inflationary pressures on the

Appendix 1

		cost of food and staff. This has been partially offset by a combination of management cost control and positive take up of paid meals. Further means of reducing net cost are being examined.
Additional Learning Needs	600	This forecast primarily concerns the cost of placements within Independent Special Schools. The Council continues to see both cost and demand pressures in this area, despite continued efforts to increase the supply of such places locally.
Centrally funded non-delegated pressures.	679	This overspend is primarily attributable to ongoing historic pension costs borne by the Council on behalf of Schools. It also includes increases in the cost of maternity/paternity leave.
Potential one-off managed savings	-981	All savings opportunities are being explored to alleviate the pressures above.
Overall Variation	1,629	

Many of the pay, price and demand pressures identified above are a continuation of the overspend position from 2018/19. Ongoing robust management action will continue.

The Directors action plan outlined in the Quarter 2 report for Education to mitigate the forecast overspend at that stage included :

The scale of external demand and cost pressures facing education services is such that no continuing robust management action will be able to bring the net spending across the directorate into balance within the 2019-20 financial year. By far the most significant area of education spending is the delegated schools budget and whilst this cannot be reduced in year it would be possible to effectively 'top slice' the budget in 2020-21, as a one off base adjustment, to effectively recover any net overspend by the year end on the 1st April 2020. Any such retrospective 'top slicing' would be in addition to any cash or real terms reductions in funding for schools approved as part of the Council budget for 2020-21.

However, to mitigate and minimise any potential reduction to schools delegated budgets all LEA budgets will be reviewed further in the first instance.

Director of Place

A number of issues need to be highlighted for the purpose of visibility. These include unfunded budget pressures as follows:

- Significant increased electricity costs for street lighting of £200k
- Reduced recycling prices in waste management reflecting an income shortfall of £222k
- Increased costs for maintaining and replacing aging social services fleet £381k

In year savings of £731k have been identified as difficult to achieve by year end and these comprise mainly of Commissioning Review (Service in the Community), IT delays for rollout of mobile working and delayed and “cashable” Integrated Transport Unit savings and transport savings removed budget but authorisation to implement withdrawn

In addition there are some challenges in achieving all of the “cross cutting” saving requiring policy changes identified for 19/20 in particular

- Staff – Christmas closure, average holiday pay, 50% Honoraria reduction, 50% market supplement reduction and remove first aid payments (total £118k)

The directorate has identified appropriate mitigation to offset these spending pressures within its overall budget to enable it to offset these costs and return a balanced budget and has looked to accelerate other in year measures and income generation which will allow it to improve on its projected out-turn by declaring a forecast underspend of £500k.

