



City and County of Swansea

Notice of Meeting

You are invited to attend a Meeting of the

Audit Committee

At: Remotely via Microsoft Teams

On: Tuesday, 9 March 2021

Time: 2.00 pm

Chair: Paula O'Connor

Membership:

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

Lay Member: Julie Davies

Watch Online: <http://bit.ly/37n3hmA>

Agenda		Page No.
1	Apologies for Absence.	
2	Disclosures of Personal and Prejudicial Interests. www.swansea.gov.uk/disclosuresofinterests	
3	Minutes. To approve & sign the Minutes of the previous meeting(s) as a correct record.	1 - 7
4	Service Centre – Disclosure & Barring Service (DBS) Follow Up Report. (Sian Williams / Emma Johnson)	8 - 12
5	Internal Audit Annual Plan Methodology. (Simon Cockings)	13 - 48
6	Draft Internal Audit Annual Plan 2021/22. (Simon Cockings)	49 - 58
7	Value for Money and Benchmarking. (For Information) (Adam Hill)	59 - 69
8	Counter Fraud. (For Information) (Adam Hill)	70 - 146
9	Audit Wales Report – City & County of Swansea Annual Audit Summary 2020.	147 - 153

- | | | |
|----|--|-----------|
| 10 | Local Government and Elections (Wales) Act 2021. (For Information) (Tracey Meredith) | 154 - 159 |
| 11 | Revenue and Capital Budget Monitoring - 3rd Quarter. (For Information) (Ben Smith) | 160 - 182 |
| 12 | Audit Committee Action Tracker Report. (For Information) (Jeremy Parkhouse) | 183 - 187 |
| 13 | Audit Committee Work Plan. (For Information) (Jeremy Parkhouse) | 188 - 194 |

Next Meeting: Tuesday, 20 April 2021 at 2.00 pm

Huw Evans

Huw Evans
Head of Democratic Services
Tuesday, 2 March 2021

Contact: Democratic Services: - 636923

Agenda Item 3



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.

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.

The meeting ended at 3.47 pm

Chair

Agenda Item 4



Report of the Chief Finance Officer

Audit Committee – 9 March 2021

Service Centre – Disclosure & Barring Service (DBS) Follow Up Report

Purpose:	To provide an update for the Service Centre, Disclosure & Barring Service (DBS).
Policy Framework:	
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It was recommended that Employees & Managers: - 1) be further reminded of their responsibilities and role in the DBS process. This should be reinforced through the Directors and Heads of Service to ensure consistency and robustness of process; 2) Continue to report to CMT on a quarterly basis as a further update on the position across the Authority.
Report Author:	Sian Williams (Head of Service Centre) & Emma Johnson (Helpdesk, DBS & SCW Manager)
Finance Officer:	Ben Smith (Chief Finance Officer S151)
Legal Officer:	Debbie Smith (Deputy Chief Legal Officer)
Access to Services Officer:	Rhian Millar (Equalities Policy Development Officer)

Internal Audit on Disclosure & Barring Service Function – Update March 2021

1. Introduction

As a result of an internal audit on the DBS function carried out in Quarter 1 2020, an assurance level of moderate was given in the final report issued In May 2020.

- 1.1 An action plan was developed to address the issues identified and appropriate implementation steps put in place.

This action plan identified 12 recommendations, 10 of which have been fully implemented, 1 is partially implemented, and 1 not implemented using the criteria of “1 week” but an alternative solution has been found. (HR 2.2.7 below)

The action plan has not been re-tested or updated by internal Audit and the comments are entered by the department.

1.2 The following HR & MR actions (High Risk & Medium Risk) were identified

High Risk

2.2.6 “More rigorous follow up process to ensure employees’ DBS renewals are expedited prior to expiry & full review of school spreadsheets to ensure all DBS are current”.

2.2.7 “Robust process to ensure employees have a risk assessment conducted within 1 week of the expiry, where the renewal has not taken place before the expiry date”

Medium Risk

2.2.4 “All ‘on hold’ are contained in the ‘adverse’ spreadsheets

2.4.1 “All DBS information on Oracle should be updated in a timely manner”

2.6.3 “Reconciliation exercise to be undertaken to identify all incomplete DBS applications”

1.3 A progress report was presented to Audit Scrutiny Committee on 8th September 2020.

This was reviewed and 2 actions were recommended:

- Update CMT on the DBS position
- All Service Departments be reminded of their responsibilities and role in the DBS process, which should be reinforced through the Directors and Heads of Service to ensure consistency and robustness of process.

1.4 These actions were completed and included in the Audit Committee papers for 20th October 2020. The Committee also requested that a further progress report be submitted for the 9th March 2021 Audit Committee meeting. Previous summary reports have outlined the background and reasons that led up to the moderate rated DBS audit report so these are not covered in this report. This report seeks to present the current DBS position and the progress made to date.

2. Current position:

- 2.1 To give some background and context, the DBS function previously had a dedicated team of 5 and as part of the implementation of the Ebulk system, the team was reduced to 2 as part of Sustainable Swansea and merged into the Service Centre to form part of the Helpdesk.
- 2.2 Over the last four years, the Service Centre Helpdesk has matured its business model significantly. Currently there are 9 employees within the Helpdesk – 1 Manager, 1 Team Leader, 3 Full Time Officers and 4 Part Time Officers.
- 2.3 The Service Centre Helpdesk is the first point of contact for the Service Centre covering the following areas:
- Accounts Payable
 - Accounts Receivable
 - HR&OD
 - Employee Self Service
 - Manager Self Service
 - Payroll
 - Purchasing
 - Workforce

The team is also wholly responsible for the following functions:

- DBS
- Flexi/Planned Leave
- Social Care Wales (administration/compliance)

On average the team receives, per month:

- 2800 email queries, 36% of which are DBS
- 1400 telephone queries, 12% of which are DBS

3. Progress to date:

3.1 Update on Actions

2.2.6(HR) In addition to the current process ie sending monthly reports to all departments, the Service Centre Helpdesk now send:-

- Monthly reports sent to HR&OD Business Partners to raise with areas directly.
- Monthly reports sent to Schools Challenge Advisors to liaise directly with respective school(s).

2.2.7(HR) All DBS reports are produced on a monthly basis as per system functionality within Oracle. Unfortunately there is no scope to run weekly reports, however, as an alternative to mitigate this risk, the Service Centre Helpdesk Manager has implemented a Risk Assessment Register, emails are issued to departments/schools

and a deadline given for completion; any non-compliance results in reminders being issued and then escalation to HR&OD to liaise with the relevant business area.

A daily Certificate report is run from the Ebulk system and details entered onto Oracle.

2.2.4(MR) This has been implemented, all new DBS returns from the Ebulk system are checked daily and positive cases added to spreadsheet and letter issued.

2.4.1(MR) This recommendation had to be placed on hold due to the pandemic and the Oracle Fusion project being paused. This will now be picked back up as part of the restart of the project, implementation is scheduled for October 2021.

2.6.3(MR) This recommendation has been partially implemented, reports now received are cross referenced to monthly renewal lists. There is additional work required in Oracle to ensure DBS are coded correctly and this will form part of the project plan with a scheduled go live for October 2021.

4. Additional Progress/Changes

4.1 The list below provides visibility of additional changes and measures implemented in respect of the DBS process.

- Following the DBS Audit, revised procedures were implemented, such as the Risk Assessment Register to strengthen the compliance process which has seen an improvement in returns of 57%.
- As a result of the pandemic, in early 2020, the Helpdesk Manager took over all ID verifications that were previously carried out in the contact centre; this has proved to work so well with daily monitoring implemented that the process will remain within the Helpdesk, and to date over 1000 verifications have been undertaken.
- The DBS Policy has been reviewed and updated and is awaiting agreement; alongside this, work is underway reviewing the procedure guide and letters for Managers/Schools.
- Development of a formal escalation process currently underway, to further reinforce roles/responsibilities and necessary compliance.
- Communications will be issued to all relevant parties, including a document reinforcing the roles and responsibilities of employees, managers and schools.
- Staffnet area to be updated to reflect changes and provide additional information and FAQ's.
- Closer collaboration on DBS procedure across the authority (HR&OD Principle Business Partner for Education & Social Services)
- Update CMT on the DBS position – this was undertaken in October 2020 and February 2021 by the Head of the Service Centre and will be continued on a quarterly basis.

- Head of Service Centre and/or Service Centre Helpdesk manager to attend Safeguarding meetings in Social Services

5. Continued challenges

- The global pandemic has been a big barrier to the progression of some of the recommendations, with priorities shifted and new ways of working needing to be introduced at very short notice; it should also be noted that Schools were closed for a period of time. However, with the plan from WG to start to relax some of the restrictions and the opening of schools, hopefully this will reduce somewhat as we progress throughout the year.
- The Oracle Fusion project go-live is scheduled for Autumn 2021 and key members of staff from the Service Centre are assigned to the delivery of this project. Team members of the Helpdesk are fully trained in the DBS process but will need input from their Manager on occasions.
- Staffing remains a factor, we currently have three members of staff absent (medium/long term) from work at the time of writing this report.

6. Equality and Engagement Implications

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.

There are no equality or engagement implications in this report.

7. Financial Implications

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

8. Legal Implications

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

Background Papers: Recommendations Tracker Updated as at March 2021.

Appendices: None.

Agenda Item 5



Report of the Chief Auditor

Audit Committee – 9 March 2021

Internal Audit Annual Plan Methodology

Purpose:	This report provides a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2021/22 being reported to the Committee for approval on 20th April 2021.
Policy Framework:	None.
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	It is recommended that: the Committee note the methodology for preparing the Internal Audit Annual Plan 2021/22.
Report Author:	Simon Cockings
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

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

via the Section 151 Officer and Audit Committee on the control environment covering corporate governance, risk management and internal control.

- 1.3 The Audit Plan should ensure that resources are targeted at the areas of the Council's work where it can provide most benefit by providing assurance over key risks and controls.
- 1.4 The Standards state that the Internal Audit Annual Plan must be discussed with senior management which in the Internal Audit Charter is defined as the Corporate Management Team before being reported to the Audit Committee for approval.
- 1.5 The draft version of the annual plan for 2021/22 was reported to the Corporate Management Team on the 5th March.
- 1.6 This report provides a briefing on the methodology used to prepare the Annual Plan in advance of the Plan for 2021/22 being reported to the Committee for final approval at the April meeting.
- 1.7 As reported in the Internal Audit Quarterly Monitoring reports that have been presented to the Audit Committee throughout 2020/21, the Covid-19 pandemic has had a significant impact on the Audit Team's ability to deliver the full audit plan for 2020/21. As a result, a number of audits that were originally planned to be completed in 2020/21 have been carried forward to the 2021/22 plan.
- 1.8 There continues to be a significant level of uncertainty over the easing of lockdown and the subsequent reopening of the economy and work sites across Swansea. A number of thematic audits have been included in the audit plan to safeguard against continued access restrictions. However, it is hoped that sites will begin to reopen in the coming months and the pressures currently being felt by the Council as a whole will begin to ease which should allow audits to be successfully completed.

2. Internal Audit Plan Methodology

- 2.1 The requirement to produce an Internal Audit Annual Plan is included in the PSIAS which are mandatory for all internal audit providers in the UK public sector.
- 2.2 An extract of the PSIAS requirements regarding internal audit planning is attached in Appendix 1.
- 2.3 The starting point for a risk-based audit approach is gaining an understanding of the Council's objectives and goals as well as the current key risks faced by the Council as recorded in the Risk Registers.
- 2.4 Information is gathered from a number of sources prior to the preparation of the detailed Audit Plan including:

- The Corporate Plan, One Swansea Plan and the Well-Being Statement.
- Risk Registers.
- Areas of concern or request for audit coverage from management or the Audit Committee.
- The Assurance Map which details other sources of assurance available both from internal and external sources.
- Any recent or proposed significant changes to the Council's systems or operations.
- Previous audit results and Internal Audit's cumulative knowledge of systems and procedures across the Council.

2.5 A diagram that illustrates the internal audit annual planning process can be found in Appendix 2.

2.6 A risk assessment is undertaken for each audit which is used to determine the expected frequency of the review as part of the standard audit rolling programme. The risk assessment takes account of a wide range of factors which are grouped into the following categories:

- Materiality e.g. income, expenditure.
- Control Environment/Vulnerability e.g. previous frauds, staff turnover.
- Management Concerns e.g. direct request for help, potential for embarrassment.
- Sensitivity e.g. impact on service, effect on Council's welfare.

2.7 The outcome of the risk assessment is a risk index which is then used to determine the frequency of audit visits as shown in the following table..

Risk Index	Risk Factor	Frequency of Visit
0 – 19	Low	5 years
20 – 25	Medium/Low	4/5 years
26 – 40	Medium	3 years
41 – 49	Medium/High	2/3 years
50 +	High	1/2 years

2.8 In addition to the risk assessment process, a number of systems have traditionally been identified as fundamental e.g. Employee Services, Accounts Receivable, Main Accounting, Council Tax. All fundamental systems are audited either annually or every two years which recognises the significance of the system to the achievement of the Council's objectives.

2.9 A number of audits are undertaken on an annual basis rather than by the determination of risk e.g. grant certification audits where the work is required under the terms and conditions of the grant, the review of debts written off prior to authorisation, services where significant amounts of cash are handled, etc.

- 2.10 The use of the risk assessment process provides every audit in the Council's audit universe with a year when the next audit is due which is also considered when developing the Audit Plan.
- 2.11 Each year, a Consultation Exercise is held with all Heads of Service and the Corporate Management Team, giving them the opportunity to comment on the audit coverage in their areas and to ensure that all risks within their services have been identified. Heads of Service may also request specific reviews or pieces of work by the Internal Audit Section which will add value to their service. All requests are considered in light of the total Internal Audit resources available.
- 2.12 The Consultation Exercise for the 2021/22 Audit Plan commenced in October 2020 and has seen a number of new audits being added to the audit plan.
- 2.13 In order to demonstrate the linkage between the annual plan for 2021/22 and the Council's Corporate Priorities, the Consultation Exercise also included discussions with Heads of Service to determine which of the Corporate Priorities they felt the services in their areas most closely mapped to. Whilst it is acknowledged that some service areas could map to a number of different Corporate Priorities, for simplicity, we have attempted to map each Service Area to the most relevant Corporate Priority.
- 2.14 As requested by Committee, the 2021/22 Audit Plan will reflect this mapping so that Members are able to recognise the clear link between the Plan and the Objectives of the Council. The links between the Corporate Priorities, Service Areas, the Audit Plan, the Governance Framework and the Annual Governance Statement are demonstrated in the illustration in Appendix 3.
- 2.15 Whilst the 2021/22 audit plan is currently being considered, it is envisaged that as in previous years the planned audits will be grouped in the following broad categories:
- **Council Governance & Control Audits** – cross-cutting reviews.
 - **Fundamental Audits** – aimed at providing Section 151 Officer and Monitoring Officer Assurance.
 - **Service Specific Audits** – aimed at providing other assurance, linked to the Corporate Priorities and as a result of the audit planning and consultation process and in line with the usual audit rolling programme.
- 2.16 Historically, a review of the Corporate and Directorate Risk Registers has also taken place as part of the audit planning process to ensure that where necessary, Internal Audit resources are targeted at the areas considered to be the highest risk. This has also been the case for the 2021/22 Audit Plan.

- 2.17 In addition to this, it was recommended as part of the PSIAS Peer Review that an Assurance Mapping Exercise should be carried out to inform the audit planning process and identify other sources of assurance. This exercise has been completed, with the Assurance Map being updated in consultation with the Corporate Management Team as the Risk Owners.
- 2.18 The updated Assurance Mapping can be found in Appendix 4, together with a brief narrative explaining the process. The results of this exercise will also be taken into consideration when compiling the 2021/22 Audit Plan.
- 2.19 The ongoing review of the current year's audit plan also informs the planning process e.g. by identifying any emerging risks, new systems, developments or special investigations which may have a wider impact.
- 2.20 The risk assessment process and rolling programme, consultation exercise and review of the risk registers will provide the total number of audit days required in the Audit Plan for 2021/22 which then has to be matched against the audit resources available.
- 2.21 The audit resources available in 2021/22 is 9.1 full time equivalents excluding the Chief Auditor, unchanged from 2020/21
- 2.22 The audit resources available have to allow for things such as annual leave, public holidays, training, administration, planning, sickness and a contingency to allow for unplanned work. This provides the productive audit days available to deliver the required audit coverage.
- 2.23 Inevitably, the required audit coverage will exceed the available audit resources leading to a further review of the required audit coverage. This review will again be risk based to ensure that the areas of greatest perceived risk are prioritised.
- 2.24 The Internal Audit Annual Plan is reported to the Corporate Management Team and Audit Committee at the start of each year for approval. However, the Annual Plan must remain a flexible document that reacts to changing risks and priorities over the course of the year. Updates are provided to the Audit Committee throughout the year via the Chief Auditors Monitoring Reports.

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 and engagement implications associated with this report.

