



City and County of Swansea

Minutes of the **Audit Committee**

Remotely via Microsoft Teams

Tuesday, 9 February 2021 at 2.00 pm

Present: Paula O'Connor (Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
S Pritchard

Councillor(s)

P M Black
J W Jones
L V Walton

Councillor(s)

D W Helliwell
M B Lewis
T M White

Lay Member

Julie Davies

Officer(s)

Simon Cockings
Michelle Davies
Adam Hill
Tracey Meredith
Jeremy Parkhouse
Richard Rowlands
Ben Smith
Sian Williams

Chief Auditor
Cash Management & Accounts Receivable Manager
Deputy Chief Executive / Director of Resources
Chief Legal Officer / Monitoring Officer
Democratic Services Officer
Strategic Delivery & Performance Manager
Chief Finance Officer / Section 151 Officer
Head of Service Centre

Apologies for Absence

Councillors E T Kirchner and A H Stevens

35 Disclosures of Personal and Prejudicial Interests.

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

36 Minutes.

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

37 Service Centre: Accounts Receivable - Update. (Sian Williams / Michelle Davies)

Sian Williams, Head of Service Centre and Michelle Davies, Cash Management and Accounts Receivable Manager, presented an update report for the Service Centre, Accounts Receivable function.

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It was highlighted that excellent progress had been made in respect of historical invoices and the Accounts Receivable Team were thanked for the progress made.

The current position was detailed and it was explained that while the volume of invoices raised was decreasing, the value of invoices raised was increasing significantly. Appendix A provided the Invoice Volume Analysis. The outstanding debt position was also provided and was summarised by age of the debt.

Progress to date was explained and it was added that the following areas had been prioritised and updates were provided in respect of each priority area: -

- A review of 500 invoices that were over 5 years old that had remained static in the system;
- The targeted recovery action of all invoices over £10,000 in value which comprised of 47 invoices to the value of £2.8M (which did not include Swansea Schools or Health Board invoices);
- A priority review of all 150 invoices on Awaiting Evidence of Debt category so that these could be referred to Legal.

The report also detailed future progress planned and the continued challenges faced by the section, including the impact of the Covid 19 Pandemic upon the Accounts Receivable Team and upon business customers, which has resulted in a reduced ability to pay debts.

The Committee discussed the following: -

- The importance of continuing the strong message to Heads of Service and monitoring progress;
- Process for dealing with disputes;
- The impact of Covid 19 upon business / individuals affecting their ability to pay;
- The Corporate Insolvency and Governance Act 2020 which has been introduced, the protection it provides and the need for the Audit Committee to be fully updated regarding the new legislation;
- The process of dealing with long term debts and the responsibility of departments to check the system before giving customers credit / raising an invoice;
- The progress made by the Social Services Department in reducing the overall departmental debt;
- The responsibility for debts lying with departments, the lack of understanding within some departments and the diversity of the services provided throughout the Council including statutory functions which have to provide services.

The Chair recognised the progress already made and questioned when officers were accountable if they failed to co-operate with the Accounts Receivable Team.

The Section 151 Officer / Chief Finance Officer stated that it was important to recognize the sheer size of the Authority and the large figures involved in debt recovery. He expressed caution regarding the referral of all moderate reports to the Audit Committee, as it would create a very large number of items for discussion. He

further commented that all moderate reports were referred to Corporate Management Team (CMT).

The Deputy Chief Executive stated that a hierarchy was in place regarding departmental monitoring of debts which was overseen by the Corporate Management Team. He added that officers were accountable to manage / control the departmental debts and any issues would be referred to CMT.

Resolved that: -

- 1) Service Departments be further reminded of their responsibilities and role in the invoice process. This should be reinforced through the Directors and Heads of Service to ensure consistency and robustness of process;
- 2) Accounts Receivable continue to report to CMT on a quarterly basis as a further update on the debt position across the Authority;
- 3) The Audit Committee be updated regarding the impact of the Corporate Insolvency and Governance Act 2020 on Accounts Receivable.

38 Internal Audit Annual Plan 2020/21 – Monitoring Report for the Period 1 October 2020 to 31 December 2021. (Simon Cockings)

Simon Cockings, Chief Auditor presented a very detailed report which showed the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2020 to 31 December 2020.