November 2019 MTFP Tracker Report

Target Savings

£12.64m

Expected Savings by 31st March 2020

£10.60m 

Oct: £10.17m

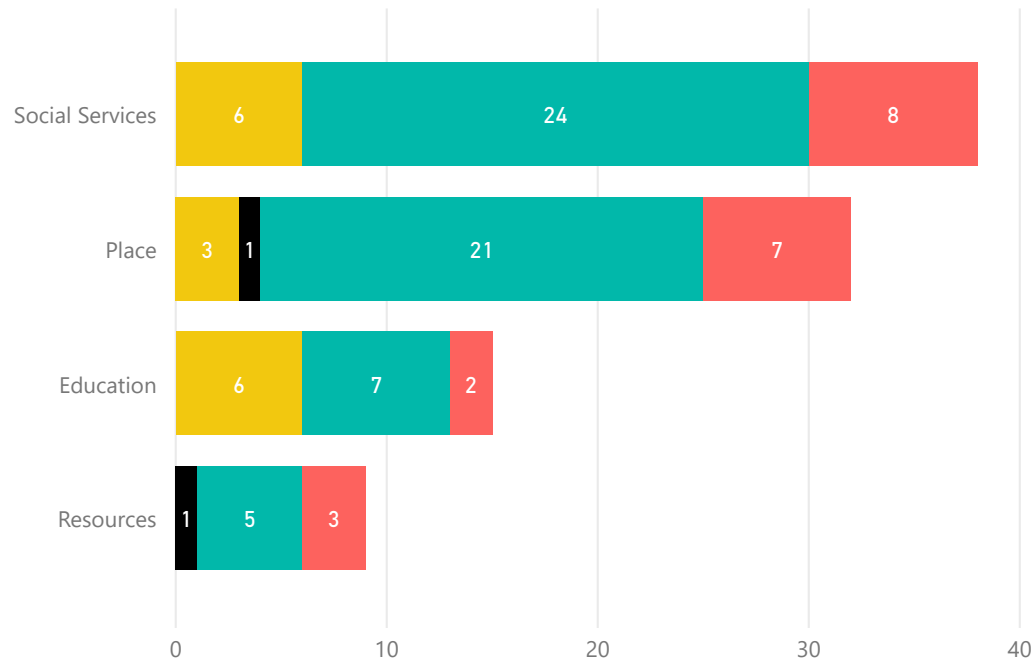
Delivered

£7.85m