4. Financial Implications

4.1 There are no financial implications associated with this report.

5. Legal Implications

5.1 There are no legal implications associated with this report

Background Papers: None

Appendices: Appendix 1 – Extract from Public Sector Internal Audit Standards
Appendix 2 – Internal Audit Annual Planning Process
Appendix 3 – Audit Plan Mapped Against Corporate Priorities
Appendix 4 – City & County of Swansea Assurance Map

Extract from Public Sector Internal Audit Standards

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:

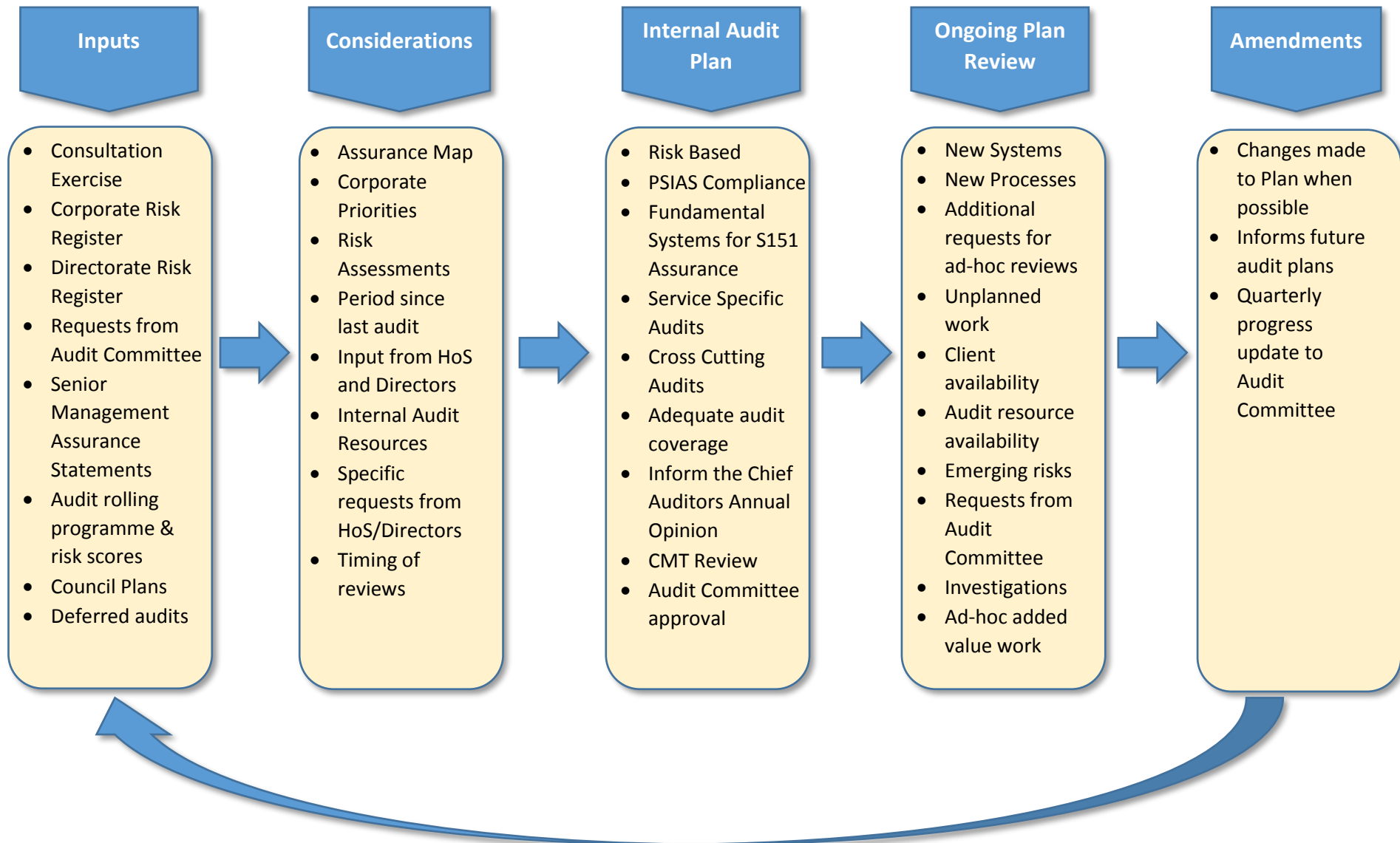
Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

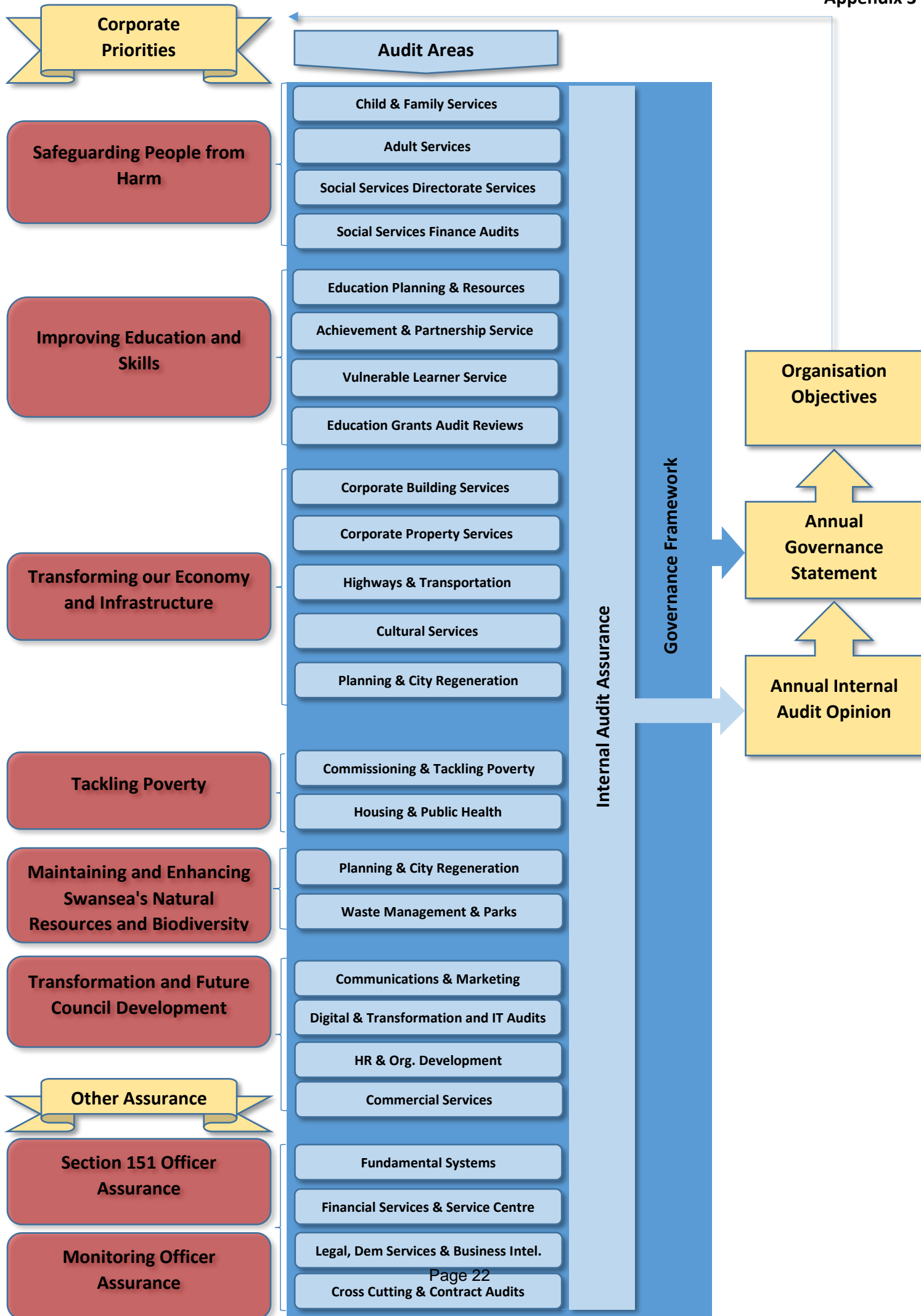
Public sector requirement

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

Internal Audit Annual Planning Process





Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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>Risk ID 94</p> <p>Risk Title Pupil Attainment & Achievement</p> <p>Risk Level Corporate</p> <p>Risk Category Operational</p> <p>Responsible Officer Helen Morgan-Rees</p> <p>Updater Kate Phillips</p> <p>Last updated 22/12/20</p>	<p>If pupils do not receive a very good education then they will not achieve the right qualifications and skills to take advantage of the Swansea Bay City Deal and to contribute effectively to the economic prosperity of the city.</p>	Amber	n/a	n/a	<p>>Covid-19 – Safe Return to School Plan in place, 88% attendance first three weeks of Sept. Continuity of Learning Plan and Policy in place – Schools developing remote/ blended learning opportunities.</p> <p>>Support for pupils to return safely in Sept. through Health, Welfare & Community Education Stream of Covid-19 Recovery Plan.</p> <p>>Childcare in schools offer for key workers and most vulnerable children during pandemic.</p> <p>>Pupils eligible for FSM receive fortnightly BACS payment or food parcels during pandemic.</p> <p>>Check-in, Catch-up and prepare sessions for safe return for learners.</p> <p>>Further enhancement of the Continuity of Learning Programme.</p> <p>>Challenge adviser monitoring visits.</p> <p>>Budget proposals for 2021-22 continue to prioritise the</p>	<p>>Positive engagement and support from Cabinet and Council.</p> <p>> Recovery plan has workstream looking at continuity of learning.</p> <p>>Two policy development workstreams looking at skills and training as well as continuity of learning.</p>	<p>>Dedicated Scrutiny Panel to scrutinise education work and performance</p>	<p>>Child Protection Board. Commission review on ALN. Improving Education & Skills PDC.</p> <p>>Education Skills Co-ordinator appointed.</p> <p>>PSO's/ Accountancy provide support and oversight of school finance.</p>	<p>>Various Edu. Audits in the Audit Plan.</p> <p>>ESTYN reports review during school audits for finance / mgt. control.</p>	<p>>ESTYN prog.of external school inspect's has been paused in 2020-2021.</p> <p>>Local authority link inspectors have conducted thematic review on continuity of learning and support for vulnerable learners.</p>	<p>>Audit Wales & CIW.</p> <p>> HSE audit of schools as covid safe environments to allow education to continue.</p> <p>>Welsh government returns, for example. Accelerated learning programme.</p>	<p>>Range of Education audits in the plan to be completed as part of the rolling audit schedule.</p>	<p>>School and other Education audits due in 2021/22</p>
---	---	-------	-----	-----	--	--	--	---	--	---	---	---	---

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

				delegated schools budget and areas of pupil specific support and the significant cash increase will support the continuing enhancement of mainstream provision for all pupils									
--	--	--	--	---	--	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 153 Risk Title Safeguarding Risk Level Corporate Risk Category Strategic Responsible Officer David Howes Updater Angela Morgan Last updated 07/01/21	<p>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.</p> <p>Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR45.</p>	n/a	Red	n/a	<p>>Covid-19 – Safeguarding Arrangements and resources remodelled to ensure this is a key priority function within social services and services can continue to be safely delivered despite Covid-19 restrictions.</p> <p>>Planned implementation of multi-agency safeguarding hub progressed despite Covid-19 restrictions. The required dedicated Safeguarding Team for Adults included in the modified restructure of Adult Services required as a result of Covid-19</p> <p>>Support and Shield vulnerable people in the community during Covid-19</p> <p>>Provide emotional and well-being support to children and young people during Covid-19.</p> <p>>Provide support to people at greater risk from domestic violence during Covid-19.</p> <p>>Provide frontline social care staff with PPE during Covid-19</p>	<p>>Director of Social Services to advise Cabinet and CMT on options to bolster resilience of the workforce in frontline child protection teams.</p> <p>>Planned engagement and support from Cabinet and Council.</p>	<p>>Two dedicated Scrutiny Panels in place to scrutinise Social Services Work and Performance .</p> <p>>People PDC in place.</p>	<p>>Establish and maintain a regional protocol to provide secure Covid-19 care home provision including increased capacity in in-house care homes.</p> <p>>Council Covid-19 Recovery Plan to recover services and deal with emerging risks</p> <p>>Corporate Safeguarding Board</p> <p>>Principal Officers for safeguarding within Social Services.</p> <p>>Corporate Safeguarding Policy and Group</p> <p>>Mandatory Corporate Safeguarding Training in place for Staff and Members.</p> <p>>Corporate Priority</p> <p>>New Safeguarding</p>	<p>> Internal Audit of Safeguarding</p> <p>>Internal audit of DBS</p>	<p>>Regional and multi-agency safeguarding partnerships</p> <p>> CIW</p>	<p>> Audit Wales</p>	<p>>Currently included as part of standard rolling audit schedule, repeated based on audit risk score.</p>		
--	---	-----	-----	-----	--	---	--	---	---	--	-------------------------	---	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Page 26				<ul style="list-style-type: none"> >Prioritise workload to focus on most vulnerable and prioritise services and contact with those during Covid-19 response. >Children Services to further enhance the multi-agency Front Door Team with a dedicated safeguarding hub. >Action plan being developed in response to recent audit on DBS compliance in schools. >Corporate Safeguarding Board reviewing additional safeguards to be implemented by HR Transactions Team. >Sufficient numbers of trained Adult and Child Services staff. >String performance monitoring and reporting arrangements. >String commitment to invest in Social Care >Safeguarding Leads identified across all Council services. >Separate safeguarding arrangements in place in schools and Central 			Policy following review by PDDC in 2019 >CMT approved action plan to stabilise recruitment and retention of frontline Children Services staff						
---------	--	--	--	--	--	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

				Education Safeguarding Officer in main directorate. >As part of a wider restructuring of Adult Services there is still a plan to re-establish a dedicated Safeguarding Team and the Front Door.									
--	--	--	--	---	--	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 155 Risk Title Tax Evasion Risk Level Corporate Risk Category Finance Responsible Officer Ben Smith Updater Jeffrey Dong Last updated 01/02/21	<p>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.</p> <p>Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks.</p>	Green	Green	n/a	<p>>VAT Manual and Guidance available on staffnet permanently – refreshed annually as needs be</p> <p>>Accounting Instruction 15 (VAT) permanently available online</p> <p>> VAT advice available to any staff via Principal Finance Partner. All staff know to refer and reports with VAT implications via the nominated VAT Principal Finance Partner</p> <p>>Financial Procedure Rules (FPRs) and Contract Procedure Rules (CPRs).</p> <p>>IR35 guidance and procedure notes available.</p> <p>>Procurement rules and procedures.</p> <p>>Segregation of duties.</p>				<p>>VAT Audit in the Audit Plan.</p> <p>>Cover aspects of VAT, CPR's, FPR's and seg. of duties as part of standard audit tests across all audits.</p> <p>>VAT audit completed 19/20 – High Assurance</p>	<p>>External VAT Advisor retained by Council for specialist VAT advice under contract</p> <p>>Strong working relationships with HMRC Compliance Manager by S151, Principal Finance Partner (VAT) and Service Centre Manager (income tax, NI, IR35, Self Employed, contracts etc.</p> <p>>HMRC compliance team has visited and "signed off" our tax arrangements.</p>	<p>>VAT arrangements considered as part of wider financial audit</p>	<p>>None – elements are already covered in the audit plan.</p>	<p>>Planned audits to be completed as per the standard rolling prog.</p>	
--	--	-------	-------	-----	--	--	--	--	---	---	---	---	---	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 159 Risk Title Financial Control – MTFP aspects of Sustainable Swansea Risk Level Corporate Risk Category Finance Responsible Officer Ben Smith Updater Jeffrey Dong Last updated 29/01/21	<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. Risk added 27/03/18 following review of Corporate Plan 2017/22 and review of Corporate Risks. Superseeds risks CR46 and CR47. RR 19/07/19 - Description changed from 'Financial</p>	Red	Red	n/a	<p>>Covid-19 – Recovery Plan : Future Council – Finance new MTFP. >Agreed and well established quarterly reporting plan in place to document and record at Cabinet all actions or non-actions in Services to contain spending. >PFM monitoring process monthly is well established and understood by all officers with appropriate escalation mechanism to S151 Officer, Chief Executive and Cabinet if non-compliance >Spending restrictions published to all staff and reviewed. Many controls continue to be exercised by CMT in relation to filling vacant posts, restructures, regrades and committing contract sums. >Corporate level monitoring. >Agreed budget. >Clear governance and reporting in place. >Prevention Strategy. >Monitoring at monthly P&FM's. >FSTG reporting and monitoring.</p>	<p>>Quarterly monitoring reports to Council and Cabinet >Collaborative Officer/ Member budget setting process in place. >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>>Quarterly monitoring reports to Audit Committee >Monthly PFM monitoring in place. Transform & Future Council PDC. > Many controls continue to be exercised by CMT in relation to filling vacant posts, restructures, regrades and committing contract sums. >Budget holders required to monitor and report any budget variances to monthly P&FM for review. >Reshaping Board launched to challenge delivery/ non-delivery and accelerate timescales.</p>	<p>>Audit Committee provide challenge, oversight and assurance >Periodic budget monitoring reports go to Audit Committee >Budget reports included in the 2019/20 workplan for Audit Committee</p>		<p>>WAO review currently underway in relation to the MTFP aspects of Sustain. Swansea. >AW recently published financial resilience national report and showed clearly Swansea position had strengthened considerably boosted by the £17m addition to reserves in 19-20 outturn. >Risks in current year managed temporarily by drawing down from those increased reserves.</p>	<p>>Saving and other budget mgt to be included as part of the Achieving Better Together (trans) audit.</p>	
--	--	-----	-----	-----	--	---	--	---	--	--	--	---	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

	Control (Service Overspending) and Sustainable Swansea' to 'Financial Control - MTFP aspects of Sustainable Swansea' as per CMT 10/07/19			MTFP. >Tracker in place from June 2018 to capture and warn of delivery risks. >S151 Officer remains able and prepared to not certify adequacy of budgets and issue S114 notice if proven necessary.									
--	---	--	--	---	--	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 180 Risk Title New Legislative and Statutory Changes Risk Level Corporate Risk Category Governance Responsible Officer Tracey Meredith Updater Debbie Smith Last updated 01/02/21	<p>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.</p>	Amber	Amber	n/a	<p>>Covid-19 – Lobby Welsh Government to streamline legislative requirements, bureaucracy and decision making to allow a flexible and rapid response to and recovery from Covid-19.</p> <p>>Lawyers in Local Government update on new legislation, consultation and constitutional matters circulated by Chief Legal Officer to CMT on regular basis.</p> <p>>Prepare action plan for new Local Government and Elections (Wales) Bill.</p> <p>>Legislative requirements built into plans and decision making.</p> <p>>Well-being of Future Generations Act webpage signposting to Welsh Government and Future Generations Commissioner resources to refer to and to help inform development of proposals/ reports at earliest stage</p> <p>>Ensure Legal Statutory Developments are</p>	<p>>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.</p>	<p>>Scrutiny councillors routinely monitor and challenge services, policies and decision-making across the Council, which will include compliance with relevant legislation, assessment of quality, and highlighting of issues / concerns.</p>	<p>>Lawyers in Local Government updates received by Chief Legal Officer.</p> <p>> Legislation updates circulated periodically to CMT by Chief Legal Officer.</p> <p>>Policy Briefing – widely circulated</p> <p>>Appraisals and identification of training needs.</p> <p>> The Data Protection Officer provides an annual report on compliance with data protection legislation.</p>	<p>>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.</p> <p>>Audits added to plan as they arise prioritised by risk.</p>			<p>>Audits to be added to the plan via as per annual consult with HoS/ Directors.</p>	<p>>New audits to be added as requested by HoS/ Directors</p>	
---	---	-------	-------	-----	---	--	---	---	---	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

				<p>flagged up with CMT/ Intranet. >Legal implications inserted into decision making reports with Legal and Access to Services sign-off. >Monitoring of new legislation by Legal department.</p>								
--	--	--	--	---	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 196 Risk Title Workforce Strategy Risk Level Corporate Risk Category Strategic Responsible Officer Sarah Lackenby Updater Adrian Chard Last updated 01/02/21	<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>Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks. Supersedes risk CR43.</p>	Amber	Amber	n/a	<ul style="list-style-type: none"> > Covid-19 – Redeploy and train staff to assist with the Covid-19 response. >Support staff health and well-being during Covid-19 >Support staff to work remotely at home during Covid-19 >Workforce will be a key strand of the future Council workstream in the Covid-19 recovery plan >Reporting through Leadership Team >Tracking and monitoring of the OD plan and delivery. >OD Strategy and Implementation Plan in place >Apprenticeship/ Traineeship strategy. >Gender Pay Gap and Project Plan >Service Planning >Corporate Plan – Transformation & Future Council Objective >Workforce Planning 			<ul style="list-style-type: none"> >New Policy development taken to PDC >The PDC has also undertaken a strand of work around the gender pay gap. 				<ul style="list-style-type: none"> >Workforce Planning audit included in 2019/20 audit plan, deferred pending Oracle Cloud implement per SL BS. > To be included as part of the Achieving better Together (trans) audit. 	
--	--	-------	-------	-----	---	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 222 Risk Title Digital, data and cyber security Risk Level Corporate Risk Category Governance Responsible Officer Sarah Lackenby Updater Jo Harley Last updated 29/01/21	CR86 -If we do not have robust digital, data and cyber security measures and systems and behaviours in place, embedded and working as best as they can be, 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. Risk added 27/03/18 following review of production of Corporate Plan 2017/22 and subsequent review of Corporate Risks.	Amber	Red	n/a	<ul style="list-style-type: none"> >Covid-19 – Ensure the Council's Covid-19 recovery plan accounts for increased risk form cyber-attacks and data fraud arising from new working patterns and reliance on technology >Introduce simulated cyber-attacks on staff to measure their actions, identify weaknesses and improve knowledge >Provide staff with ICT security and data management updates and guidance during Covid-19 and whilst working from home including cyber security guidance and Covid-19 cyber scams staffnet page >Cyber security during Covid-19 reviewed alongside advice from Warp and PSN compliance e.g. use of Zoom. >Enhanced Security Layer provided by Microsoft 365 >Cyber security strategy created and ready for engagement with staff >Digital services working with internal audit and emergency 	<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"> >Member of the Cyber Security Information Sharing Partnership which is a joint industry and government initiative to exchange cyber threat information >Part of Wales Warning Advice and Reporting Point to share cyber threats and defences with other public bodies > Cyber Essentials and Cyber Essentials Plus accreditation >New regional multi-agency cyber cell meetings being attended to share intelligence and actions >PSN Certification Achieved >Cyber essential 	<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 2019/20 deferred to 2020/21 	
--	--	-------	-----	-----	--	--	---	--	--	---	--	---	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Page 35	Supersedes risk CR66. Risk revised 18/09/18 following attendance at a cyber-event with the police and receiving information from the WLGA regarding what Local Authorities should be demonstrating as basic measures.			planning to further improve the ICT disaster recovery plan >Live testing of the DR Plan, options being reviewed potentially in line with wider corporate business continuity exercise >LrF Cyber exercise planned and revised SIRO training >Comms. Issued to staff and members detailing impact of cyber attack at other councils.			accreditation achieved >Member of Wales WARP & CISP sharing knowledge of threats. >Discussed at IG Board – standing agenda item						
---------	---	--	--	--	--	--	---	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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												