A total of 16 audits were finalised during the quarter. The audits finalised were listed in Appendix 1, which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. Appendix 2 provided a summary of the scope of the reviews finalised during the period.

An analysis of the assurance levels of the audits finalised was given and a total of 73 audit recommendations were made and management agreed to implement all of the recommendations. There were no moderate reports issued during the quarter.

It was explained that due to the ongoing Covid-19 pandemic, access to all Council sites was restricted. This had a significant impact on the Audit Team's ability to complete on-site testing and would continue to do so until restrictions were lifted. It was also explained that the Team were unable to undertake some audit visits due to staff being unable to access some sites, e.g. schools.

The Committee were updated regarding the grant and additional work undertaken by the Internal Audit Section during the period. Information was also provided in relation to staff sickness and other work undertaken by team members outside of their planned duties.

Appendix 3 provided the Internal Audit Plan 2020/21 - Progress to 18/01/21 and it was explained that 53 audits from the 2020/21 audit plan had been completed to at least draft report stage (33%), with an additional 31 audits in progress (19%). As a result, approximately 52% of the Audit Plan was either completed or in progress. In

addition, to allow greater flexibility for the Audit Team, an additional 19 audits (12%) had been allocated to staff to try and progress.

It was added that the Committee had previously been advised that due to a range of Covid-19 related issues, the Internal Audit Team would not be able to complete a significant number of audits on the approved audit plan for 2020/21. In comparison to the plan completion rates in previous years which has seen completion rates rising to 87% in 2018/19 and 84% in 2019/20, it was predicted that the plan completion rate for 2020/21 would be in the range of 50% to 60%. This was far below the usual level of completion the Team had achieved in the past but this was unavoidable due to the on-going Pandemic.

The Committee were also informed that some audits had to be deferred to 2021-2022 and the deferred audits primarily related to Social Services, I.T., Business Rates (NNDR) and school audits and full details were provided.

Details of the follow-ups completed between 1 October and 31 December 2020 were provided, including the Disclosure & Barring Service (DBS) Second Follow-up; Cwm Glas Primary School; and Penybryn Special School, Second Follow-up.

The Committee provided positive feedback regarding the progress made and congratulated the Chief Auditor on the work of his team in very difficult circumstances. The Committee discussed the following: -

- Concern regarding failure to complete recommendations in respect of the Disclosure & Barring Service (DBS), the follow-up report provided to Corporate Management Team (CMT), how the risk centred around the lack of control measures and the need for the Committee to receive an additional report from the Service Centre at its next scheduled meeting;
- Review of assurance framework going forward;
- Detailed guidance updating schools regarding Contract Procedure Rules being circulated shortly;
- The change in function for NNDR during the Pandemic;
- CIPFA guidance issued highlighting the possible annual CIA opinion being a limitation of scope recognising the difficulties faced by audit teams to deliver their planned programme due to the impact of the Pandemic;
- Adoption of thematic reviews across selected services.

The Chair thanked the Chief Auditor and his staff for the work and progress made and highlighted the use of thematic reviews, which could be extended in future years. She welcomed the CIPFA guidance and added that need to review the key areas of the Council.

Resolved that: -

- 1) The contents of the report be noted along with the possibility of the CIA opinion involving limitation of scope;
- 2) An update report be provided to the next scheduled meeting regarding the Disclosure and Barring Service.

39 Internal Audit Recommendation Follow-Up Report - Quarter 3 2020/21. (Simon Cockings)

The Chief Auditor presented a report which provided the Committee with the status of the recommendations made in those audits where the follow-up's has been undertaken in Quarter 3 2020/21, which allowed the Audit Committee to monitor the implementation of recommendations made by Internal Audit.

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

It was highlighted that from the 69 recommendations made, 66 had been implemented. The 3 not implemented were low / medium risk and the majority had not been implemented primarily due to COVID-19.

The Committee discussed the following: -

- Failure of Health, Safety & Well-being to follow Contract Procedure Rules (CPR);
- How in certain emergency situations, i.e. evacuating people from their homes, the failure to adhere to CPR's be recognized.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The Chief Auditor checks the circumstances surrounding the failure of Health, Safety & Well-being to adhere to Contract Procedure Rules.