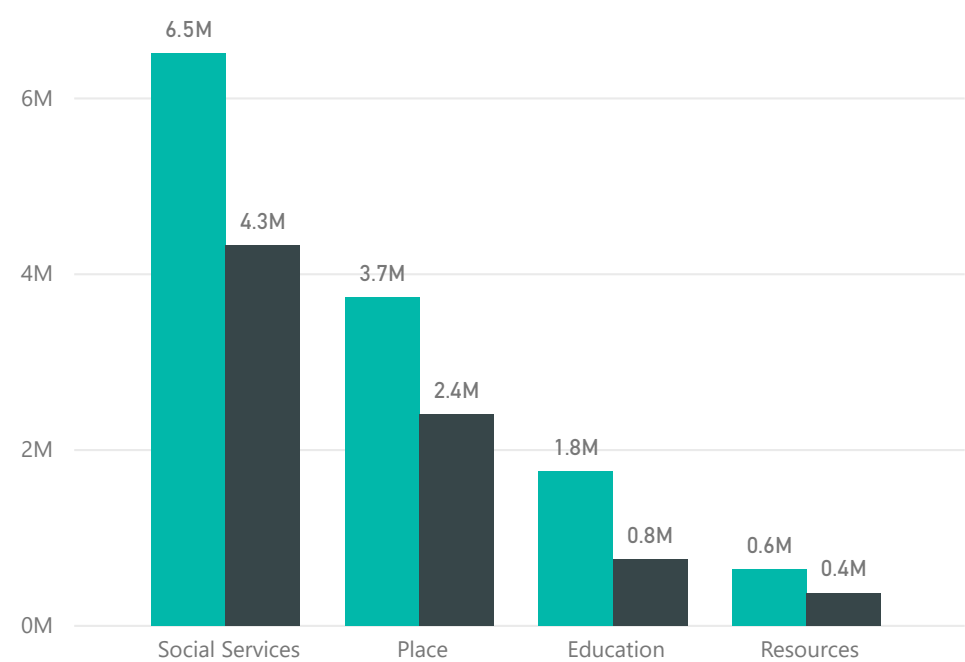
Oct: £6.84m

Sept: £6.30m

Nov BRAG  Amber  Black  Green  Red

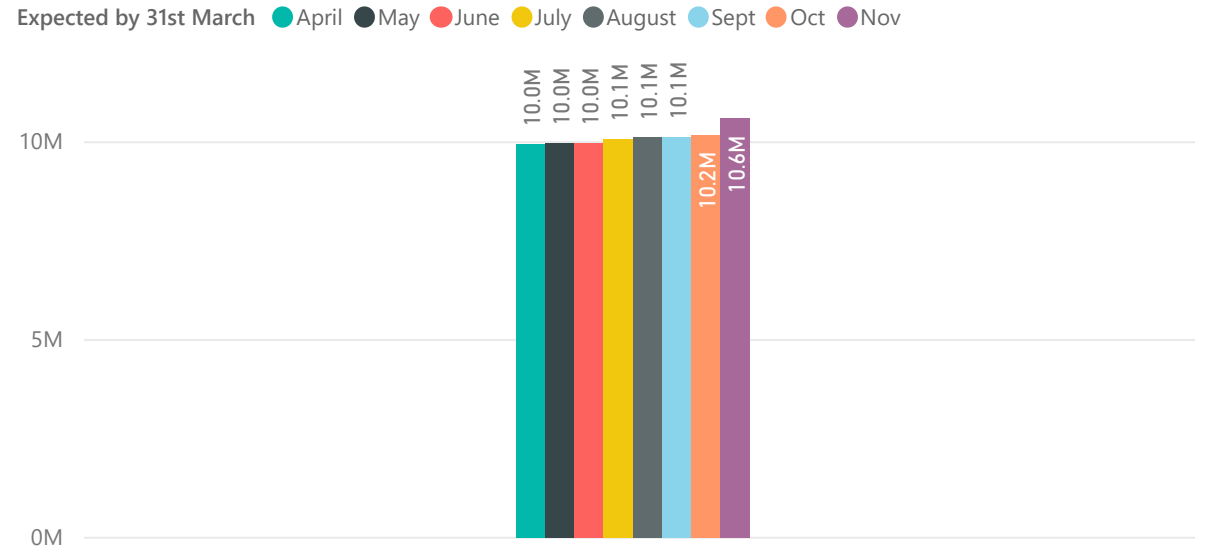
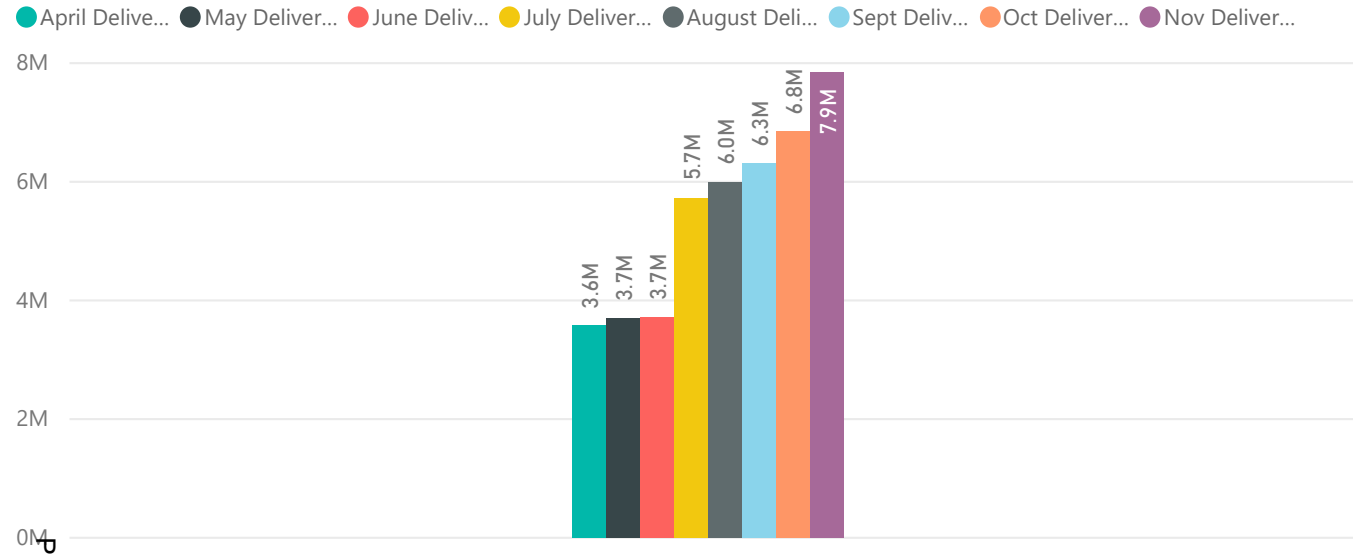