Risk ID 223 Risk Title Sustainable Swansea Transformation Programme Delivery Risk Level Corporate Risk Category Strategic Responsible Officer Adam Hill Updater Sarah Lackenby Last updated 01/02/21	CR103- 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 RR 19/07/19 - Corporate Services Risk CS92 Sustainable Swansea Programme Delivery closed and matter escalated to Corporate Risk Register, as per CMT 10/07/19	Amber	Amber	n/a	>Covid-19 – New Transformation Plan in development by Deputy Chief Executive linked with Covid recovery >Annual programme review reflecting lessons learned into revised programme >Links with corporate governance risk around reporting for major projects >Robust programme management for risks, issues, changes >Monitoring and reporting at CMT away days >Robust programme governance and reporting >Sustainable Swansea programme plan	>Monitoring and reporting at CMT/ Cabinet away days	>Annual Report to Scrutiny	>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 to be included in Achieving better together (trans) audit.	>Replaced by Achieving Better Together (trans) on the audit plan 2021/22	
--	--	-------	-------	-----	--	---	----------------------------	---------------------------	--	--	--	---	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 235 Risk Title Emergency Planning, Resilience and Business Continuity Risk Level Corporate Risk Category Governance Responsible Officer Adam Hill Updater Craig Gimblett Last updated 29/01/21	<p>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.</p>	Red	Red	n/a	<p>>Covid-19 – Prepare for further Covid-19 or other infectious disease outbreaks >Rest Centre Plan and arrangements >Additional dedicated PPE reserve for responders and public during evacuation and additional rest centre location for mass evacuation to be established from bay >Additional strategic training to increase organisational resistance agreed for 3rd Nov >Specific Covid Rest Centre arrangements developed and implemented complete with evac PPE and hygiene supplies >Restructure of EMS to include additional EMS Officer and Principle for 12 months >Review and update business continuity plans >Crisis Media Plan >Temporary Mortuary arrangements >Major Incident Plan >Flood Management Plan >Emergency Recovery Plan</p>			<p>>Multi agency exercising and training</p>	<p>>Emerg. Mgt audit in Audit Plan for CBS. >H&S, Emerg. Planning / Civil Cont. and Business Continuity in Audit Plan for HR&OD</p>		<p>>Standard audits in the plan already cover this area.</p>	<p>>Audits in the plan to be completed when due as part of the standard rolling schedule. > CCS and ICT disaster recover audits on the 2021/22 plan.</p>	
--	--	-----	-----	-----	---	--	--	---	---	--	---	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 236 Risk Title Health & Safety Risk Level Corporate Risk Category Governance Responsible Officer Adam Hill Updater Craig Gimblett Last updated 01/02/21	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 consequence	Amber	Amber	n/a	>Covid-19 – Additional guidance on H&S assessments and general Covid information as a priority >Retrospective entered Covid assessments, standard operating procedures for schools and premises, BAME and health assessment process created and PPE guidance. >Early review of lone working, DSE and mental health policies >Well-being policies. New mental health policy under consultation includes social isolation and impact of home working >Staff well-being part of future council stream of Covid recovery plan >Stress management and counselling and H&S advice to staff during Covid-19 >Review business continuity plan to prepare for EU exit >H&S toolkits >Noise, dust, light, humidity, vibration sampling			>Member of British Association of Counsellors and Psychotherapists (Bacp). >Directors H&S Committees & Sub Safety Groups	>H&S Audit Plan			>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.	
---	--	-------	-------	-----	--	--	--	---	-----------------	--	--	---	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 259 Risk Title Regional Working Risk Level Corporate Risk Category Strategic Responsible Officer Phil Roberts Updater Liz Edmonds Last updated 25/01/21	<p>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.</p>	Amber	Amber	n/a	<p>>Covid-19 – Maintain stronger partnership working relationships post Covid-19 and as part of the Council's Covid-19 recovery plan and continue to make use of MS Teams to ensure regional meetings are more frequent and effective >Collaboration on the delivery of school improvement services >Playing a leading and proactive role in major regional collaborations >Representations made to WG on reforming the grant regime >Governance structures in place for all major collaborations >Partnerships have been mapped >Director leads for each partnership >Senior Management restructure strengthening capacity for regional working</p>	<p>>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.</p>	<p>>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 s inc. ERW, West Glam. Regional Partnership (prev. Western Bay), and Swansea Bay City Deal.</p>	<p>>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.</p>	<p>>City Deal has a Joint Working Agreem'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.</p>	None	n/a	
---	---	-------	-------	-----	--	--	---	--	---	------	-----	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 264 Risk Title COVID-19 Risk Level Corporate Risk Category Operational Responsible Officer Adam Hill Updater Richard Rowlands Last updated 26/01/21	<p>If we fail to carry on providing a co-ordinated and joined-up response to Covid-19 and make the best use of our workforce and available resources, then : we will be unable to protect vulnerable people and meet demand for key services, such as social care; there will be disruption to services and supplies, including food supplies; we will not be supporting critical services, key workers and local businesses sufficiently to limit the impact of the virus.</p>	Red	Red	n/a	<p>> Prepare And Implement A Covid-19 Recovery Plan To Restart, Adapt, Recover And Transform Council Services. > Work With Partners To Provide Social Care And Other Critical Front-Line Staff With Ppe. > Work With Partners To Ensure Resilient Supply Chains, Especially Food And Ppe Supply. > Work With Partners To Redeploy Staff And Seek Recruits To Critical Areas, Such As Social Care And Food Distribution To Food Banks. > Prepare For The Possibility Of Further Covid-19 Outbreaks. > Provide Council-Led To Support To Local Businesses, E.G. Advice, Grants And Rate Relief. > Work With Partners To Inform And Reassure The Public And Reinforce Health And Social Distancing Messages Through Social And Other Media. > Work With Partners To Support Education</p>	<p>>Covid-19 Recovery and transformation Plan 'Achieving Better Together' approved At Cabinet. >Various Cabinet reports through 2020/21 to support work to respond to the pandemic, e.g. Financial Procedure Rule 19.1c and FPR7. Authorisation for Alteration and Conversion of Bay Studios, Fabian Way, Swansea into an 1000 Bed Surge Hospital on Behalf of the Swansea Bay University Health Board – See Cabinet 27/04/20.</p>	<p>>Scrutiny has kept a watching brief. SPC to review local position and progress with Recovery Plan.</p>	<p>>Covid-19 Recovery and transformation Plan 'Achieving Better Together' reviewed by Audit Committee. >Audit Committee quarterly overview of risk management, including Corporate Risks. >Audit Committee oversight of relevant reports and impact of Covid-19, e.g. See Audit Committee review of Revenue and Capital Budget Monitoring - 2nd Quarter on 09/02/21, including Welsh Government funding and Covid-19 grant payments made to local businesses</p>	<p>>Matters arising addressed in some Internal Audit work, e.g. See report to Audit Committee 09/02/21 Internal Audit Annual Plan 2020/21 - Monitoring Report for the Period 1 October 2020 to 31 December 2021 – detailing additional work done in the quarter, including Lloyds pre-paid card review in relation to the Covid-19 Foodbank setup and operation.</p>	<p>>Report providing an assessment of the key issues following the Covid-19 response with a particular focus on how we have collectively managed Care Home settings reviewed at the Regional Partnership Board.</p>	<p>>Audit Wales has shaped their work to provide assurance and challenge in a way which helps to support the Council through this period. 2020-21 work includes: • recovery planning in response to the COVID-19 pandemic; • COVID-learning project – helping to identify and share learning from the way in which public bodies have responded to the pandemic;</p>	<p>> Achieving Better Together (Recovery) included on the 2021/22 plan.</p>	
---	---	-----	-----	-----	--	--	--	---	---	--	---	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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												

Risk ID 269 Risk Title Local Economy and Infrastructure Risk Level Corporate Risk Category Strategic Responsible Officer Martin Nicholls Updater Phillip Holmes Last updated 13/01/21	<p>If the local economy and infrastructure is not transformed and supported to be resilient and to take advantage of national and global trends and events and attract investment, then it will not fulfil its potential as a regional centre to raise aspirations, improve services, lift skills, improve connectivity, create well-paid employment opportunities and improve the well-being of Swansea citizen.</p>	n/a	Red	n/a	<ul style="list-style-type: none"> > Refresh Regional Economic Regeneration Strategy > Develop A Covid Economic Recovery Plan > Attract Sufficient Investment And Development And Regenerate The City Centre. > Work With Partners To Deliver The Swansea Bay City Deal And Attract Investment Across The Region To Deliver Highly Skilled And Well-Paid Jobs. > Organise And Facilitate Virtual Meet-The-Buyer Events To Help Local Businesses To Identify Opportunities To Bid For Council Work And Contracts. > Take Appropriate Actions Where The Council Has A Direct Relationship With Businesses Such As Swansea Indoor Market Traders With Rent Relief To Support Businesses During Covid-19. > Provide Business Advice And Support, Including Administering Uk And 					<ul style="list-style-type: none"> >Collaborate With Welsh Government On Regional Economic Framework 			
---	---	-----	-----	-----	---	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 276 Risk Title Achieving Better Together – Recovery Risk Level Corporate Risk Category Strategic Responsible Officer Adam Hill Updater Sarah Lackenby Last updated 29/01/21	<p>If the Council does not deliver the actions and milestones in the recovery plan, then there is a risk the organisation will not move on effectively from the effects of the pandemic. This is important as it forms the foundations for the next transformation programme.</p>	Amber	<p>> Monitoring capacity. Capacity Is A Significant Risk Across The Council With Staff Working On Ttp, Some Staff Still Diverted Onto Urgent Covid Tasks, Staff Off Sick With Covid Or Self-Isolating, And The General Pressure Of Business As Usual Alongside The Continuing Pandemic. Delivery Of The Recovery Plan Must Be Viewed In This Context And Any Risks Or Issues Flagged By Workstream Leads. Overall Programme Management Capacity Is Required. A Post Has Now Been Created And Recruited Will Begin Shortly</p> <p>> Robust governance and recovery plan monitoring and reporting. Governance Established For The Recovery Plan Utilising Existing Groups And Boards. Reporting Monitoring In Place With Workstream Leads.</p>									<p>Audit added to plan for 2021/22</p>	
---	---	-------	--	--	--	--	--	--	--	--	--	--	--

Business Risk	2 Month Overall RAG	Previous Overall RAG	Current Overall RAG	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													

Risk ID 277 Risk Title Achieving Better Together – Transformation Risk Level Corporate Risk Category Strategic Responsible Officer Adam Hill Updater Sarah Lackenby Last updated 29/01/21	If the Council does not transform effectively it will not be sustainable and financially resilient in the longer term			> Transformation activities in the programme plan must align with the MTFP to ensure future financial sustainability > Programme documents need to be in place: Programme plan (milestones and deadlines), governance, benefits realisation plan, RAID log, change plan > Learning from the previous transformation programme, Sustainable Swansea adapted into the new programme following final report to Scrutiny in June 2021									Audit added to plan for 2021/22	
---	---	--	--	---	--	--	--	--	--	--	--	--	---------------------------------	--

Updates:

08/12/20 (MAP consultation responses from TM, BS, HMR, SL)

27/01/21. 03/02/21.

Assurance Map Guidance Notes

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 6



Report of the Chief Auditor

Audit Committee – 9 March 2021

Draft Internal Audit Annual Plan 2021/22

Purpose:	This report presents the Draft Internal Audit Annual Plan for 2021/22 to the Audit Committee for consideration prior to the final plan being presented to the Committee in April for approval.
Policy Framework:	None
Consultation:	Legal, Finance, Access to Services.
Report Author:	Simon Cockings
Finance Officer:	Ben Smith
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 is also reported to the Committee at the meeting on 9th March 2021.
- 1.5 This report presents the Draft Internal Audit Annual Plan 2021/22 to Committee for consideration.

2. Internal Audit Strategy and Annual Plan 2021/22

- 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 2021/22 will accompany the final version of the Plan which due to be presented to Committee in April.
- 2.3 For 2021/22, 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 2020/21. This gives a total number of available days of 2,366.
- 2.4 A summary of the Internal Audit Plan 2021/22 is shown in Appendix 1 and a list of audits planned for the year is shown in Appendix 2 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 2021/22 accommodates any audits which were deferred from the 2020/21 Plan where the risk justifies their inclusion.
- 2.6 The Plan includes time for all fundamental audits due in the year i.e. 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 178 days of audits due in 2021/22. 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 2020/21), 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 2021/22 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, an assurance mapping exercise is undertaken to inform the internal audit plan. The corporate risk register is also reviewed as part of the planning process, with the control measures noted against each of the risks informing the assurance map. Following a detailed review of corporate risks on the risk register, it was noted that in a number of cases the control measures recorded against the risk couldn't realistically be considered as actual control measures. This was raised with the Strategic Delivery & Performance Manager and the Chief Finance Officer in the first instance, and later with the Corporate Management Team. It is hoped that this will be addressed in 2021/22 via training for risk owners.
- 2.10 The assurance map is also distributed to corporate risk owners in advance of the planning process to give them the opportunity to review the entries in the three tiers of the map to ensure they are up to date and that all sources of assurance have been captured. It should be noted that in some instances, minimal updates or additions were added to the map as a result of this process this year.
- 2.11 As a result of the points above, whilst the updated assurance map has been considered as part of this year's planning process, limited reliance has been placed on the entries in some instances and internal audit knowledge and experience has been relied upon, in consultation with the Chief Finance Officer, to ensure a suitably balanced and risk targeted audit plan is produced.
- 2.12 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.
- 2.13 It is the view of the Chief Auditor that the proposed Internal Audit Plan 2021/22 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, subject to the extent of ongoing disruption caused by the Covid-19 pandemic in 2021/22.

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 and engagement implications associated with 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- Draft Internal Audit Annual Plan 2021/22 (Summary)
Appendix 2- Draft Internal Audit Annual Plan 2021/22

Draft Internal Audit Annual Plan 2021/22 – Summary

Categories of Audit Work	Plan 2020/21	Plan 2021/22	
	Days	Days	%
People	419	335	14
Place	420	322	14
Corporate Services	215	305	13
Fundamental Audits	168	247	10
Contract Audit Systems	55	30	1
Computer Audits	35	52	2
Contract Audits	0	0	0
Cross Cutting Audits	85	135	6
Miscellaneous Audits	40	15	1
Projects & Special Investigations	78	63	3
Productive Days	1515	1504	64
Staff Training	76	48	2
Holidays, Sick & Special Leave	499	543	22
Admin, Planning, Control, Clerical Support etc.	219	219	9
Contingencies	41	36	2
Vacancies	0	0	0
Performance Management - Appraisals	16	16	1
Non Productive Days	851	862	36
Total Days	2366	2366	100

Days Covering Corporate Priorities	
Cross Cutting Audits	135
Section 151 Officer Assurance	515
Education	167
Safeguarding	433
Poverty	160
Economy & Infrastructure	230
Resources & Biodiversity	45
Transformation & Council Development	197

(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 have been counted in each area)

Audit Title	Risk Rating	Status as at 01/04/2021	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
General Data Protection Regulations	Med/High	Planned	Cross Cutting	10
Corporate Performance Management	Med	Planned	Cross Cutting	15
Local Government and Elections (Wales) Bill	New	Planned	Cross Cutting	10
FOI / SAR/ EIR Review	New	Planned	Cross Cutting	15
Wellbeing of Future Generations Act	New	Planned	Cross Cutting	10
Achieving Better Together – Recovery	New	Planned	Cross Cutting	10
Achieving Better Together – Transformation (inc. workforce strategy and savings delivery)	New	Planned	Cross Cutting	15
Assurance Framework	New	Planned	Cross Cutting	20
Level 2 – Fundamental Systems - Section 151 Officer Assurance				
Financial Services & Service Centre				
Employee Services	Med/High	Planned	Section 151 Assurance	30
Pensions Admin	Med/High	Planned	Section 151 Assurance	20
Teachers Pensions	Med	Planned	Section 151 Assurance	15
Accounts Receivable	High	Planned	Section 151 Assurance	35
Business Rates (NNDR)	Med	Planned	Section 151 Assurance	20
Pension Fund Investments	Med/High	Planned	Section 151 Assurance	7
Housing Rents	Med	Planned	Section 151 Assurance	20
Accounts Payable	Med	Planned	Section 151 Assurance	35
Housing & Council Tax Benefit	Med/High	Planned	Section 151 Assurance	40
Capital Accounting	Med	Planned	Section 151 Assurance	25
Level 3 – Service Level Audits – Other Assurance				
Education Planning & Resources				
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
Ysgol Crug Glas	Med	Planned	Education	4
School Funding & Information	Med/High	Planned	Education	15
Catering & Cleaning HQ	Med	Planned	Education	10
SQUid School Income (thematic)	New	Planned	Education	15
Primary School DBS (thematic)	New	Planned	Education	15
Achievement & Partnership Service				
School Support Team	Low	Planned	Education	15

Vulnerable Learner Service				
Behavioural Support Unit	Med/Low	Planned	Education, Safeguarding & Poverty	20
Education Grants & Other				
Schools Annual Report	n/a	Planned	Education, Safeguarding & Poverty	3
Regional Consortia School Improvement Grant	n/a	Planned	Education, Safeguarding & Poverty	15
Pupil Deprivation Grant	n/a	Planned	Education, Safeguarding & Poverty	15
Child & Family Services				
Independent Agency Payments	High	Planned	Safeguarding	10
Discretionary Payments	Med/High	Planned	Safeguarding	10
Nant-y-Felin Children's Home	Med	Planned	Safeguarding	10
Grants & Contracts	Med/High	Planned	Safeguarding	10
Adoption Allowances	Med/Low	Planned	Safeguarding	10
Residential & Outdoor Centres	Med	Planned	Safeguarding	10
Swansea Children's Centre & Mayhill Family Centre	Med	Planned	Safeguarding	10
Adult Services				
Home Care	Med/High	Planned	Safeguarding	10
Community Alarm Service	Med	Planned	Safeguarding	10
Integrated Community Equipment Service & Suresprung	High	Planned	Safeguarding	10
Suresprung Transitional Employer Support Grant	n/a	Planned	Safeguarding	5
CREST	Med	Planned	Safeguarding	10
Supporting People Team – Regional Coordinator Grant	n/a	Planned	Safeguarding	3
Supporting People Grant	n/a	Planned	Safeguarding	10
Enable Support for Independent Living Grant	n/a	Planned	Safeguarding	10
Business Support Team – Child & Family	Med/Low	Planned	Safeguarding	15
Commissioning				
Early Intervention Services	Med	Planned	Poverty	5
Tackling Poverty				
Welfare Rights Service	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				