40 Update on Swansea Achieving Better Together. (For Information) (Adam Hill)

Adam Hill, Deputy Chief Executive submitted a 'for information' report which provided an overview of the initial remobilisation of the Council and the immediate priorities from the COVID-19 crisis, the longer term plan from recovery to transformation and the framework to replace Sustainable Swansea Strategy with Swansea – Achieving Better Together.

It was outlined that on 15 October 2020, Cabinet approved the new "From Recovery to Transformation" report detailing the 3 Phases from recover through to the "Swansea – Achieving Better Together, Transformation Strategy & Programme Framework 2022 – 2026". It was added that the Managing the Present and Shaping the Future, Swansea Council – From Recovery to Transformation Strategy replaced Sustainable Swansea - fit for the future.

The report detailed the background and current position with regards to the work programme, highlighting the recovery, the remobilise phase to refocus phase, governance and conclusion. Appendix 1 presented the Workstream Meeting Schedule.

The Committee discussed the following: -

- Greater meaningful engagement / consultation, including wider engagement with residents;
- Working with partner organisations, e.g. Neath Port Talbot Council / NHS and forthcoming corporate joint committees;
- The reporting structure and the huge amount of work to be undertaken via the workstreams and the accountability process;
- The importance of successfully delivering the programme and remobilizing the workforce;
- The need for an organisational chart / work programme to be provided;
- Revision of the governance, particularly the terms of reference for each area with the Recovery Plan bringing everything together;
- Developing an action plan to track performance and what was happening on the ground;
- The report was provided for assurance and further details will be provided following a meeting of the Scrutiny Programme Committee at the end of February 2021.

The Chair commented that progress was out of step and that more focus should be placed upon what is actually happening. She added that proposed changes would see more rigour in performance management and tighten to corporate grip.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The Deputy Chief Executive provides a progress report to a future Audit Committee.

41 Overview of the Overall Status of Risk - Quarter 3 2020/21. (For Information) (Richard Rowlands)

Richard Rowlands, Strategic Delivery & Performance Manager presented 'for information' the Quarter 3 2020/21 report which provided an overview of the status of Corporate Risk in the Council to provide assurance to the Committee that key risks were being managed in accordance with the Council's risk management policy and framework.

It was added that the following summarised the status of risks recorded in the Corporate Risk Register as at Quarter 3 2020/21, compared to Quarter 2 2020/21:

- All of the risks were recorded as having been reviewed at least once during Quarter 3.
- The level of risk for the 'Post-Brexit Trade Deal with EU' risk was reduced from a Red to Amber status following the signing of a trade deal between the UK and EU.
- The 'Tackling Poverty' risk was deactivated (closed) as being managed within the departments and with sufficient control in place to track and monitor.
- No new risks were added or escalated to the Corporate Risk register.

Appendix A included the risks as at 21/01/21 recorded within the Council's Corporate Risk Register. The reports for each risk included general explanatory information relating to their classification.

The Chair praised the work completed in respect of the new format of the risk reports. She added that further work was required on the information being input into the system by risk owners. There was an expectation that members of the Corporate Management Team would attend future meetings in order to provide updates regarding the risks under their control.

The Committee discussed the following: -

- The improved formatting / consistency of the risk reports;
- The transfer of risks to a third party;
- How some risks are 'tolerated';
- Risk ID 153 – Safeguarding, the related control measures and the system of updating them;
- The very limited resources available corporately to monitor risk management;
- How compliance issues were highlighted to the Corporate Management Team;
- The need to introduce a key to allow a wider understanding of the reports;
- The need for Officer 'buy in' to ensure the risk leads are engaged, ensuring they understand the control required and addressing training needs;
- How the engagement of Officers was critical to the success of the Authority in addressing areas of concern.

Resolved that: -

- 1) Corporate Directors be requested to attend the Audit Committee on a rotational basis each quarter to outline their Corporate Risks and the governance and risk management controls within their departments;
- 2) The provision of additional risk management training for Officers on Control Measures be highlighted to the Corporate Management Team.

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

The Audit Committee Action Tracker and Amended Action Tracker reports were provided 'for information'.

43 Audit Committee Work Plan. (For Information) (Jeremy Parkhouse)

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

The Chair added that additional work was required on the 2021-2022 Work Plan, which should include a counter fraud update, Directors updates on internal control environments and Audit Wales reports.

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The meeting ended at 3.47 pm

Chair