 Target (£)  Nov Delivered

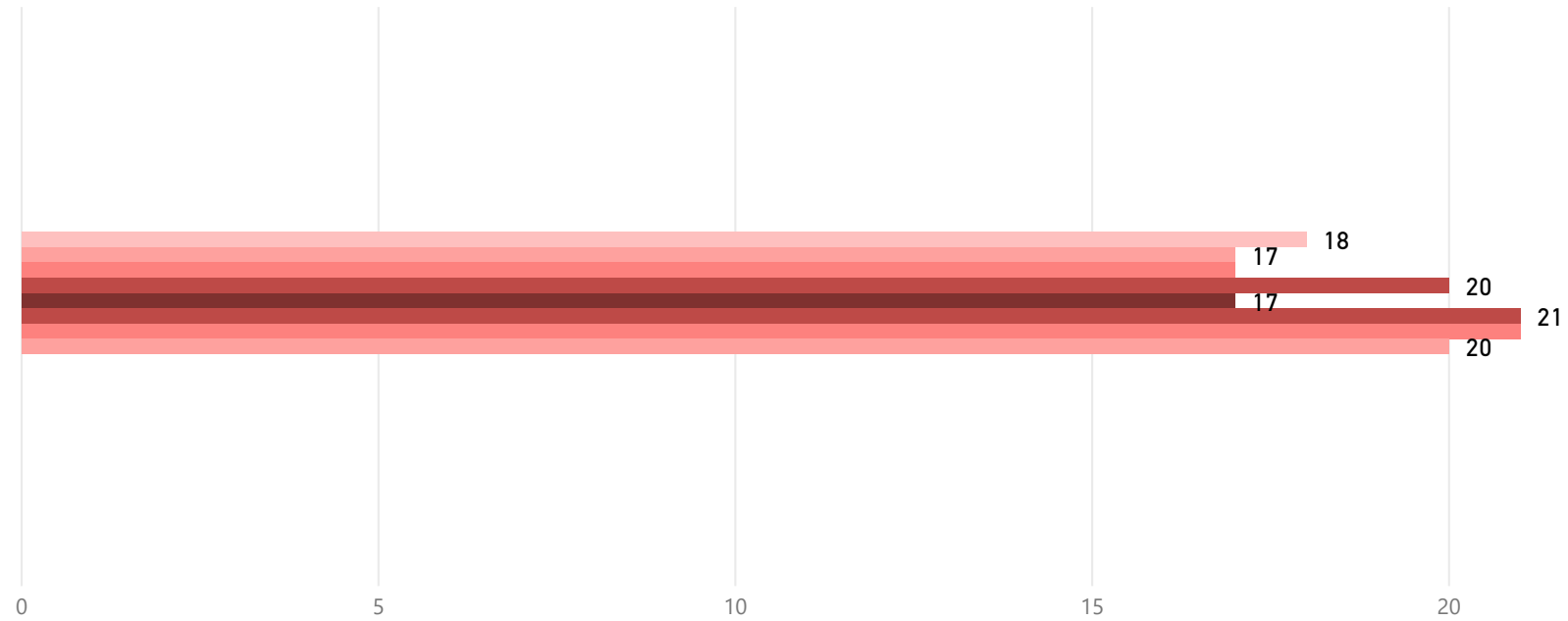




Delivered to Date



Red BRAG Count of April ... Count of Ma... Count of June ... Count of Jul... Count of Au... Count of Se... Count of Oct ... Count of No...



Appendix D

Capital expenditure on major schemes to 31 December 2019 (where spend greater than £250k)	£000's
People	
Pentrehafod Comp School Remodelling	538
EOTAS new build	2,077
Gorseinon primary new build	2,110
Bishop Vaughan VA School	289
St Joseph's VA School	290
Resources	
Agile & Mobile programme (laptops and accessories)	1,129
Place	
Swansea Central Phase 1 (Arena)	20,705
Swansea Central Phase 2 (Kingsway offices)	494
Llys Dewi Sant site	381
Kingsway infrastructure and demolition	2,116
Highways - carriageways & resurfacing	2,893
Highways - footways	441
Highways - bridges and retaining walls	335
Highways Patch resurfacing	612
Highways Active Travel Fund schemes	512
Bascule Bridge	433
Seawall repairs Mumbles	303
CTU - chassis cabs and bodies	427
Corporate Building (including school improvements)	4,825
Disability Facilities Grants	2,428
Mini adaptation grants	464
Property Appreciation loans	257
Sandfields Renewal Area	323
Freedom Leisure improvements	3,008
Plantasia improvements	299
HRA	
HRA capital programme (excluding More Homes schemes)	32,215
HRA capital programme - More Homes schemes	1,854