Energy Management	Med/Low	Planned	Economy & Infrastructure	5
Waste Management & Parks				
Domestic Refuse Collection	Med	Planned	Economy & Infrastructure, Resource & Biodiversity	10
Parks Central Operations – Tree Services Unit	Low	Planned	Economy & Infrastructure, Resource & Biodiversity	5
Cleansing inc. Parks Central Operations, Litter & Beaches	New	Planned	Economy & Infrastructure, Resource & Biodiversity	10
Highways & Transportation				
Concessionary Bus Fares	Med	Planned	Economy & Infrastructure	5
Car Parks	Med/High	Planned	Economy & Infrastructure	20
Clydach Depot – Plant	Med	Planned	Economy & Infrastructure	10
CTU Fleet Hire / Spot Hire	Med	Planned	Economy & Infrastructure	10
Taxi Framework Contract	Med	Planned	Economy & Infrastructure	10
Live Kilometre Support Grant (G)	n/a	Planned	Economy & Infrastructure	5
Housing & Public Health				
Morrison DHO	Med	Planned	Poverty, Safeguarding	15
Sketty DHO	Med/Low	Planned	Poverty, Safeguarding	15
Neighbourhood Support Unit inc. CCTV	Med	Planned	Poverty, Safeguarding	7
Affordable Housing	Med	Planned	Poverty, Safeguarding	10
Application Controls – Flare System	Med	Planned	Poverty, Safeguarding	5
Building Regulations	Med	Planned	Poverty, Safeguarding	15
Taxi Licencing	Med/Low	Planned	Poverty, Safeguarding	10
Rechargeable Works	Med	Planned	Poverty, Safeguarding	15
Cultural Services				
Outdoor Leisure	Med	Planned	Economy & Infrastructure	15
Sports Development	Med/Low	Planned	Economy & Infrastructure	10
Swansea Museum	Med/Low	Planned	Economy & Infrastructure	10
Central Library	Med	Planned	Economy & Infrastructure	15
Archives	Med/Low	Planned	Economy & Infrastructure	15
Planning & City Regeneration				
Nature Conservation	Med	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Land Charges	Med	Planned	Economy & Infrastructure, Resources & Biodiversity	10
Communications & Marketing				
Civic Admin/Mayoral Service/Mansion House	Med	Planned	Transformation & Council Development	10
Emergency Planning & Business Continuity	Med	Planned	Transformation & Council Development	10
Risk Management	Med/High	Planned	Transformation & Council Development	15

Financial Services & Service Centre				
Cashiers Office – CCI Reconciliation	Med/High	Planned	Section 151 Assurance	5
Write-Off Requests	n/a	Planned	Section 151 Assurance	5
Cashiers Write-off's	n/a	Planned	Section 151 Assurance	5
Bank Reconciliations	Med	Planned	Section 151 Assurance	10
School Bank Reconciliations	Med	Planned	Section 151 Assurance	15
Grants Receivable	Med/High	Planned	Section 151 Assurance	15
Leasing	Med	Planned	Section 151 Assurance	10
Income Tax – Self Employed	Med	Planned	Section 151 Assurance	5
Construction Industry Tax Scheme	Med	Planned	Section 151 Assurance	10
Residential Care	High	Planned	Section 151 Assurance, Safeguarding	25
Debt Recovery – Financial Services & Legal Recovery	High	Planned	Section 151 Assurance, Safeguarding	25
Learning Disability Recharges	Med	Planned	Section 151 Assurance, Safeguarding	10
Adult Family Placements	Med	Planned	Section 151 Assurance, Safeguarding	10
Employee Vetting (DBS)	High	Planned	Section 151 Assurance, Safeguarding	10
Purchase Card Transactions Monthly Review	Med	Planned	Section 151 Assurance	10
Compliance with CIPFA Financial Management Code	New	Planned	Section 151 Assurance	10
Digital & Transformation				
ICT Administration inc. IT Assets	Med	Planned	Transformation & Future Council Development	15
Oracle Authorisation Limits	Med/High	Planned	Transformation & Future Council Development	10
Commercial Services				
Contracts Review – Education	New	Planned	Section 151 Assurance	10
Chief Transformation Officer Audits				
Contact Centre – Client & Property Finance Payments	Med	Planned	Transformation & Council Development	5
HR Policies	Low	Planned	Transformation & Council Development	10
Employment of Agency Staff	Med/High	Planned	Transformation & Council Development	10
Corporate Learning & Development Team	New	Planned	Transformation & Council Development	5
Oracle Cloud	New	Planned	Transformation & Council Development	10
Post-Coronavirus pandemic review of Agile Working	New	Planned	Transformation & Council Development	10
Regional Broadband Grant	New	Planned	Transformation & Council Development	5
Contract Audits				
Highways & Transportation – Business Case, Tendering & Evaluation	Med/High	Planned	Transformation & Council Development	15

CBS Control of Contracts	Med	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
Firewall Controls – Corporate & Education Network	Med	Planned	Transformation & Council Development	5
Internet Controls for Clients – Social Services	Med	Planned	Transformation & Council Development	5
E-Commerce Controls	Med	Planned	Transformation & Council Development	7
Disaster Recovery & Business Continuity	Med	Planned	Transformation & Council Development	10
Oracle Change Control	Med/High	Planned	Transformation & Council Development	5
Telephony System	Med	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	5
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				
Western Bay Social Services Training Team	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

Cross Cutting Audits – 135 days

Section 151 Officer Assurance – 515 days

Corporate Priorities

Safeguarding (Safeguarding People from Harm) – 433 days

Education (Improving Education and Skills) – 167 days

Economy & Infrastructure (Transforming our Economy and Infrastructure) – 230 days

Poverty (Tackling Poverty) – 160 days

Resources & Biodiversity (Maintaining and Enhancing Swansea's Natural Resources and Biodiversity) – 45 days

Transformation & Council Development (Transformation and Future Council Development) – 197 days

Agenda Item 7



Report of the Deputy Chief Executive

Audit Committee – 9 March 2021

Value for Money & Benchmarking

Purpose: The report provides an overview of how the Council seeks to achieve Value for Money, which includes the role of benchmarking, and what information is required to enable the Audit Committee to discharge its duties.

Report Author: Adam Hill

Finance Officer: Ben Smith

Legal Officer: Debbie Smith

Access to Services Officer: Rhian Millar / Catherine Window

For Information

1. Background – legislation

- 1.1 This report provides an overview of how the Council seeks to achieve Value for Money, which includes the role of benchmarking, and what information is required to enable the Audit Committee to discharge its duties.
- 1.2 The phrase 'Value for Money' has had a long history in local government. The Best Value regime was introduced in England and Wales by the Local Government Act 1999. The aim was to improve local services in terms of both cost and quality. A Best Value authority was one that had 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; otherwise known as the 3 'E's.
- 1.3 Part 1 of the Local Government (Wales) Measure 2009 designated local authorities in Wales as Welsh Improvement Authorities, which meant that the designation of 'best value authorities' no longer had any legal meaning in Wales, nor did the broader concept of 'best value'.

- 1.4 The Local Government Measure 2009 expanded the definition of improvement so that it was no longer limited to economy, efficiency and effectiveness but also other requirements, such as improving fairness by reducing inequality in accessing or benefiting from services; the Local Government Measure 2009 is in the process of being repealed.
- 1.5 The introduction of the Well-being of Future Generations (Wales) Act 2015 introduced the concept of improving 'well-being'. Section 7 of the Act requires (amongst other things) the publication of a statement detailing how a public body proposes to ensure that resources are allocated annually for the purpose of taking such steps to meet their 'well-being objectives'. It is expected that financial planning will address the tendency for short-term priorities and administrative processes to overtake long-term interests and preventative action.
- 1.6 The statutory arrangements for the audit of local government bodies in Wales are set out in Part 2 of the Public Audit (Wales) Act 2004. Among other things, section 17 requires the Auditor General to satisfy himself, 'by examination of the accounts and otherwise' that the bodies concerned have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources'. The Auditor General is able to supplement his accounts examination with further work to specifically examine arrangements for securing value for money.

2. Definition – value for money

- 2.1 The National Audit Office uses three criteria to assess the value for money of government spending i.e. the optimal use of resources to achieve the intended outcomes:
- **Economy**: minimising the cost of resources used or required (inputs) – **spending less**;
 - **Efficiency**: the relationship between the output from goods or services and the resources to produce them – **spending well**; and
 - **Effectiveness**: the relationship between the intended and actual results of public spending (outcomes) – **spending wisely**
- 2.2 Besides these three 'E's, a fourth 'E' is applied in some places:
- **Equity**: the extent to which services are available to and reach all people that they are intended to – **spending fairly**. Some people may receive differing levels of service for reasons other than differences in their levels of need.

3. Benchmarking

- 3.1 Improvement is the process by which organisations (in this case, local authorities) determine what their priorities are, and plan, monitor, manage and report their activities on an annual basis so as to achieve them. Before the 2009 Local Government Measure became law, this

process was, for local government, regulated by Part 1 of the Local Government Act 1999 - the 'best value' regime.

- 3.2 As part of the 'best value' regime, local authorities in England and Wales collected and reported on a national set of Best Value Performance Indicators (BVPIs). This allowed local authorities in Wales to compare and benchmark performance with each other and with local authorities in England using a standard set of common measures.
- 3.3 Following the establishment of the Welsh Assembly Government, the BVPIs were subsequently replaced with a different set of national indicators; the National Assembly for Wales Performance Indicators (NAWPIs). This allowed local authorities in Wales to continue to compare and benchmark performance with each other but comparability with England was lessened and became less relevant over time because of divergence as a result of devolution.
- 3.4 Over time, the NAWPIs were replaced with other sets of national indicators to allow comparisons and benchmarking within Wales until local authorities worked with the Welsh Local Government Association to develop a new framework for local performance based on Public Accountability Measures (PAMs). This performance measurement framework was ratified at the Welsh Local Government Association Council on 31 March 2017. The number of national PAMs has reduced since then so that only 25 PAMs were last reported in 2019/20. Progress against the public accountability measures is available on the Data Cymru website.
- 3.5 Whilst the PAMs are used specifically for public accountability purposes, benchmarking clubs cover services from planning to children's services and are run by service managers to help manage and drive improvements in their services. There are benchmarking clubs coordinated through Data Cymru's online Benchmarking Hub.
- 3.6 Other means of comparing and benchmarking performance and other data is also available at service manager level through membership of the Association of Public Service Excellence (APSE). APSE performance networks is a benchmarking service across England, Scotland, Wales and Northern Ireland; it is used by over 200 local authorities for service-level benchmarking.
- 3.7 The WLGA provided an opportunity for local authorities to voluntarily engage in peer reviews, which provides a chance to compare and benchmark performance. Peer reviews provide an expert external perspective, to identify strengths and challenge areas for improvement. Peer reviews, also known as peer challenges, are a key part of the WLGA's improvement offer for local authorities; Swansea Council undertook a voluntary peer review facilitated by WLGA in 2014 to help prepare it for its corporate assessment by Audit Wales under the Local Government Measure 2009. The Local Government and Elections

(Wales) Act 2021 will require local authorities to establish peer assessment panels and undertake such peer reviews once every five years.

4.0 Value for Money & Benchmarking

4.1 The Local Government and Elections (Wales) Act 2021, which will replace the Local Government Measure 2009, requires each council to keep under review the extent to which it is fulfilling the 'performance requirements', which also includes the extent to which it is using its resources economically, efficiently and effectively.

4.2 The Well-being of Future Generations Act provides the context within which councils should be exercising their functions, using their resources and ensuring their governance is effective, with the aim of maximising their contribution to the well-being goals.

4.3 Local authorities can apply the value for money criteria and incorporate benchmarking opportunities as part of that process as follows:

4 'E's	Description	In practice
Economy:	minimising the cost of resources used or required (inputs) – spending less ;	Keeping within expected costs and budget (whole-life costs) and making savings.
Effectiveness:	the relationship between the intended and actual results of public spending (outcomes) – spending wisely	Targets and outcomes to deliver economic, social and environmental benefits are established and are met or exceeded.
Efficiency:	the relationship between the output from goods or services and the resources to produce them (process) – spending well	Economy and Effectiveness criteria and both met...if not, benchmark with similar projects / programmes / services.
Equity (and sustainability):	the extent to which services are available to and reach all people that they are intended to and without compromising the needs of future generations – spending fairly and sustainably	Integrated Impact Assessment

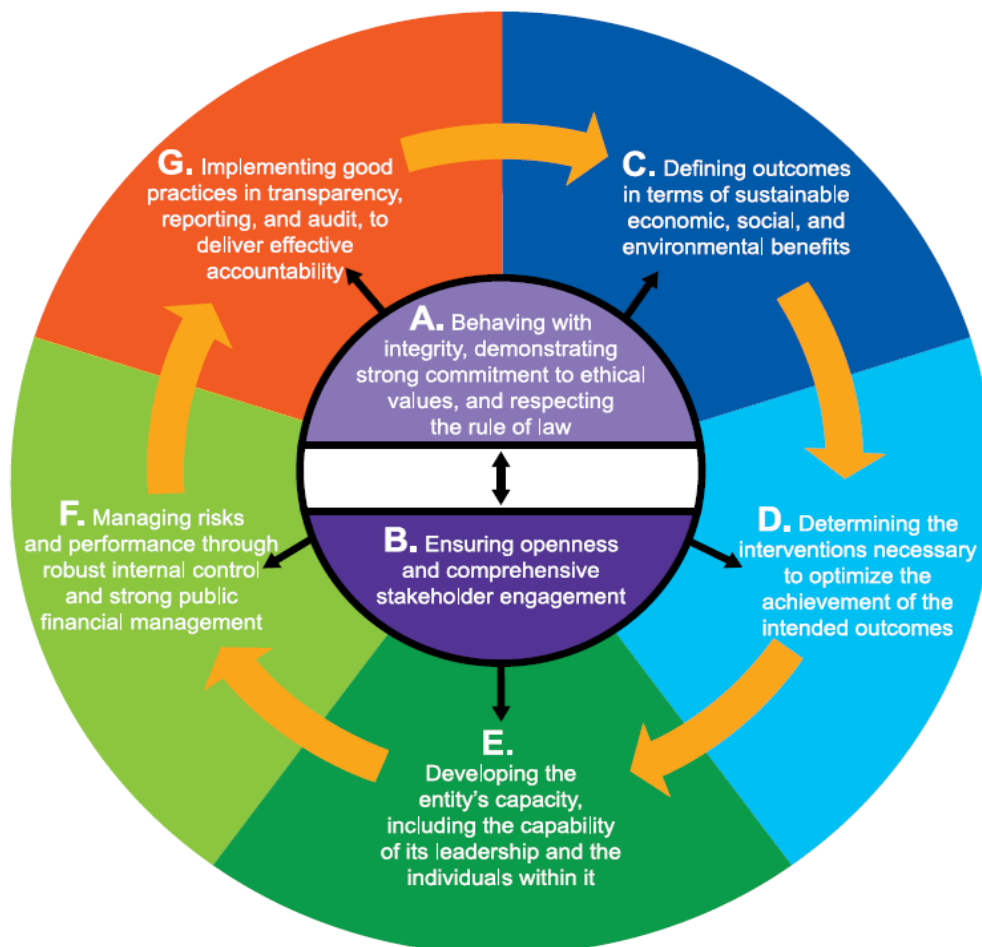
4.4 In other words, value for money can be determined by reviewing a range of financial and performance data and reports and, where available, benchmarking with other comparable information; good governance is essential to ensure value for money.

4.5 Sustainability is a key element of achieving value for money that seeks to balance the economic and efficient use of resources with wider social, cultural, environmental and economic benefits as underpinned by the Well-being of Future Generations Act. For example, the Welsh Government policy to introduce a Circular and Foundational Economy. A Circular Economy where value for money is also about seeking to reuse, repair and recycle resources so as to extract as much value as possible from the resources and materials we utilise. A Foundational Economy that emphasises essential goods and services and obtaining social value and sustainable benefits beyond narrow least cost transactions, such as developing sustainable supply chains and looking for energy and resource sustainability.

5. Value for money - what good looks like

5.1 The core principles and sub-principles of good governance are set out by CIPFA / SOLACE in *Delivering Good Governance in Local Government*, which are pictured in the diagram below and are evidenced in the Council’s Annual Governance Statement

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**



6. Value for Money – what Swansea looks like

6.1 The Council's Annual Governance Statement describes how the Council meets the principles of good governance in delivering value for money. In summary, the Council has the following arrangements in place:

- Medium Term Financial Planning covering 3 (currently extended to 4) further financial years beyond forthcoming budget year approved annually by Council.
- The *Achieving Better Together* recovery and transformation programme seeks to modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services.
- An Annual budget setting process in place including an extensive consultation exercise.
- 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.
- The achievement of “social value” through the effective procurement and commissioning of service in compliance with Contract Procedure Rules, e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts).
- Monthly Directorate Performance and Financial Monitoring meetings.
- Risk management is an integral part of decision making supported by monthly monitoring and reporting to Corporate Management Team and Performance & Financial Monitoring meetings.
- There is a specific Corporate risk around Financial Control and MTFP aspects of transformational plans owned by the S151 officer.
- Quarterly and annual finance and performance monitoring reports to Cabinet.
- Robust scrutiny challenge by pre-decision scrutiny, inquiries and Call-In.
- 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 resource.
- 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.
- There is some engagement with benchmarking groups such as APSE, CIPFA.
- There is a comprehensive induction training programme for members and officers, including a Councillor Training Programme based on a Training Needs Assessment.

7. Value for Money – what Audit Wales reported

- 7.1 Audit Wales concluded in 2019/20 that the Council had put in place proper arrangements to secure value for money from the resources it uses but that significant challenges remained, particularly in terms of delivering timely transformation against the backdrop of a challenging financial position.
- 7.2 Their review of all 22 Welsh Councils financial sustainability in 2019/20 sought to assess the sustainability of councils' short to medium-term financial position. They undertook this assessment because they identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources in light of recent experiences of some councils in England, and their 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.
- 7.3 In Swansea, Audit Wales 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.
- 7.4 Audit Wales stated that their recent work with the Council had provided them 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.
- 7.5 Audit Wales further stated that the Council recognised the extent of the continuing financial challenge and the transformation required to service delivery over the immediate and longer term. Audit Wales noted that the Council was undertaking a fundamental review and refresh of the Sustainable Swansea programme for transformation to ensure that planned actions are of sufficient scale and pace. Audit Wales will be further reviewing these new transformation arrangements during their 2021 Audit Programme.
- 7.6 In October 2020 Cabinet approved the new Swansea - *Achieving Better Together* Transformation Strategy and Programme Framework. The strategic aims of Swansea – Achieving Better Together will now focus on:
- The core purpose of the Council.
 - Transforming services to be effective and efficient.
 - Greater collaboration with other Councils, organisations, community groups and residents, with a focus on regionalisation.
 - Balancing the budget for current and future years.

- Greater and more meaningful engagements with our residents and community.
- To meet aspirations and targets within the Medium Term Financial Plan.

7.6.1 The strategic governance of the *Achieving Better Together* is undertaken by the Recovery, Reshaping & Budget Strategy Board and the operation and Delivery of the workstreams is overseen by the Organisational Cross Cutting & Transformation Steering Group. Reports will be considered by Cabinet, Scrutiny and Audit Committees throughout the implementation and development of the programme.

8.0 Value for Money – Audit Committee

- 8.1 The authority has a statutory duty to make best use of resources and delivering defined outcomes on a sustainable basis within the resources that will be available. The authority must have in place arrangements to obtain assurance over its performance. Assurance should focus on both the arrangements to ensure and the progress in achieving Value for Money (VfM).
- 8.2 The Audit Committee needs to seek assurance on the following in order to fulfil its duties in relation to value for money in line with the principles of good governance as set out in the CIPFA (2018) *Audit Committee Practical Guidance for Local Authorities and Police: “The role of the audit committee is most likely to focus on whether the authority’s overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the AGS”*.
- 8.3 The role of the audit committee is predominantly to focus on whether the authority’s overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the Annual Governance Statement. One specific area of activity for the committee will be consideration of the external auditor’s wider work as set out in the codes of audit practice and other guidance adopted by national audit bodies which for Wales includes Audit Wales annual improvement report to Council.
- 8.4 **Note** – this report describes the Council’s governance procedures for obtaining value for money. As noted within the Annual Governance Statement 2019/20 published in June, these arrangements have been disrupted during 2020/21 as a result of the impact of Covid-19. In that statement, the Statutory Governance Chief Officers resolved to maintain appropriate corporate grip to ensure that sufficient governance is maintained throughout this unprecedented crisis and during the recovery. This report and the table below describes the financial and governance arrangements that will need to be renewed and enhanced as part of the Council’s implementation of the *Achieving Better Together* recovery and transformation plan.

Action	In place	Opportunity to strengthen
Realistic and achievable savings and outcomes from the transformation programme are clearly identified and are being monitored and reviewed regularly for achievement.	<i>Achieving Better Together</i> Recovery and Transformation Programme	It is essential in terms of the financial challenges facing the Council beyond 2021/22 that further savings proposals are continuously developed and implemented over and above those already proposed to provide future headroom.
Overspending is being identified and actively controlled through rigorous budget monitoring.	Quarterly and annual financial monitoring reports to Cabinet and Scrutiny. PFM meetings. Budget tracker. Spending controls.	Enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Corporate Management Team, Reshaping Board, Recovery Board and Cabinet.
Good quality, clear, timely and accurate financial & performance information and monitoring reports are being provided to officers and Members.	Annual Budget and Quarterly / annual financial and performance monitoring reports to Cabinet and Scrutiny. Financial reports to Audit Committee	Further training to Scrutiny and Audit Committee Members to enable them to better understand and challenge financial and budget reports. Review further integration between financial, performance and risk reports.
Budget setting, overspends, credibility of savings plans and financial risks / reporting is subject to rigorous and challenging oversight and scrutiny from elected Members.	Annual Budget and Quarterly / annual financial monitoring reports to Scrutiny. Financial reports to Audit Committee. Financial training provided to Members as part of their induction.	
There is strong risk management of	Annual budget setting	

<p>financial decisions and risks.</p>	<p>Annual Budget and Quarterly / annual financial and performance monitoring reports to Cabinet and Scrutiny.</p> <p>PFM meetings.</p> <p>Budget tracker.</p> <p>Corporate Risk on financial control.</p> <p>Senior Management Assurance Statements.</p>	
<p>Borrowing and unplanned use of reserves is kept under control and a safe and adequate level of financial reserves is being maintained.</p>	<p>Quarterly and annual financial and performance monitoring reports to Cabinet and Scrutiny.</p> <p>Budget tracker.</p> <p>PFM meetings.</p> <p>Spending controls.</p>	<p><i>Achieving Better Together</i> Recovery and Transformation Programme.</p> <p>Enhanced monitoring and tracking of progress in achieving budget savings.</p>
<p>There is a constructive and open Member and officer relationship, which is open to challenge from either party and a strong organisational culture and decision making focussed on achieving and maintaining financial sustainability.</p>	<p>Joint CMT and Cabinet meetings.</p>	<p><i>Achieving Better Together</i> Recovery and Transformation Programme and governance arrangements.</p>
<p>The Council compares itself with other similar organisations as a means of identifying weaknesses and improving performance and value for money.</p>	<p>Some limited service-level benchmarking clubs CIPFA, APSE, Data Cymru Benchmarking Networks.</p>	<p>Benchmarking is done when value for money in terms of living within budgets and / or not meeting intended outcomes is not being delivered.</p>

		Peer review panels mandated by the Local Government and Elections (Wales) Act 2021
The Council reviews the sustainability of its transformation and budget proposals and financial decisions and the potential impact on people with protected characteristics and on future generations.	The annual budget is subject to public consultation and an Equality Impact Assessment. We have also just piloted the Sustainable Development Impact Assessment in this budget round, which will inform the development of an Integrated Impact Assessment.	Subject the annual budget round, Medium Term Financial Plan and proposals from <i>Achieving Better Together</i> to an Integrated Impact Assessment when finalised.

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.
- 9.2 Our Equality Impact Assessment process ensures that we have paid due regard to the above. There are no direct equality implications.

10. Legal Implications

- 10.1 There are no legal implications.

11. Financial Implications

- 11.1 There are no financial implications.

For Information

Background Papers: None.

Appendices: None.

Agenda Item 8



Report of the Deputy Chief Executive

Audit Committee – 9 March 2021

Counter Fraud

Purpose: The report provides an action plan from the findings of the Audit Wales report 'Raising Our Game' – Tackling Fraud in Wales and The Counter Fraud Phase 2 Question Hierarchy Responses which informed the development of the Raising Our Game report.

Report Author: Adam Hill

Finance Officer: Ben Smith

Legal Officer: Tracey Meredith

Access to Services Officer: Rhian Millar / Catherine Window

For Information

1. Background – Raising Our Game –Tackling Fraud in Wales (ROG)

1.1 The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today. Figures could be anywhere between £100 million and £1 billion.

1.2 Fraudsters appear the very instant that an opportunity presents itself. Recently, there has been an explosion in fraudulent activity, and especially in cybercrime, during the current COVID-19 pandemic

1.3 Public sector bodies can mitigate these risks by having the right organisational culture supported by strong counter-fraud arrangements.

1.4 In June 2019 the Auditor general published a report giving an overview of the scale of fraud in the Welsh Public Sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. A further report was published in July 2020 which was based on a more extensive programme of field work, and identified a range of opportunities to improve on the current national position, including:

- strengthening strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
- increasing counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies;
- getting the right balance between proactive and reactive counter-fraud activities;
- improving awareness-raising and staff training in counter-fraud
- better evaluation of fraud risks and sharing of fraud information, both within and across sectors.

1.5 The full report can be found in Appendix 1.

2. Counter Fraud Phase 2 (CFP2)

2.1 The Wales Audit Office (now Audit Wales) produced a question Hierarchy (see appendix 2), which was used as fieldwork to answer the question “are arrangements for preventing fraud and detecting fraud in the Welsh public sector effective?” in particular:

- Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
- Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
- Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
- Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
- Does the organisation’s internal control environment support effective arrangements for preventing and detecting fraud?
- Does the organisation have an appropriate response to fraud?
- Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

2.2 This information and responses along with the evidence was used as part of the fieldwork to inform the “Raising Our Game” report and recommendations.

3.0 Action Plan

The 2 documents identified improvements or recommendations. Set out below are the actions which relate to Swansea Council.

CFP2 No.	ROG No.	Question	Improvements identified	Action	Timescale / Responsible Officer
1	Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?				
1.1	R2	Do those charged with governance in the organisation promote a clear message in terms of having a zero tolerance of fraud?	It would be more effective for the CMT to take a proactive role in promoting the consequences of fraudulent behaviour within their service areas	Add to PFM meetings as well as 151 Officer bringing regular update as part of the agenda for CMT - Finance update.	Immediate effect CMT
1.2	R2	Does the organisation's senior leadership team and management actively promote the importance of a good anti-fraud culture?	SLT set a good tone from the top that fraud will not be tolerated, however they could take a more proactive role in actively promoting the message.	CMT will, through the reporting structure, identify areas where fraud has been identified and where appropriate promote through the various media channels and internally	Immediate effect CMT / Head of Communications and Marketing.
1.3	R6	Are all staff required to attend fraud and ethics awareness training so that roles and responsibilities are clear?	Fraud awareness training is not undertaken on an annual basis.	To consider how this could be introduced as an online e-learning package in collaboration with fraud Team.	September 2021 HR & OD Manger
2	Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?				
2.5	R11	Does the organisation have an annual programme of proactive counter-fraud work (i.e. fraud prevention work) which covers the risks identified in the risk assessment with ring fenced days for proactive	There are no ring-fenced days for proactive work to be undertaken given the limited resources much of the work completed is reactive.	As part of developing the forward work programme that identifies proactive work this will be reviewed to see what proactive or how this can be included.	October 2021 Chief Auditor

		work to be undertaken?			
3	Does the organisation have a sound policy framework to support effective counter-fraud arrangements?				
3.1	R5	Does the organisation have a counter-fraud strategy in place to address identified risks which is communicated across the organisation and is overseen by those charged with governance?	It would be more effective to include fraud risk within the corporate risk register to ensure that the risk is highlighted and disseminated across the organisation	Corporate risk Register to be reviewed and risk added.	April 2021 Deputy Chief Executive / Chief Finance Officer
3.2	R2	Does the organisation have a code of conduct which sets out clearly for employees and contractors which behaviours are acceptable and unacceptable and includes a section for reporting and addressing conflicts of interests?	There is a limited reference to anti-fraud procedures in the Code of Conduct.	The code of conduct will be amended with a section included on Fraud.	June 2021 HR &OD Manager / CFT / Chris Williams
4	Does the organisation undertake an effective fraud risk assessment together with appropriate responses to emerging issues?				
4.1	R3	Does the organisation undertake a regular and comprehensive fraud risk assessment which is shared and discussed with the Board/Senior Management Team/Audit Committee?	Fraud risk is not assessed on a Senior Management Level as part of the Corporate Risk Register.	Corporate risk Register to be reviewed and risk added.	April 2021 Deputy Chief Executive / Chief Finance Officer

4.2	R4	Does the organisation consider fraud risk as part of the overall risk management process?	The Council have not included fraud risk within the Corporate Risk Register which is overseen by the Senior Management Team	Corporate risk Register to be reviewed and risk added.	April 2021 Deputy Chief Executive / Chief Finance Officer
5 Does the organisations internal control environment support effective arrangements for preventing and detecting fraud?					
5.2	R4	Does internal audit look at fraud risks and test controls designed to prevent and detect fraud as part of its annual programme of work?	There is no specific reference to fraud risk detection in the internal audit work programme	The current testing of controls does cover this but it is not specifically stated in the audit programme. All tests are designed to ensure controls are effective and hence preventing fraud.	Chief Auditor to consider this during the year.
5.4	R12 / R13	Does the organisation regularly use data analysis/matching (outside NFI) to validate data and detect potentially fraudulent activity?	The Benefits team use Data Tank to establish any fraud risk. No other data analysis/matching exercise is used.	Review of system to be undertaken and identify if any other analysis / matching would be beneficial	October 2021 Chief Finance Officer
6 Does the organisation have an appropriate response to fraud?					
6.1	R5	Does the organisation have an appropriate fraud response plan that is communicated to all staff which makes clear that all allegations of fraud will be investigated?	There is no specific fraud response plan in place at Swansea Council	Development and implementation plan to be developed mapped out details and timescales and any additional resource required to	August 2021 Chief Auditor

				deliver a fraud response plan	
6.2	R5	Does the organisation take action to ensure that allegations of fraud, including anonymous allegations are assessed in line with the fraud response plan?	No set policy in place about how the investigation will take place	Development and implementation plan to be produced mapping out details and timescales and any additional resource required to deliver a fraud response plan including investigation policy	August 2021 Chief Auditor / Chief Finance Officer
6.3	R5	Does the organisation have documented procedures in place for conducting fraud investigations which follow proper professional practice?	The Council have no documented procedures in place for conducting fraud investigations which follow proper professional practice	Development and implementation plan to be produced mapping out details and timescales and any additional resource required to deliver investigation policy for conducting fraud investigations	August 2021 Chief Auditor / Chief Finance Officer
6.4	R5	Does the organisation effectively investigate allegations of fraud in line with their procedures?	The Council have no documented procedures in place for conducting fraud investigations which follow proper professional practice	Development and implementation plan to be produced mapping out details and timescales and any additional resource required to deliver investigation policy for conducting fraud investigations.	August 2021 Chief Auditor / Chief Finance Officer

7	Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?				
7.3	R7	Does the organisation provide an appropriate level of information to an Audit Committee to enable it to discharge its duties in relation to counter-fraud?	The Audit Committee should take a more proactive role in helping to promote a good anti-fraud culture.	The audit committee and chair to be made aware of opportunities throughout the year	Ongoing Chief Auditor.
Key to recommendation or question numbers:					
CFP2 = Counter Fraud Phase 2 Question Hierarchy Responses					
ROG = Raising Our Game – Tackling Fraud In Wales					

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. There are no direct equality implications.

5. Legal Implications

- 5.1 There are no legal implications.

6. Financial Implications

- 6.1 There are no financial implications.

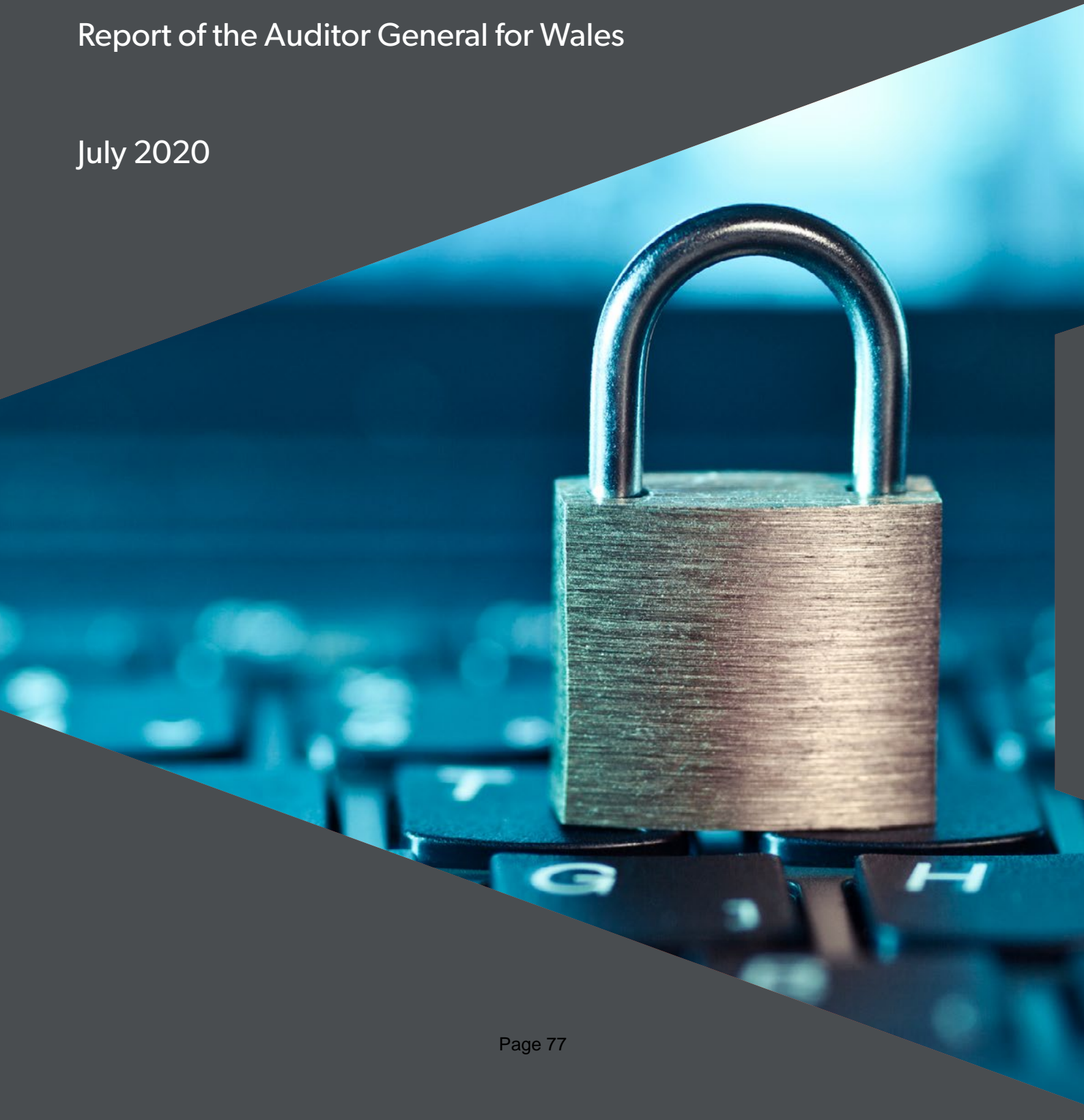
Background papers: None.

Appendices: Appendix 1: Raising Our Game – Tackling Fraud In Wales
Appendix 2: Counter Fraud Phase 2 Question Hierarchy Responses.

'Raising Our Game' Tackling Fraud in Wales

Report of the Auditor General for Wales

July 2020



This report has been prepared for presentation to the Senedd under the Government of Wales Acts 1998 and 2006 and the Public Audit (Wales) Act 2004.

The Audit Wales study team comprised Rachel Davies, Christine Nash and Ian Hughes, under the direction of Mike Usher.

The Auditor General is independent of the Senedd and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the Senedd on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

© Auditor General for Wales 2020

Audit Wales is the umbrella brand of the Auditor General for Wales and the Wales Audit Office, which are each separate legal entities with their own legal functions. Audit Wales is not itself a legal entity. While the Auditor General has the auditing and reporting functions described above, the Wales Audit Office's main functions are to providing staff and other resources for the exercise of the Auditor General's functions, and to monitoring and advise the Auditor General.

You may re-use this publication (not including logos) free of charge in any format or medium. If you re-use it, your re-use must be accurate and must not be in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

For further information, or if you require any of our publications in an alternative format and/or language, please contact us by telephone on 029 2032 0500, or email info@audit.wales. We welcome telephone calls in Welsh and English. You can also write to us in either Welsh or English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Contents

Foreword by the Auditor General	4
Summary Report	
Summary and recommendations	7
The COVID-19 pandemic: a case study	10
Main Report	
1 Culture and leadership across the Welsh public sector	14
2 Risk management and control frameworks	19
3 Policies and training	23
4 Capacity and expertise	27
5 Tools and data	32
6 Collaboration	36
7 Reporting and scrutiny	40
Appendices	
1 Audit Methods	45
2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee	48



Foreword by the Auditor General

- 1 In June 2019, I published a report giving an overview of the scale of fraud in the Welsh public sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. I noted that the sums lost annually in Wales to fraud and error are significant – and could be anywhere between £100 million and £1 billion. The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today.
- 2 However, some senior public sector leaders are sceptical about the levels of fraud within their organisations. As a result, they are reluctant to invest in counter-fraud arrangements and assign a low priority to investigating cases of potential fraud identified to them by the National Fraud Initiative, even though there are many examples of a good return on investment in this area. Their stance runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the UK Government's Counter Fraud Function. This latest report, which examines the effectiveness of counter-fraud arrangements at over 40 public-sector bodies in Wales, has found that where such scepticism arises, it is not based on any significant local counter-fraud work or robust fraud risk assessments.
- 3 But we also know that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people. There has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic. I welcome the proactive steps which the Welsh Government has taken to raise awareness across the public sector in Wales about this risk.

- 4 Public sector bodies can mitigate these risks by having the right organisational culture supported by strong counter-fraud arrangements. Many local authorities have invested so little in counter-fraud arrangements that they have only a few of the key components in place. Whilst the position is generally much more robust across the NHS in Wales, there is still a challenging agenda to make counter-fraud fit for the next decade where globalisation and the advent of digital technology have created new risks, and opportunities, for the fraudsters.
- 5 I was heartened to see the Welsh Government's positive response to my 2019 report and, following the one-day conference organised by the Public Accounts Committee in July 2019, the Permanent Secretary's commitment (see **Appendix 2**) to provide Wales-wide leadership in raising the profile of counter-fraud activity.
- 6 In this latest report, based on a more extensive programme of field work, we identify a significant range of further opportunities to improve on the current national position, including:
 - a strengthening strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
 - b increasing counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies;
 - c getting the right balance between proactive and reactive counter-fraud activities;
 - d improving awareness-raising and staff training in counter-fraud; and
 - e better evaluation of fraud risks and sharing of fraud information, both within and across sectors.
- 7 There is also significant potential for Wales to take advantage, where appropriate, of many of the counter-fraud initiatives underway across the wider UK public sector. These include the recent establishment of a recognised government counter-fraud profession, with defined competencies and career paths, and the increasing focus on tackling fraud by smarter use of data analytics.