Total scheme value where spend greater than £250k

81,758

Agenda Item 15



Report of the Head of Democratic Services

Special Audit Committee – 26 May 2020

Audit Committee Action Tracker Report

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

1. Introduction

- 1.1 During the course of Audit Committee meetings various actions may be decided which are recorded on the minutes of the meetings.
- 1.2 As agreed in 2016/17 an Action Tracker process was put in place to ensure transparency over the outcomes of actions agreed by Committee.
- 1.3 The Action Tracker records the actions agreed by the Audit Committee and provides an outcome for each action.
- 1.4 The Action Tracker for the 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 3 - Responses provided in respect of issues raised at previous Audit Committee meetings.

AUDIT COMMITTEE ACTION TRACKER 2019/20				
Date of Meeting	Minute Ref	Action	Nominated Officer(s)	Status
14/04/20		Meeting cancelled due to the Coronavirus Pandemic		
10/03/20	89	Draft Internal Audit Annual Plan 2020/21		
		Any potential additional items be highlighted to the Chief Auditor	Audit Committee / Officers	Completed No additional items received.
10/03/20	88	Employment of Agency Staff - Audit Report 2019/20		
		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	Ongoing Reminder email forwarded 27/04/20.
10/03/20	87	Building Services Plant - Findings Update - Internal Audit Report 2019/20		
		The service area further investigates the introduction of a bar reader in respect of stock management.	Nigel Williams / Rob Myerscough	Ongoing 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	Fleet Maintenance Audit Report 2019/20		
		The Officers liaise with the Chief Auditor regarding the retrospective nature of checking.	Mark Barrow / Simon Cockings	Ongoing
10/03/20	84	Gwyrosydd Primary School Audit Report 2019/20		
		The Chief Auditor notes the regular occurrence of lack of official orders on SIMS in future school audits	Simon Cockings	Completed Compliance testing in this area already forms part of the standard schools audit programme and testing. Any non-compliance is reported in each school audit report and also via the Annual Report of Schools Audits.
11/02/20	79	Trusts & Charities		
		Trusts and Charities be the subject of a full Internal Audit Review.	Simon Cockings	Completed Included on the Internal Audit Plan for 2020/21.

11/02/20	78	Overview of the Overall Status of Risk - Quarter 3 2019/20.		
		1) the Strategic Delivery & Performance Manager considers the exception reporting format for future meetings;	Richard Rowlands	Ongoing – 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	Ongoing - 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.
11/02/20	77	Governance Group Update Report		
		The Governance Group will ensure that a six-month update report is provided to the Audit Committee next year.	Adam Hill	Ongoing
11/02/20	75	Internal Audit Annual Plan Methodology Report 2020/21		
		1) the Chief Auditor includes a review of Workforce Strategy in the programme of work next year	Simon Cockings	Completed Included on the Internal Audit Plan for 2020/21.
11/02/20	73	Scrutiny Work Programme 2019-20		
		1) The Chair seeks assurance regarding future management of staff and staff resource being an issue throughout the Council;	Chair	Ongoing
		2) Future monitoring of external audit recommendations be discussed further	CMT	Ongoing Email sent to CMT 02/03/20.
29/01/20	64	Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019		
		1) 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.	Chair	Completed Email sent to A Hill / A Chard on 02/03/20 and follow-up sent 28/04/20. Response received 01/05/20
	68	Internal Audit Recommendation Follow-Up Report - Quarter 2 2019/20 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	Ongoing Email sent to CMT 02/03/20.