- 8 As I publish this report, Wales continues to grapple with the effects of the COVID-19 pandemic. This report contains a timely illustration of some of the ways in which fraudsters have moved rapidly in recent months to exploit the pandemic for criminal gain. I have already taken steps to extend the scope of our National Fraud Initiative (NFI) to enable local authorities in Wales to undertake eligibility checks on applications for COVID-19 support grants. I am also proposing to mandate that all local authorities, together with the Welsh Government, should submit COVID-19 grant and payment data to the NFI, to help identify fraudulent applications.



Adrian Crompton

Auditor General for Wales

Summary and recommendations

Ensuring that the arrangements for preventing and detecting fraud in the Welsh public sector are effective

This report examines seven '**key themes**' that all public bodies need to focus on in raising their game to tackle fraud more effectively:

- leadership and culture;
- risk management and control frameworks;
- policies and training;
- capacity and expertise;
- tools and data;
- collaboration; and
- reporting and scrutiny.

For each theme in turn, the report examines:

- why it is important;
- what our audit fieldwork identified in terms of current working practices and their effectiveness across the 40 Welsh public sector bodies that we examined (listed in **Appendix 1**); and
- what needs to happen next to generate improvement.

Our **recommendations for improvement** which are addressed to all public bodies in Wales within the Auditor General's remit, are as follows:

Theme

What needs to happen next?

Leadership and Culture



- R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a coordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities.
- R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.

Risk management and Control framework



- R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.
- R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.

Policies and Training



- R5** All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.
- R6** Staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.
- R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.

Theme

Capacity and Expertise



What needs to happen next?

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling /sharing of resources in order to maximise the availability of appropriately skilled staff.

Tools and Data



- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforces the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengt hen both the prevention and detection of fraud.

Collaboration

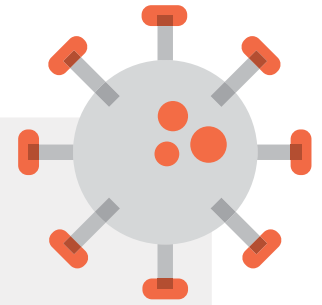


- R13** Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.

Reporting and Scrutiny



- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing support and direction, monitoring and holding officials to account.



The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We know from experience that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people.

Predictably, there has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic.

The first reported positive cases of COVID-19 were reported in the UK on 31 January 2020. By this time the fraudsters and scammers had mobilised and were already hard at work.

The first fraud report relating to COVID-19 was received on February 9 by Action Fraud, the UK's fraud reporting centre. Since that time, the number of reports has increased significantly across the UK – the media reporting an unprecedented number of scams linked to the virus.

We have seen examples of good practice by some public bodies and organisations in Wales in identifying the fraud risks and sharing them with other bodies and citizens. The Welsh Government is liaising with the UK Cabinet Office and is sharing its guidance and learning on counter-fraud with the rest of the public service in Wales, including Local Authority Counter Fraud leads. Welsh Government officials have agreed to maintain and develop this group post-COVID. The intelligence obtained from these meetings has also assisted the Head of Counter Fraud with fraud intelligence sharing with Cabinet Office and the three other devolved administration fraud leads.

But has the Welsh public sector response been more reactive than proactive? What can we do better? Whilst globalisation has benefited the fraudsters it can also be to the advantage of counter-fraud specialists; we had early notice of scams from thousands of miles away a few weeks before the first case of COVID-19 was identified in the UK.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We believe that the COVID-19 pandemic provides an important opportunity for the Welsh counter-fraud community to come together (by appropriate means) and reflect on the speed and effectiveness of its response to the scammers and fraudsters.

The key issues and recommendations set out in this report could help set an agenda or framework for such an event. There has never been a timelier opportunity for Welsh public sector leaders and counter-fraud specialists to consider how to:

- create stronger strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
- make best use of counter-fraud capacity and capabilities and explore the potential for shared arrangements, resources and expertise;
- get a better balance between proactive and reactive counter-fraud activities;
- raise awareness amongst employees and provide the necessary training to those most likely to come across a fraud; and
- evaluate fraud risks more effectively and share fraud information both within and across sectors.

So, what do we already know about the fraudsters' response to the pandemic?

The mobilisation of fraudsters has benefited from a number of factors, for example:

- more people are spending time online to shop and socially interact. Elderly people are seen as particularly vulnerable, being generally less computer literate and more susceptible to scams such as phishing emails and ordering fake products such as face masks and sanitisers.
- working patterns have changed at short notice which can leave weaknesses in processes and procedures.
- an unprecedented amount of public money has been put into a range of new and innovative financial support schemes to businesses and individuals.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

Fraudsters and scammers mobilised quickly for a number of reasons:

- they are very good at evaluating risks and exploiting vulnerabilities which can be at a process or at an individual level;
- they have well-established tools and methodologies and can adapt them at short notice to a new opportunity; and
- they do not recognise geographical boundaries and can be effective individually and by collaborating with like-minded individuals.

There are more examples of COVID-19 frauds and scams coming to light than can be mentioned here. There are, however, a number of themes emerging:

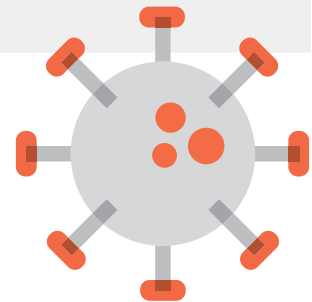
- the early reports related to the sale of Personal Protective Equipment such as face masks and hand sanitiser and testing kits. Typically, the items were fake or often failed to arrive after payment had been made¹.
- the next to emerge were phishing emails. For example, one claiming to be from the Department for Work and Pensions (DWP) asking the individual for debit or credit card details by saying that they are entitled to a council tax refund.
- as the attentions and resources of organisations were diverted to new ways of working and many staff were laid off, the incidence of cyber security attacks to steal business-sensitive and personal data increased.
- with more people working from home following the UK-wide lockdown, phishing campaigns then targeted applications that are being relied upon during remote working, in particular popular conference calling applications and parcel delivery firms.

1 NHS in Wales introduced arrangements to mitigate against this fraud risk and it did not become an issue.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

- as the national focus turned to test and track, the fraudster's net became wide and indiscriminate, as shown by a fake text message attempting to dupe people into believing they have been in contact with someone who has tested positive for the virus, directing recipients to a website for more information. The link is then used to harvest personal and financial data.

A world-leading counter-fraud response would mean that counter-fraud specialists had identified the risks at least at the same pace as the fraudsters, if not sooner. It would also mean they had the right tools to prevent and detect fraudsters exploiting any new opportunities; and that the counter-fraud response was mobilised rapidly through effective collaboration and information sharing.





Culture and leadership across the Welsh public sector

01

Why is it important?

- 1.1 The Crime Survey for England and Wales recognises fraud as one of the most prevalent crimes in society today. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services. Public sector bodies can mitigate the risks from fraud by having the right organisational culture supported by effective counter-fraud arrangements.
- 1.2 Strong leadership sets the appropriate tone from the top of an organisation and plays a crucial part in fostering a culture of high ethical standards. It is important that senior management leads by example and sends a clear message that fraud will not be tolerated either from inside or outside of the organisation. A strong tone at the top can raise the profile of fraud risks and promote the best standards and approaches in counter-fraud work.

What did we find?

- 1.3 Other than in the NHS there is an absence of any overarching strategic approach, guidance, coordination and oversight.
- 1.4 In NHS Wales, the NHS Counter Fraud Service² provides leadership, specialist investigation skills, support and guidance to the sector and a Counter Fraud Steering Group³ provides strategic direction and oversight. This leadership model delivers a coordinated approach to counter-fraud across the NHS in Wales and a good counter-fraud culture complemented by inbuilt scrutiny of the arrangements. The legal framework specific to the NHS Wales and the levels of investment give counter-fraud a high profile and robust enforcement and recovery mechanisms. At a local level, strategic leadership was evident within Health Boards through the dissemination of a consistent message, both internally and externally, that fraud is not tolerated.

2 Which is hosted by the NHS Wales Shared Services Partnership

3 A sub-group of the All Wales Directors of Finance Forum

- 1.5 Across local authorities there is an absence of sector-wide strategic leadership, guidance, coordination and oversight of counter fraud. Within the individual authorities we found statements espousing a zero tolerance of fraud in policies and strategic documents. But there is much more that can be done to re-enforce the tone from the top at a practical level. We found examples where the leadership team actively promotes the importance of a good anti-fraud culture through awareness campaigns, newsletters to staff and active engagement with counter-fraud teams. But we also found in many authorities that there was little evidence that the message is driven down from the top and little priority is given to counter-fraud work. There were often competing priorities and, as a result, little time was given to counter-fraud and it often had a low profile.
- 1.6 In Central Government, the position is mixed. Within Welsh Government, we found evidence that counter-fraud is taken seriously, and a small team has achieved many successful outcomes, albeit its emphasis leans towards reactive rather than proactive work. We have been encouraged to see that the Welsh Government has accepted both of the recommendations made by the Public Accounts Committee following our first report. However, there remains a leadership gap that still needs to be addressed.
- 1.7 Across the other central government bodies that we examined, counter-fraud is not always given such a high priority. One reason for this appears to be the very low incidence of fraud being identified and reported; this poses the difficult question of whether this is due to a lack of investment in counter-fraud or a genuine low incidence of crime taking place. However, this latter explanation runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 1.8 The threat posed by fraud is also getting greater recognition within the UK. The UK government, for example, is working to make central government, and the public sector more widely, a place where fraud is actively found and robustly dealt with. It is transforming its whole approach to counter-fraud by:
- a establishing a counter-fraud function;
 - b developing and launching a Government Functional Standard (GovS013);
 - c establishing a 'Government Counter Fraud Profession' to develop people and increase capability;
 - d providing expert advice to the rest of government on how to deal with fraud;
 - e delivering specialist services to assist public bodies; and
 - f collaborating with overseas governments to bring further expertise to the UK.

What can the Welsh public sector do to improve?

Recommendations

- R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a co-ordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities. In doing so it could consider:
- forming strategic partnerships with the key players nationally and internationally;
 - developing and delivering an all Wales counter-fraud strategy and vision;
 - advocating/promoting minimum standards in terms of public sector counter-fraud arrangements similar to those established by the UK Government;
 - elevating the status of counter-fraud staff by recognising counter fraud as a profession with essential competencies;
 - supporting the other sectors by, for example, providing invest-to-save funding opportunities, and supporting the development of professional competencies across the Welsh public sector; and
 - providing timely advice and guidance on 'hot' issues by gathering and disseminating important information and analysing trends.
- R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.



Risk management and control frameworks

02

Why is it important?

- 2.1 Fraudsters are becoming more sophisticated and are evaluating opportunities and risks on a real-time basis. The management and mitigation of risk in public bodies often fails to keep up with changes in the nature and impact of potential fraud. The recent flooding in South Wales created opportunities for scams within days of the floods. Security experts have reported an explosion in fraudulent activity during the COVID-19 outbreak as the pandemic has created a myriad of opportunities for fraudsters (see **Case Study on page 10**).
- 2.2 A fraud risk assessment should be an honest appraisal of risks using a range of sources such as national intelligence, local intelligence, audit reports, brainstorming exercises and data-matching results. Risk assessments should be live documents and kept under constant review. Having identified the risks, bodies can then evaluate them, assessing their likelihood and the impact if the fraud were to occur. It is only when risks are properly identified and evaluated that public bodies can tackle the risks in a prioritised and proportionate way and put appropriate actions and controls in place to manage or mitigate these risks.
- 2.3 It is important that organisations have an effective control framework to help mitigate the risks identified. A strong internal control environment can help to prevent fraud from happening in the first place and detect fraud if an instance has occurred. Fraudsters will try to circumvent established controls and it is important that controls are regularly reviewed. A strong control programme whereby fraudsters are faced with a real prospect of detection helps mitigate the risk. When frauds are discovered, controls should be reviewed to identify weaknesses and introduce improvements. Internal Audit have expertise in designing and testing controls and they should undertake work on key systems on a risk-based approach.

What did we find?

- 2.4 The quality of counter-fraud risk assessment and mitigation varies significantly in the Welsh public sector and there is generally scope to improve their quality and timeliness.
- 2.5 In the NHS, National Fraud Risk Alerts are produced by the NHS Counter Fraud Authority. These are routinely circulated to all Local Counter Fraud Specialists (LCFS) and Directors of Finance across NHS Wales. The LCFS are also required to conduct their own local risk assessments. This is a relatively new requirement and we found that these assessments are still being developed and embedded. The NHS Fighting Fraud Strategy recognises that a key challenge for the sector is the need to develop a comprehensive analysis of specific fraud risks to ensure counter-fraud resources are being directed to the most appropriate areas within the sector. The Counter Fraud Steering group has undertaken an overall risk assessment and produced assurance maps in respect of each main area of fraud. These maps will be used to target area of proactive work.
- 2.6 Our work identified that while some local authorities and central government bodies have undertaken fraud risk assessments, there were many who had not prepared a fraud risk assessment for several years. Some bodies in these sectors did not have a fraud risk assessment and therefore had not properly assessed the likelihood or impact of the risk. Without this key component, bodies cannot direct resources appropriately or adequately mitigate the risks of losses due to fraud. As a result, fraud strategies and work programmes are not particularly useful or relevant as they are not targeting the key areas of risk.
- 2.7 Our work also identified that, even where risk assessments were undertaken, they may not be integrated within the wider risk management framework. Fraud is not commonly reflected in corporate risk registers. We did not find many coordinated mechanisms for ensuring that fraud risks are appropriately communicated, owned and monitored within the audited body. Instead, fraud risk assessments are often held as standalone documents without any corporate ownership or active management of the risk. As a result of this approach, fraud risks are not adequately shared across departments.

- 2.8 We did identify some good practice in the sharing of fraud risks. In response to the Coronavirus pandemic, the Welsh Government issued a fraud risk bulletin early in April 2020, highlighting the emerging risks to the Welsh public sector. Ahead of the Welsh Government's bulletin, the UK Government Counter Fraud Function published its own guide: [Fraud Control in Emergency Management – COVID-19 UK Government Guidance](#). The guide highlights the importance of risk assessment, effective payment verification and due diligence arrangements and the need for robust claw-back arrangements to recover funds that are paid out incorrectly. There were also good examples in local authorities of raising awareness of scams with local residents.
- 2.9 We found that, in general, public bodies across all sectors have internal control frameworks that are well established and internal audit teams test controls as part of their annual programmes of assurance work. However, we found that internal audit teams do not always consider the fraud risks associated with systems as part of their work programmes. Furthermore, where new systems and processes are established, we found that organisations are not always using counter-fraud contacts and internal audit teams to try to design fraud out of systems.

What can the Welsh public sector do to improve?

Recommendations

- R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.
- R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.



Policies and training

03

Why is it important?

- 3.1 A sound policy framework enables organisations to direct their approach to counter-fraud and to promote good ethical behaviour. There should be a suite of policies and procedures in place that set out what is expected and what the consequences are for breaking the rules. Codes of conduct should set out the standards expected of employees and highlight the importance of declaring conflicts of interest and establish rules around gifts and hospitality.
- 3.2 Publicising frauds and the recovery action undertaken, helps to re-enforce the message from the top that fraud will not be tolerated. Publicity can help to discourage wrongdoing by others as it can highlight the damaging repercussions of their actions.
- 3.3 Staff are often the first to notice something irregular or potentially fraudulent and are often the first line of defence in the fight against fraud. These staff need easy access to a good counter-fraud policy and whistleblowing policy so they can be clear about their roles and responsibilities and the process they must follow if they suspect a fraud.
- 3.4 Effective training helps staff interpret policies and codes of conduct, giving them the confidence and skills to report suspected fraud. However, training and awareness-raising campaigns should be kept under continual review and must be linked to the live risk assessments so that new frauds or risks facing public bodies are quickly shared amongst staff and contractors if appropriate.

What did we find?

- 3.5 Generally, we found that public bodies have prepared and approved a range of policies setting out the processes to follow if staff suspect that they have uncovered a fraud. However, we identified that some policies were outdated, some were still in draft form and some were not easily accessible to staff.
- 3.6 Whilst NHS bodies have each developed comprehensive counter-fraud strategies (informed by an over-arching national strategy), we found that only a few other public sector bodies had done so. Such strategies set out clear approaches to managing fraud risks along with responses and actions, they define roles and responsibilities and are cross-referenced to other policies so that they can be readily understood by staff.

- 3.7 The NHS has a policy of proactively publicising successful fraud cases. The NHS Counter Fraud Service does this by issuing press releases and engaging with local media for interviews and promotional opportunities. Publicity helps raise awareness of fraud risks and also deters staff and contractors from committing fraud. By publicising counter-fraud work and raising awareness of the effects of fraud, the NHS involves staff, key stakeholders and the public in the fight against fraud.
- 3.8 We did not identify the same level of proactive publicity work in other sectors. Some local authorities take the view that publicising cases can be reputationally damaging and are therefore reluctant to publish such information. The Welsh Government recognises that more can be done to publicise fraud cases. The very low levels of fraud identified at central government bodies also means there is little publicity that can act as a further deterrent.
- 3.9 Our audit work also identified wide variation in levels of training and awareness-raising specifically relating to counter-fraud across the Welsh public sector. We found that a few public bodies provide fraud awareness training to all their staff. Some others provide training as part of the induction of new staff but do not provide this training for longstanding staff. We found some examples of refresher training sessions and e-learning modules provided for staff, but these are not widespread. There are many bodies that do not provide any counter-fraud training or awareness-raising events.
- 3.10 These findings suggest that there could be a significant proportion of the public sector workforce in Wales who have either received no fraud-awareness training at all or have not received training for several years.
- 3.11 There are good examples of awareness-raising in the NHS where the LCFS has an ongoing work programme to develop and maintain an anti-fraud culture within their health board. These programmes include the preparation of presentations and publications to raise awareness of fraud. There are also examples of LCFS undertaking staff surveys to capture the levels of staff awareness of fraud in order to act if necessary. In addition, the NHS has developed a fraud awareness e learning package for all staff and levels of compliance across organisations is reported the Directors of Finance on a quarterly basis. However, even in the NHS sector, counter-fraud training for new staff is generally not a mandatory requirement.

What can the Welsh public sector do to improve?

Recommendations

- R5** All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.
- R6** Staff working across the Welsh public sector should receive fraud-awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.
- R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.



Capacity and expertise

04

Why is it important?

- 4.1 It is important that public bodies each designate a counter-fraud champion who understands fraud and leads the organisation's approach and response. Public bodies need access to sufficient appropriately skilled counter-fraud specialists to prevent, detect and investigate suspected fraud and protect their assets. As fraud risks change, public bodies should have resources available to provide a response that is appropriate to the threat.
- 4.2 Skilled and experienced staff will also help to ensure investigations are undertaken properly with evidence being obtained and handled lawfully in order to secure successful sanctions and the recovery of losses.
- 4.3 Investigations, whilst crucial, can be time consuming and costly and the low numbers of successful prosecutions mean that public bodies cannot rely on investigations alone to combat fraud. Public bodies need to have the capacity to undertake both proactive counter-fraud work and reactive investigation work. Proactive work includes fraud awareness campaigns, training, designing policies and strategies and strengthening controls to prevent attacks.

What did we find?

- 4.4 Insufficient capacity arose frequently as a key challenge faced by public bodies in their efforts to combat fraud. On the ground, capacity and skills in counter-fraud vary widely across and within public sector bodies in Wales. Most of the capacity is allocated to responsive work and investigations with any spare capacity being used in preventative counter-fraud work.
- 4.5 In local government, some officers are sceptical about the levels of fraud within their organisations and question the need for additional resources. However, these same local authorities allocate little resource to counter-fraud arrangements, do not have robust fraud risk assessments and the following up of matches from the National Fraud Initiative is assigned a low priority. Their assumptions about low levels of fraud run contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 4.6 Local authorities suffered a significant loss in counter-fraud capacity when the independent Single Fraud Investigation Service (SFIS) was created in 2014. SFIS is a partnership between the Department for Work and Pensions, HMRC and local authorities and which covers welfare benefit fraud. Most of the counter-fraud specialists left the sector to work for this new organisation. A small number of authorities have retained experienced and skilled counter-fraud staff, but the workload has mostly fallen on Internal Audit teams.
- 4.7 Our work found that the counter-fraud arrangements were generally more advanced in the local authorities that retained a dedicated and specialist counter-fraud resource. Where Internal Audit teams carry out the counter-fraud work we found a trade-off between counter-fraud work and the general programme of assurance work due to limited resources and competing priorities.
- 4.8 We also found that, within some local authorities, several teams play a role in counter-fraud work; for example, Internal Audit, Council Tax, and Human Resources teams all contribute. Whilst helpful in terms of adding capacity, we found that this can result in a lack of coordination and integration between these teams and a lack of clarity in the overall picture of counter-fraud activity.
- 4.9 Counter-fraud is generally better resourced in the NHS than other public sector bodies and there has been an increase in LCFS resource over recent years. There is a central team within the NHS Counter Fraud Service Wales which investigates complex, large scale frauds and provides a financial investigation resource. The team also provides guidance, intelligence and investigative support to the network of finance directors and LCFS at health bodies in Wales. In addition, Welsh Government Directions require that each health body should appoint at least one LCFS who is an accredited counter-fraud professional. These LCFS are the primary points of contact for counter-fraud work at their respective health bodies and have a key role in fraud prevention and detection. Increasing staffing levels above the minimum number is a matter of local discretion.
- 4.10 The mixture of LCFS and support and guidance from the NHS Counter Fraud Service and the Counter Fraud Steering Group has resulted in improved counter-fraud arrangements within the NHS sector in comparison to the other sectors. However, whilst LCFS staff are often shared between individual health boards, they are not pooled across the entire sector. As a result, the relatively low counter-fraud staff numbers in some health boards can cause issues if staff members are absent from work. Even within the NHS Wales, there is a general recognition that more proactive work should be undertaken.

- 4.11 The Counter Fraud Team at the Welsh Government is skilled and experienced and has secured a number of high-profile prosecutions over recent years. However, a recent Government Internal Audit Agency review of the Welsh Government in 2017 concluded that the counter-fraud function could achieve more with increased resources. The Counter Fraud Team is able to draw on resources from within the Welsh Government to assist with investigations where appropriate and there are plans to increase the resource in the team in the near future.
- 4.12 Our audit also found that public bodies in Wales are generally following traditional counter-fraud approaches with a focus on detection and investigation rather than prevention. Most public bodies recognise that more proactive and preventative work should be done, but they acknowledge that the lack of time, resources and expertise are barriers to making this shift of focus.
- 4.13 We did not find many examples of public bodies in Wales outside the NHS pooling resources to help reduce duplication of effort and improve the efficiency and effectiveness of counter-fraud arrangements across sectors. Pooled resources could also help to improve continuity and add flexibility to adapt to changing needs going forward.
- 4.14 In 2018 the UK government launched the Counter-Fraud Profession to enhance overall counter-fraud capability across government. The profession develops the skills of specialist staff and moves beyond the traditional focus of investigations, placing greater emphasis on fraud prevention and the use of data analytics. Membership across UK Government Departments has been steadily increasing, and the Welsh Government is engaged with this initiative. Organisations joining the profession are required to have learning environments that support their staff to develop and maintain professional standards.

What can the Welsh public sector do to improve?

Recommendations

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling and/or sharing of resources in order to maximise the availability of appropriately skilled staff.



Tools and data



05

Why is it important?

- 5.1 An effective counter-fraud function will ensure that those responsible for it are equipped with up-to-date methodologies and the right tools for the job. Counter-fraud staff must make best use of data and intelligence in order to:
 - a prevent fraud by 'fraud-proofing' systems and processes; and
 - b mounting an effective response to suspicions of fraud.
- 5.2 New fraud threats are continually emerging, both globally and nationally. It is important that public bodies have flexible, cutting-edge counter-fraud approaches that are fit for a digital age and agile enough to keep up with, or better still, ahead of the fraudsters.
- 5.3 Cyber-attacks are an alternative means of committing traditional frauds such as the theft of assets, cash or intellectual property. PricewaterhouseCoopers' most recent global economic crime survey found that cyber crime is now the most common fraud facing UK businesses, overtaking asset misappropriation for the first time since the survey began. We can see this in the explosion in number of cyber scams linked to the COVID-19 pandemic.
- 5.4 Preventing fraud is always preferable to responding to an instance. Many organisations are now looking to 'fraud-proof' systems at the point of entry using the latest developments in data analytics. For example:
 - a the Cabinet Office has developed on-line tools that can look at 10,000 records in seven seconds to provide due diligence checks on grant applications; and
 - b the Department of Work and Pensions have been trialling an Artificial Intelligence system that detects fraudulent claims by searching for certain behaviour patterns, such as benefit applications that use the same phone number or are written in a similar style. Any suspicious activity is then passed on to specialist investigators.
- 5.5 Data analytics provide an increasingly important tool in preventing fraud as well as in its detection. We look at how public bodies can share data to help find fraud in the next section of this report.
- 5.6 Sophisticated technology and data analytics are of little use if they are not used effectively and this requires adequately trained resource to understand it. Therefore, it is important that public bodies have access to staff adept in data analytics in order to achieve better counter-fraud results.

- 5.7 Knowing what to do in the event of a suspected fraud improves the chances of a successful enforcement action. It also re-enforces the tone from the top that the organisation does not tolerate fraud. Fraud response plans need to provide a clear direction to relevant parties so that bodies are able to respond to allegations quickly and appropriately. A response plan should be reviewed regularly to ensure that responses to fraud keep abreast with changing times and emerging risks. They should outline:
- a the fraud investigation process from receipt of allegation to outcome report;
 - b roles and procedures for securing evidence and undertaking interviews;
 - c details of how and when to contact the police;
 - d a commitment to pursuing a range of sanctions;
 - e reporting arrangements; and
 - f how lessons learned will be used to strengthen system and process controls.

What did we find?

- 5.8 Generally speaking, we found that more work is needed to bring counter-fraud tools and methodologies up to date to reflect the new world of cyber attacks and digitally-facilitated crimes. Many local authorities and central government bodies we looked at as part of our fieldwork did not have information security policies that reflected the risks associated with cyber crime. The situation was more positive in NHS Wales bodies.
- 5.9 Our review identified only a few examples of data analytics being used as a means of preventing fraud. Data analytics are used more widely to detect fraud, in following up on NFI data matches, for example, but our previous audit work⁴ has shown that the level of engagement with the NFI varies considerably across Welsh public bodies.
- 5.10 We found that some local authorities and central government bodies did not have a fraud response plan that was communicated to all staff and which made it clear that all allegations of fraud would be investigated. The Welsh Government had a fraud response plan, but this was in draft form at the time of our audit work and was not, therefore, available to staff. Again, the position was much more positive in NHS Wales.

4 **Our October 2018 NFI report** stated that 'most Welsh public sector bodies participating in the NFI were proactive in reviewing the data matches, but a small number of participants did not review the matches in a timely or effective manner'.

- 5.11 NHS bodies all use the same case management system to record and monitor the progress of potential fraud cases. In other sectors, few bodies have a case management system although some do have a spreadsheet log that records information. The variation in the information collected makes it very difficult to report an all-Wales position on the level of fraud taking place. The reasons that many local authorities and central government bodies do not have a case management system or detailed records was the very low numbers of fraud cases that were being identified and handled.
- 5.12 Most of the public bodies we looked at consider the full range of possible sanctions (disciplinary, regulatory, civil and criminal) against fraudsters and will seek redress including the recovery of assets and money where possible. However, many bodies report such low levels of fraud that it is impossible to substantiate their claims. For any internal frauds identified, most bodies tend to deal with the perpetrators through internal disciplinary procedures.
- 5.13 Most of the public bodies we looked at reflected on the weaknesses revealed by instances of proven fraud and corruption and fed back to departments and teams so that they might fraud-proof their systems. The arrangements at local NHS bodies were particularly robust because fraud cases in their case management system cannot be closed down without providing assurance that any system weaknesses have been considered and remedied if necessary.

What can the Welsh public sector do to improve?

Recommendations

- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforce the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.



Collaboration



06

Why is it important?

- 6.1 Fraudsters do not respect geographical or other boundaries. This means that individual public sector bodies cannot establish effective counter-fraud arrangements by themselves. They must work collaboratively to maximise the effectiveness of their response to fraud.
- 6.2 Collaboration is an increasingly important aspect of public service, particularly in the context of reduced funding and the need to do more with less. Collaboration is also one of the 'five ways of working' as defined in the Welsh Government's 'Well-being of Future Generations (Wales) Act 2015: the essentials'⁵ document. It is therefore essential that collaboration and the sharing of intelligence and good practice take place between public, private and third-sector bodies across the UK and internationally.
- 6.3 Collaboration can mean sharing people or pooling resources and, more commonly these days, in the sharing of information. This information can be shared between departments, between bodies, across different elements of the public sector and with other key stakeholders such as law enforcement authorities and the private sector. The information shared can be about the nature of a fraud or information about the identities of the perpetrators.
- 6.4 The sharing of data to help find fraud is a rapidly evolving area and is being facilitated by changes in the law. In 2017, the Digital Economy Act became law, enabling public authorities to share personal data to prevent, detect, investigate and prosecute public sector fraud. The Act recognises that the wider use of data-sharing could improve the prevention, detection and investigation of fraud in a number of ways, including:
 - a improved targeting and risk-profiling of potentially fraudulent individuals;
 - b streamlining processes, enabling the government to act more quickly; and
 - c simplifying the legislative landscape.

5 Well-being of Future Generations (Wales) Act 2015: the essentials', Welsh Government (2015)

What did we find?

- 6.5 Our field work across forty public sector bodies in Wales found that collaboration was insufficiently developed, reinforcing the findings of our 2019 review.
- 6.6 Within local authorities and central government bodies there are some good examples of bodies working jointly and some regional networks, but these tend to be informal arrangements and there is no consistency in approach. Formalising arrangements can help improve accountability and governance and can influence commitment and results.
- 6.7 The picture is generally more positive across local NHS bodies and the Welsh Government than in local authorities and central government bodies. However, there is scope for all public bodies to work more closely with each other and with other stakeholders to tackle fraud.
- 6.8 Because of the tiered approach to counter-fraud within NHS Wales and established formal partnerships with the NHS Counter Fraud Authority, there is good access to specialist fraud investigation teams such as surveillance, computer forensics, asset recovery and financial investigations. The NHS Counter Fraud Service Wales provide the surveillance, asset recovery and financial investigations services to NHS Wales, while the NHS Counter Fraud Authority provides forensic computing services and other specialist support services to NHS Wales under the terms of their annual agreement with Welsh Government.
- 6.9 The existence of these formal access arrangements is less well established within other sectors, but most organisations told us that they could access specialist services if required. The low level of fraud being identified was one of the reasons given for the absence of formal partnerships between public sector bodies.
- 6.10 We also found wide variations in the amounts of data that are shared. In most bodies, the sharing of data was typically limited to the National Fraud Initiative (NFI), although not all central government bodies currently take part in NFI. We found that some local authorities do not invest much resource into following up NFI matches and these are often the same authorities in which counter-fraud arrangements were limited.
- 6.11 There were very few examples of organisations working frequently across internal and external boundaries and sharing information. Common reasons for this lack of collaboration was lack of time and resources, and concerns about the sharing of data.

What can the Welsh public sector do to improve?

Recommendations

R13 Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.



Reporting and scrutiny

07

Why is it important?

- 7.1 Arriving at a reliable estimate for the cost of fraud is a difficult task. This is particularly so for the Welsh public sector as our 2019 report highlighted. Whilst the UK Government produces annual estimates, there is no breakdown of this estimate to each of the devolved administrations in the UK. CIPFA's most recent analysis estimates that fraud costs the UK public sector £40.3 billion annually. The Cabinet Office⁶ estimates losses due to fraud and error at between 0.5% and 5% of budget. Applying this range to annual public expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error between £100 million and £1 billion per annum. The losses are therefore significant and take valuable funding away from our public services.
- 7.2 Fraud is often under-reported as some suspicious activity identified through NFI matches, for example, is not classified as fraudulent and therefore not reported. Also, some public bodies fail to report fraud as it can attract unwanted publicity and perceived reputational damage. This situation leads to an incomplete national intelligence picture.
- 7.3 The International Public Sector Fraud Forum⁷ has recognised that 'finding fraud is a good thing' and this is one of their 'Key Fraud and Corruption Principles'. The Forum noted that, if bodies do not find fraud, then they are unable to fight it, and that a change of perspective is needed so that the identification of fraud is seen as a positive and proactive achievement.
- 7.4 Reporting fraud to those charged with the governance of public sector organisations is important as it provides managers and audit committees, for example, with the information and intelligence they need to challenge and scrutinise. To facilitate accountability, public bodies should provide copies of counter-fraud reports detailing numbers of cases and outcomes to audit committees so that they are fully informed of any issues of concern and can hold management and counter-fraud teams to account. Audit committees can also promote the message that fraud will not be tolerated, supporting the efforts of counter-fraud teams.

6 Cabinet Office Cross Government Fraud Landscape Report 2018

7 International Public Sector Fraud Forum A Guide to Managing Fraud for Public Bodies in Feb 2019

What did we find?

- 7.5 The arrangements in NHS Wales to record, collate and share information about fraud losses and recoveries are well established. The NHS Counter Fraud Service collates information on the number of fraud cases and recoveries from each health body as a matter of course. There are quarterly and annual Operational Performance Reports which summarise information about resources, referrals and the work of the Counter-Fraud Service and LCFS based at each health body. These reports are reviewed by the Counter Fraud Steering Group and shared with Directors of Finance and the audit committees of each health body, helping to facilitate meaningful comparisons within the sector. The NHS Counter Fraud Authority also reports to the Welsh Government on a quarterly basis.
- 7.6 In other sectors, audit committees are not generally provided with as much information:
- a in the Welsh Government, the Audit and Risk Assurance Committee is not provided with, nor does it request, detailed information about fraud cases, although information about major cases and anti-fraud activity is included in the regular report from the Head of Internal Audit;
 - b in the local government sector, fewer than half the authorities report information about fraud cases, losses and recoveries to their audit committees on a regular basis; and
 - c even fewer central government bodies report on cases of fraud, reflecting a very low incidence of fraud being identified and managed.
- 7.7 The absence of both the reporting of information and arrangements to collate and share this information across the Welsh public sector is troubling for a number of reasons. It does little to help re-enforce a zero-tolerance message from the top of an organisation to both staff and external stakeholders. It may also send the wrong message to fraudsters that Wales does not see fraud as a priority and makes it difficult to assess the level of risk and how best to respond to it by senior public sector officials and politicians.
- 7.8 When frauds are identified, Internal Audit (or, where they exist, counter-fraud specialists) provide audit committees with reports and updates. On balance, however, audit committees outside of the NHS Wales have not been sufficiently proactive in recognising the increasing risk of fraud and in asking the searching questions necessary about the matching of resources to risk or about the lack of information being supplied about fraud risk.

What can the Welsh public sector do to improve?

Recommendations

- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing demonstrable support and direction, monitoring and holding officials to account if insufficient information is being provided about counter-fraud activity.



Appendices

- 1 Audit methods
- 2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

1 Audit methods

Our audit was structured around seven key lines of enquiry to help us answer the overall question: 'Are the arrangements for preventing and detecting fraud in the Welsh public sector effective?':

- Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
- Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
- Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
- Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
- Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?
- Does the organisation have an appropriate response to fraud?
- Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

The audit fieldwork was carried out by our local audit teams between November 2019 and February 2020. Their fieldwork included:

- structured interviews – interviews with key individuals in order to understand the counter-fraud arrangements in place at each audited body; and
- document reviews – where these existed, they typically included the counter-fraud strategy, risk assessment, work plans, corporate risk register, fraud response plan, Codes of Conduct, whistleblowing policy, guidelines and procedures for local fraud investigators and counter-fraud reports/updates provided to Audit Committee.

Teams also issued a core information request in order to gather some information directly from audited bodies.

The project team collated and reviewed the local findings to distil the key messages for inclusion in this report. Our audit teams have been providing tailored feedback on their local findings to relevant staff at each audited body.

The audited bodies included in this study are:

Local Government bodies:

- Blaenau Gwent County Borough Council
- Bridgend County Borough Council
- Caerphilly County Borough Council
- Cardiff Council
- Carmarthenshire County Council
- Ceredigion County Council
- Conwy County Borough Council
- Denbighshire County Council
- Flintshire County Council
- Gwynedd Council
- Isle of Anglesey County Council
- Merthyr Tydfil County Borough Council
- Monmouthshire County Council
- Neath Port Talbot County Borough Council
- Newport City Council
- Pembrokeshire County Council
- Powys County Council
- Rhondda Cynon Taf County Borough Council
- City and County of Swansea
- The Vale of Glamorgan Council
- Torfaen County Borough Council
- Wrexham County Borough Council

NHS Wales bodies:

- Aneurin Bevan University Health Board
- Betsi Cadwaladr University Health Board
- Cardiff and Vale University Health Board
- Cwm Taf Morgannwg University Health Board
- Hywel Dda University Health Board
- Powys Teaching Health Board
- Swansea Bay University Health Board
- Health Education and Improvement Wales
- Velindre University NHS Trust
- Public Health Wales Trust
- Welsh Ambulance Service NHS Trust

Central Government bodies:

- Welsh Government
- Welsh Revenue Authority
- Arts Council for Wales
- Higher Education Funding Council for Wales
- National Museums and Galleries Wales
- Natural Resources Wales
- National Library of Wales
- Sport Wales
- Senedd Commission

2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

PAC Recommendation

We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.

We ask that the Welsh Government consider how it can best provide stronger national leadership and better quality guidance on the sharing of information to help strengthen and improve the impact of counter fraud activities across the Welsh public sector.

Response from the Welsh Government's Permanent Secretary

The Welsh Government recognises and fully supports local authorities addressing fraud within the £8 billion of their general revenue expenditure.

As independent democratically led organisations, the prime responsibility for the detection and prevention of fraud is for each of the 22 councils themselves. As such, we would expect all to be fully engaged in this work and for local politicians to understand and provide leadership.

To make sure that the recommendation is understood and given priority, officials will raise the matter with Ministers to secure an item on the Partnership Council agenda as well as its Finance Sub Committee. Subject to Ministers' agreement, we will agenda an item for the next possible meeting.

I am supportive of any move to increase the understanding of fraud and the consistent application of best practice techniques across the Welsh Public Sector and there exists already a vehicle to bring together counter-fraud practitioners and other interested parties and drive forward a common understanding of this important area.

The Welsh Government's Head of Counter-Fraud is Deputy Chair of the Wales Fraud Forum (WFF), which is a not-for-profit company run by a strategic board of volunteers. Its aims are to help prevent fraud in Wales by raising awareness in the public and private sectors and amongst individuals. In particular, its stated objectives include to:

- bring the public and private sectors together to fight fraud and financial crime and to protect the economy of Wales;

PAC Recommendation **Response from the Welsh Government's Permanent Secretary**

- promote fraud awareness amongst its membership, organisations and individuals throughout the region;
- create good practice cultures by encouraging and developing anti-fraud strategies for its membership to utilise;
- establish a best practice between its members for fraud prevention, investigation and detection; and
- promote an open and co-operative environment between the membership in both the public and private sectors.

The Forum is held in high regard; in 2017 the current First Minister gave the keynote address at its annual conference and outlined his support for effective counter-fraud arrangements across Wales. Forum membership includes the Audit Wales as well as a number of public and private sector organisations.