10/12/19	60	Appointment of Additional Lay Member to Audit Committee 1) the appointment be deferred subject to the proposed legislative changes being finalised.	Adam Hill	Ongoing Scheduled for Audit Committee on 09/06/20.
16/09/19	32	ISA 260 Report The recommendations made in the report should be transferred to an external tracker report for committee.	Richard Rowlands	Completed / Combined The arrangement now is for responsible departments to take their reports and action plans to deal with recommendations direct to Scrutiny / Audit Committee. The Committee can then follow up progress directly with the responsible dept. Combined with Minute No.68 from 29/01/20/

Appendix 2

AUDIT COMMITTEE ACTION TRACKER 2018/19				
Date of Meeting	Minute Ref	Action	Nominated Officer	Status
11/12/18	59	Overview of the Overall Status of Risk – Quarter 2 2018/19 The contents of the Risk Register requires enhancement.	Richard Rowlands	Ongoing 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.

Appendix 3

29/01/20	64	Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019		
		2) 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.	Chair	Completed Email sent to A Hill / A Chard on 02/03/20 and follow-up sent 28/04/20. Responses received 01/05/20 & 13/05/20

Dear All,

Please find below the updated response regarding DBS Checks: -

We have confirmed with our Service Centre, and at our Council safeguarding meetings that the following process is followed:

- *The Employee and Line Manager receive a reminder for renewal 120 days prior to the renewal date.*
- *A further reminder is sent every 5 days to both the employee and the line manager until the online part of the application process is complete.*
- *Once the online process is complete a further reminder is sent to the employee and line manager every 5 days until the document verification part of the process is complete.*
- *Since September 2019 all Heads of Service and Schools Verification Officers receive a renewals report on a monthly basis which identifies all upcoming renewals and any renewals that are overdue. Email wording as follows;*

Please find attached your schools DBS renewal report for March 2020.

The report details employees who are due for DBS renewal in 4 months or less.

The employees in red (if applicable) need urgent attention as they have expired. A risk assessment must be completed and signed off for an expired DBS check. I have attached the risk assessment – this needs to be returned to Emma Johnson – emma.johnson2@swansea.gov.uk by the **. The expired employees details have also been sent to your HR Business Partner for their attention. These employees should not be working without a current DBS check.***

Whilst the renewal report details employees DBS information, may I remind you that it is your responsibility to monitor the renewals of Volunteers and Governors (if applicable).

If we do not hold an email address for an employee, the application is set up to the verification officers email address. If you have an email address for the employee, please send it to us so we can update the application.

If there are employees on the report that do not work in your school, please can you liaise with Payroll to terminate them, as until this is done, they will continue to appear on your reports.

I have also attached an updated version of the Upload to Ebulk Form – please can you replace any copies you have saved with this one.

Finally, If you have any further queries, please email servicecentrehelpdesk@swansea.gov.uk

- *Since February 2020, HR now receive a copy of the report which highlights overdue DBS checks and HR have started liaising with respective departments/schools and escalating where necessary. The report details employees who are due for DBS renewal in 4 months or less.*
- *Where employees have been identified as needing urgent attention due to expiry, a risk assessment must be completed and signed off for an expired DBS check. The expired employee's details would also be sent to the relevant HR&OD Business Partner for their attention.*

Adrian Chard

Agenda Item 16



Report of the Head of Democratic Services

Special Audit Committee – 26 May 2020

Audit Committee – Workplan 2019/20

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

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
Governance & Assurance	Audit Committee Annual Report 2019/2020.	Audit Committee Annual Report 2019/2020.	Simon Cockings	26 May 2020
Governance & Assurance	Draft Annual Governance Statement.	This report provides the draft Annual Governance Statement 2018/19 and allows the Audit Committee the opportunity to contribute to the annual review of governance.	Richard Rowlands	26 May 2020
Internal Audit	Internal Audit Annual Report 2019/2020.	Internal Audit Annual Report.	Simon Cockings	26 May 2020
Internal Audit Page 233	Internal Audit Charter 2020/21.	This report outlines the background to the Public Sector Internal Auditing Standards (PSIAS) which were introduced with effect from 1st April 2013 and presents an Internal Audit Charter for approval by the Committee.	Simon Cockings	26 May 2020
Internal Audit	Internal Audit Recommendation Tracking Quarter 4 Report 2019/2020.	Internal Audit Recommendation Tracking Quarter 4 Report 2019/2020.	Simon Cockings	26 May 2020
Internal Audit	Internal Audit Section - Fraud Function Anti-Fraud Plan for 2020/2021.	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2020/21 and is designed to provide a strategic view of the areas that will be subject to examination.	Jeff Fish, Jonathon Rogers	26 May 2020

Audit Committee Plan 2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Internal Audit Strategy & Annual Plan 2020/21.	This report presents the Internal Audit Strategy for 2020/21 to the Audit Committee for approval.	Simon Cockings	26 May 2020
Risk Management & Performance	Performance Management Framework.	Performance Management Framework Report.	Richard Rowlands	26 May 2020
Financial Reporting	Revenue and Capital Budget Monitoring 3rd Quarter 2019/20.	To report on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.	Ben Smith	26 May 2020
External Audit Page 234	Wales Audit Office - Annual Audit Summary 2019.	This is the Wales Audit Office summary for City & County of Swansea Council. It shows the work completed since the last Annual Improvement Report, which was issued in October 2018.	Jason Garcia	26 May 2020
External Audit	Wales Audit Office - Financial Sustainability Assessment 2019-20	The report assesses the sustainability of the Councils' short to medium-term financial position.	Jason Garcia	26 May 2020

Audit Committee Plan
2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Risk Management & Performance	Wales Audit Office Proposals for Improvement: Six-month Status Update - July 2019 - December 2019.	The report presents an overview of the status of Swansea Council's response to earlier proposals for improvement made by WAO to provide assurance to the Committee on progress.	Richard Rowlands	26 May 2020
Governance & Assurance	Appointment of Additional Lay Member to Audit Committee.	Appointment of second Lay Member.	Adam Hill	9 Jun 2020
Governance & Assurance	Election of the Chair for the 2020-2021 Municipal Year.	To elect the Chair for the 2020-21 Municipal Year.	Jeremy Parkhouse	9 Jun 2020
Governance & Assurance	Election of the Vice-Chair for the 2020-2021 Municipal Year.	To elect the Vice-Chair for the 2020-2021 Municipal Year.	Jeremy Parkhouse	9 Jun 2020
Internal Audit	Internal Audit Annual Plan 2019/20 - Quarter 4 Monitoring Report for the Period 1 January 2020 to 31 March 2020.	Quarter 4 Monitoring Report.	Simon Cockings	9 Jun 2020
Internal Audit	Internal Audit Moderate Rating Follow Up Report - Social Care Contracts Update.	Follow Up report following a previous moderate rating.	Peter Field	9 Jun 2020
Risk Management & Performance	Partnership Performance.	Review the mechanisms for assessing and scrutinising the risk associated with partnerships.	Adam Hill	9 Jun 2020
Risk Management & Performance	Presentation - Update on Internal Control Environment (Including Risk Management).	Presentation by the Deputy Chief Executive.	Adam Hill	9 Jun 2020

Audit Committee Plan
2019 – 2020

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
External Audit	Wales Audit Office - 2020 Audit Plan - City and County of Swansea.	External Audit Report.	Jason Garcia	9 Jun 2020
Risk Management & Performance	Wales Audit Office - Local Government Use of Data Report – City & County of Swansea.	<p>Wales Audit Office - Local Government Use of Data Report – City & County of Swansea.</p> <p>*Note – this report has been considered by Service Improvement & Finance Performance Panel and the Panel is awaiting an Action Plan arising from the report.</p>		
Risk Management & Performance Page 236	Digital Strategy – Progress and Performance.	<p>Digital is one of the four key strands of Sustainable Swansea and an annual update will be provided to Scrutiny in December on the whole programme, including digital.</p> <p>*Note – this report will be considered by Scrutiny.</p>		

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
Regularity and Length of Audit Committee meetings	1) To enable the Audit Committee to discharge its duties meetings should take place every month.	Huw Evans	July 2020	Council Diary to be agreed at the Annual Meeting in July 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	July 2020	Council Diary to be agreed at the Annual Meeting in July 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.
Outstanding actions from the Audit Committee Performance Review 2017-18	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	Ongoing

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
	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	Adam Hill, Deputy Chief Executive to provide a report to Audit Committee on 9 June 2020.
	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	Adam Hill, Deputy Chief Executive to provide a presentation to Committee on 9 June 2020.
	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	Ongoing