Therefore, I believe the Welsh Government can achieve the outcome desired by identifying strategies to support the work of the Forum, raising its profile within the Welsh Public Sector and seek a high level of commitment to support it. I will ask Officials to engage with the Forum to discuss strategies for strengthening its effectiveness by the end of the calendar year.

We agree there is potential in the use of data sharing between Welsh public bodies to improve the impact of counter-fraud activities. The introduction of the Digital Economy Act gives the Welsh Government and certain scheduled Welsh public bodies useful new powers to share data with each other compliantly to identify potential fraud. Officials are working on setting up the appropriate governance for taking forward the use of these new powers in Wales, and are aiming for a panel to be in place by the end of the financial year to consider potential uses of the powers.



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Counter Fraud Phase 2 Question Hierarchy

Audit year: 2019 - 20

This document contains the Question Hierarchy (QH) for the Counter Fraud Phase 2 fieldwork to be completed by local audit teams.

Completion by local audit teams of the QH will enable the central study team to answer the overall question, “**Are the arrangements for preventing fraud and detecting fraud in the Welsh public sector effective?**”, in particular:

1. Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
2. Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
3. Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
4. Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
5. Does the organisation’s internal control environment support effective arrangements for preventing and detecting fraud?
6. Does the organisation have an appropriate response to fraud?
7. Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

Local auditors will need to use the information obtained from interviews and document reviews to complete the QH. To aid this, prompts have been included next to each question as a guide to auditors re what good/poor practice might look like.

The QH along with all information and evidence obtained to support the narrative and conclusions within the QH, such as interviews and document reviews should be reviewed and uploaded to SharePoint by no later than **31st January 2020**.

1. Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
<p>1.1 Do those charged with governance in the organisation promote a clear message in terms of having a zero tolerance of fraud?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> The Board/ SLT makes a clear statement that fraud committed against the organisation by anyone internal or external will not be tolerated and will be dealt with in the strongest way The Board/SLT champion counter-fraud work There is a clear tone set from the Board/SLT in respect of fraud and fraud risk The organisation has prepared an annual governance statement in accordance with proper practices which reflects the tone at the top in relation to fraud <p>Potential poor practice:</p> <ul style="list-style-type: none"> Management delegates this responsibility a to an operational or functional leader and there is no clear commitment and tone set from the top Counter-Fraud has a low priority and the benefits of counter-fraud work are not fully appreciated by the top tier 	<p>The Corporate Management Team make a clear statement that fraud committed against the organisation by anyone internal or external will not be tolerated. The Code of Conduct sets out standards that must be maintained and failure to comply may render an employee being liable to disciplinary measures. Section 12 of the Code of Conduct refers to fraud and corruption and the Councils Anti-Fraud and Corruption Policy.</p> <p>The Senior Management Assurance Statements (SMAS) form part of the governance assessment framework. Through the SMAS each Director responds to 20 good governance statements covering Fraud & Financial impropriety. The 20 assurance statements summarised by 9 categories showed an overall “strong application” of good governance across the assurance areas</p> <p>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. 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.</p> <p>The Councils zero tolerance policy towards fraud is explicitly set out within the Anti-Fraud and Corruption Policy 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.</p> <p>The Council has prepared an Annual Governance statement in accordance with proper practices which reflects the tone at the top in relation to fraud. The SMAS are used as the basis for preparing the AGS which has been prepared in accordance with The Code of Practice on Local Authority Accounting.</p> <p>Whilst there is a clear message and tone set from the top regarding fraud risk, it would be more effective for the SMT to take a proactive role in promoting the consequences of fraudulent behaviour within their service areas. This could be done by ensuring that there is a recurring agenda item within their financial management meetings which would enable the SMT to promote the work of the Corporate Fraud team.</p> <p>The Corporate Risk Register also does not make reference to fraud risk and this could be raised as a recommendation for improvement. Whilst fraud risk is assessed by the Counter Fraud Team and ultimate responsibility lies with the S151 officer, Fraud Risk should also be included within the Corporate Risk Register.</p> <p>Discussions with the Head of Internal Audit confirmed that the Heads of Services often investigate fraud which can result in undocumented cases, however to address this risk, work is currently being undertaken to streamline the process and ensure</p>	<p>Those charged with governance promote a clear message that fraud committed against the Council will not be tolerated which is set out in the Code of conduct and various other policies.</p> <p>Whilst there is a clear message and tone set from the top regarding fraud risk, it would be more effective for the CMT to take a proactive role in promoting the consequences of fraudulent behaviour within their service areas. This could be done by ensuring that there is a recurring agenda item within their financial management meetings which would enable the CMT to promote the work of the Corporate Fraud team.</p>

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
		that any allegations are reported to the CFT to determine whether the fraud investigators need to investigate or whether the investigation may be completed by the client department.	
1.2 Does the organisation's senior leadership team and management actively promote the importance of a good anti-fraud culture?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The top tier should drive an appropriate culture for tackling fraud set from top down with clear values and standards The tone at the top is reinforced through management cascading down the organisation The organisation builds confidence among employees that fraud is taken seriously, and action is taken to address fraud 	<p>The Senior leadership team and management ensure that the tone from the top promotes an anti-fraud culture, however they could take a more proactive role in reinforcing this message more regularly. There are various policies that refer to standards of behaviour expected from employees, however a recurring agenda item reinforcing the work of the CFT would be useful.</p> <p>The Council do build confidence among employees that fraud is taken seriously by having a designated section on the staff intranet to enable staff to report any fraud allegations. Also, the outcome of fraud investigations is publicly advertised which acts as a deterrent and builds awareness about the consequences of fraudulent behaviour.</p>	The SLT set a good tone from the top that fraud will not be tolerated, however they could take a more proactive role in actively promoting the message.
1.3 Are all staff required to attend fraud and ethics awareness training so that roles and responsibilities are clear?	<p>Expected good practice:</p> <ul style="list-style-type: none"> Fraud awareness has a high profile in the organisation and there is an acknowledgement that all staff have a role to play in preventing fraud The organisation conducts induction training covering fraud risks and also annual/periodic refresher training for all staff and elected members/independent members/ Non-executive directors. The effectiveness of training is confirmed through testing Training is updated to reflect emerging risks/ issues and trends <p>Potential poor practice:</p> <ul style="list-style-type: none"> No specific training or informal on the job training with no links to specific fraud risks 	<p>The Fraud Function continues to act as the hub for the receipt of Intelligence and Scam alerts from the National Anti-Fraud Network. Relative alerts are then circulated to the appropriate departments.</p> <p>The CFT delivered a Banking Fraud Awareness training event along with the councils Cash management Team and the banking partners to educate corporate users of potential scams and how to best safeguard themselves to these threats. The event was attended by nearly 70 people and within a short period of time led to users being able to better protect themselves against such threats.</p> <p>All new starters are required to complete a module on fraud risk/ awareness as part of their induction packs. Whistleblowing policy is also part of the induction. However, fraud training is not included within the mandatory training undertaken annually.</p>	All new starters are required to complete a module on fraud risk as part of their introductions, however fraud awareness training is not undertaken on an annual basis.
1.4 Does the organisation publicise proven frauds, and action taken in response to the frauds, both internally and externally as appropriate, to act as a deterrent?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation publicises its proven fraud and the action taken in response to the frauds as a deterrent The organisation has internal and external publicity campaigns to promote the work of counter-fraud, and ensures that the counter-fraud webpage is kept up-to-date with relevant information and publicity 	<p>The CFT provide an annual report to the Audit Committee outlining the work undertaken summarising the types of cases that has been investigated but no sensitive details are provided. The Council must maintain a balance between upholding their reputation, but also reporting information publicly to act as a deterrent to the staff and public.</p> <p>The Head of Internal Audit and Comms team attend an agenda planning meeting ahead of the Audit Committee meeting to discuss any fraud allegations/ progress of investigations to foresee any potential queries that may arise and also to mitigate any sensitive information being disclosed in the presence of the media in attendance at the Audit Committee. As above, outcomes of some cases may result in warnings/reminders being issued by HoS or managers within certain departments/teams as a deterrent to others if fraud is uncovered/staff are disciplined etc.</p>	Proven frauds are publicised and taken to Audit Committee as part of the CFT annual report. This helps to ensure that the risk of fraud is reduced by acting as a deterrent for future allegations.

2. Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
<p>2.1 Does the organisation have a designated a senior individual with responsibility for counter-fraud work?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation has an officer with designated responsibility for counter-fraud who has the support of the board and Audit Committee The organisation invests in counter-fraud and buys in services if there is no capacity internally 	<p>The Chief Internal Auditor has designated responsibility for counter fraud and is supported by the Corporate Management team and Audit Committee. The Chief Internal Auditor delegates the responsibility for the counter fraud work to the Corporate Fraud Team (CFT), which was established in June 2015 and is made up two FTE's.</p> <p>Ultimate responsibility for detecting/ preventing fraud lies with the S151 officer (Head of Finance).</p> <p>The annual Fraud Action Plan is signed by the Corporate Management team and presented for approval to the Audit Committee.</p> <p>There are no services that are bought in, however there are joint working arrangements with Trading Standards, DWP & South Wales Police.</p>	<p>Yes- The S151 officer is the designated officer responsible for preventing and detecting fraud. The Council have appointed a designated team to investigate fraud allegations and are the experts when it comes to mitigating the impact of emerging fraud risks.</p>
<p>2.2 Does the organisation's designated/responsible individual with responsibility for counter-fraud work have the ability to influence the level of resources devoted to counter-fraud?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> The officer with responsibility for counter-fraud is able to influence decisions on staffing levels and actions 	<p>The ability to influence resources over staffing levels and actions are dependent on the nature of the complaint/ allegation raised. The ultimate responsibility in relation to the allocation of fraud resources lies with the S151 officer.</p> <p>Once it is determined that an allegation relates to fraud/ corruption then the matter is referred to the Section 151 officer and the Councils Anti-Fraud and Corruption Policy will be followed. The Council's Disciplinary Policy will be used in cases of employee misconduct such as any attempt to defraud the authority, which is treated as gross misconduct and may lead to dismissal.</p>	<p>Yes- The S151 officer has the authority to influence the level of resources devoted to Counter Fraud work. The amount of resources allocated to fraud work is</p>
<p>2.3 Does the organisation have a clear structure where the roles and responsibility in relation to counter-fraud are clearly set out?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> Organisation has a staffing structure with clear designation and clear lines of accountability and good internal communication in relation to counter-fraud The organisation has an appropriate tone from the top, operationally there are designated senior manager/managers responsible for ensuring that fraud risk is addressed and then line managers are responsible for ensuring that systems and processes are up to date. Counter-fraud staff should have a key role in advising senior managers of fraud prevention and detection measures e.g. assessing fraud risk, developing the annual audit plan of counter fraud work, communication/awareness raising 	<p>The Council have designated fraud investigators with clear responsibilities and clear lines of accountability. They report to the Chief Internal Auditor and are responsible for (but not limited to): -</p> <ul style="list-style-type: none"> Ensuring compliance with the CIPFA Code of Practice on managing the risk of fraud and corruption Proactively promote the aims of the Councils Anti-Fraud and corruption policy Developing and promoting the aims of the Councils anti-fraud and corruption policy Promote and anti-fraud culture across the Council Undertake an annual Fraud Risk Assessment to identify the areas of greatest risk and where resources should be targeted To ensure proper and reliable systems are in place to investigate all fraud referrals accepted for investigation to achieve sanctions and to minimise fraud and error. To co-ordinate the evaluation, distribution and monitoring of data matching exercises 	<p>Yes- The Council have a designated team in place to investigate fraud allegations. This helps to ensure that fraud prevention/ detection is more effective by enabling any concerns to be reported to the designated team.</p>

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
	<p>campaigns, evaluating arrangements, as well as undertaking investigations of fraud</p> <p>Potential poor practice:</p> <ul style="list-style-type: none"> Staffing structures are unclear and subject to frequent change and lines of accountability are blurred 	<ul style="list-style-type: none"> To offer formal cautions and administrative penalties in lieu of prosecutions to persons who are alleged to have committed Council Tax Support Scheme fraud. To develop and continually review the Investigators' manual and all relevant policies e.g. Anti-Fraud and Corruption Policy, Anti- Fraud Strategy, Prosecution Policy, Codes of Conduct. Preparation and delivery of fraud awareness training and materials to staff across the Council with particular emphasis on areas of greatest fraud risk. To develop partnership working with other departments and organisations where appropriate e.g. the Police, Single Fraud Investigation Service, Trading Standards <p>There is good internal communication in relation to counter fraud evidenced by the reports taken to Audit Committee. (e.g. Corporate Fraud Annual Report & Corporate Fraud Action Plan). This sets the tone from the top, which promotes a clear message in terms of having a zero tolerance of fraud. The Anti-fraud and Corruption Policy also clearly sets out the roles and responsibility in relation to counter fraud.</p> <p>There are no designated operational senior managers responsible for ensuring that fraud risk is addressed, however cases of suspected fraud should be referred to the CFT. The CFT and Chief Internal Auditor are currently working with HR/ CMT to try and ensure that all allegations are reported to the CFT as some departments may undertake their own investigation without the involvement of the CFT, which sometimes leaves cases unrecorded on the CFT case management spreadsheet.</p>	
2.4 Has investment in counter-fraud been assessed based on the proportionately to risks? i.e. were the numbers of resources derived from a risk assessment?	<p>Expected good practice:</p> <ul style="list-style-type: none"> There is evidence that an organisation's investment in counter-fraud is based on an informed decision derived from a fraud risk assessment which highlights the risks and then determines the resources needed to address these risks. The organisation has an annual counter fraud plan where the programme of work is balanced <p>Potential poor practice:</p> <ul style="list-style-type: none"> Resources assigned to counter-fraud are based on what organisations can afford and not what is actually risk assessed/ needed 	<p>Prior to 2015, the Council employed a Housing Benefits Investigations team made up of 8 staff who were responsible for the fraud investigation work in respect of Housing Benefits, CT benefit and CT support scheme. The team were funded by grant from the Department of Work and Pensions (DWP). However, from June 2015, the DWP assumed responsibility for the investigations for HB and CT benefit fraud under the newly formed Single Fraud Investigations Service (SFIS). The 8 staff employed by the Council were offered the opportunity to transfer to SFIS under a TUPE arrangement and the DWP funding to the Council ceased.</p> <p>The transfer of the staff created a significant risk that fraud relating to Council Tax Support Schemes would be left investigated. All non-benefit fraud was undertaken by the Internal Audit Section as a reactive piece of work and therefore a proposal was put forward that a Corporate Fraud Team (CFT) should be established to maintain capacity and expertise in fraud investigations.</p> <p>The Business case for the Counter Fraud Team (dated 06/11/2014) proposed that the team should be made up of 3 members of staff (Team leader and 2 investigators). The rationale behind the</p>	The CFT were established on a risk assessment basis due to the previous fraud investigators being transferred via a TUPE agreement to DWP. A business case was put forward which set out the rationale for the need at the time to have 3 Counter fraud officers to be able to sufficiently manage current & emerging fraud risk. However, 1 officer has since left, and the two remaining investigators are responsible for the operational aspect of the counter fraud work.

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
		<p>proposal for setting up the CFT was derived from a risk assessment which set out the number of investigations carried out by the HB/CT fraud investigators in the 24 months prior to the SFIS development. It highlighted the potential enquiries that may arise and confirmed that the number of investigations undertaken in 2011-12 and 2012-13 was 784 and 621 respectively.</p> <p>Overall, the business case put forward justified the rationale for the staffing resources to be allocated to the newly formed CFT. Existing Audit staff have assisted Fraud Function staff as and when appropriate. Subject to available resources, this assistance will continue when needed. 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> <p>The CFT develop an Annual Anti- Fraud Plan which covers the principles set out in the 'CIPFA Code of Practice on managing the risk of fraud and corruption'. This is signed by the Corporate Management Team and approved by the Audit Committee each year. The programme of work is balanced setting out the activity, detail and targeted outcomes.</p> <p>The Anti-fraud plan states that estimates published in the 'Annual Fraud Indicator 2017' and 'Fighting Fraud Locally– The Local Government Fraud and Corruption Strategy 2016-2019', and 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:</p> <ul style="list-style-type: none"> • Council Tax Discounts • Council Tax Reduction • Grants • Housing Tenancy • Payments for Social Care • Procurement <p>Fraud Function resources are directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.</p>	
<p>2.5 Does the organisation have an annual programme of proactive counter-fraud work (i.e. fraud prevention work) which covers the risks identified in the risk assessment with ring fenced days for proactive work to be undertaken?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> • There is evidence that the organisation sets aside days in the work plan to dedicate to proactive counter-fraud work in an attempt reduce the likelihood of fraud happening e.g. dedicates resources raise the profile of the work within in the community and with other stakeholders e.g. leaflets, posters or undertaking proactive exercises in an attempt to detect cases of fraud that are not otherwise 	<p>The CFT have an Anti- Fraud plan in place which sets out the proactive work intended to be completed for the year, however majority of the work undertaken by the CFT is reactive. This is due to a lack of resource as stated in the Corporate Plan which also has an impact on the Councils Capacity to deal with the vast case load being referred to the team for assistance.</p> <p>There are no designated days that are ringfenced to undertake proactive fraud work, however there are 2 FTE's who are primarily responsible for dealing with all Fraud Allegations.</p>	<p>A plan setting out the proactive work intended to be completed by the Council is set out in the CFT anti-fraud plan. However, there are no ring-fenced days for proactive work to be undertaken given the limited resources much of the work completed is reactive.</p>

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
	<p>identified e.g. a proactive tenancy exercise, Council Tax Reduction Scheme</p> <ul style="list-style-type: none"> Prevention of fraud is often the most efficient way to make savings so stopping fraud from happening should be an aim 		
2.6 Does the organisation have or have access to experienced and trained counter-fraud staff with professional accreditation to undertake fraud investigations and counter-fraud work?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation has or have access to competent, professionally trained and accredited counter fraud specialists to investigate suspected fraud. If this work is undertaken by Internal Audit teams those teams should be trained in this area <p>Potential poor practice:</p> <ul style="list-style-type: none"> Organisations use Internal Audit or other staff to undertake counter-fraud who have not had professional training 	<p>The Council have 2 Fraud Investigators who are professionally trained and Accredited Counter Fraud Specialists to investigate suspected fraud. The Accredited Counter Fraud Specialist programme is accredited by the Counter Fraud Professional Accreditation Board through the University of Portsmouth PINS (Professionalism in Security).</p> <p>The course contents are broken down into eight core modules, which are as follows:</p> <ul style="list-style-type: none"> (Pins 1): Legislation (Pins 2): Liaison, Intelligence Organisation and Planning (Pins 3): Directed Surveillance (Pins 4): Photographic and Video Evidence (Pins 5): Investigative Interviewing (Pins 6): Rules of Disclosure (Pins 7): Court Procedures (Pins 8): Conversation Management 	Yes- The fraud investigators have accredited qualifications which helps to make sure that fraud prevention and detection are effective.

3. Does the organisation have a sound policy framework to support effective counter-fraud arrangements?

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
3.1 Does the organisation have a counter-fraud strategy in place to address identified risks which is communicated across the organisation and is overseen by those charged with governance?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation has an up to date counter-fraud strategy that sets out its approach to managing fraud risks and defines responsibilities for action The strategy has been communicated to staff and is readily available to all staff as a reference document An effective strategy includes both proactive and responsive approaches and highlights the use of joint working partnerships to manage risks where appropriate The strategy should be cross referred to other related policies i.e. code of conduct, whistleblowing and fraud response plan The strategy is reviewed regularly to take account of changes in the organisation and the changing fraud environment The strategy is scrutinised and signed off by the counter-fraud expert, 	<p>The Council have an Anti-Fraud Plan that is reported to the Audit Committee. The plan sets out both proactive and reactive work. The progress against the set plan is reported in the Corporate Fraud Annual Report and presented to the Audit Committee. The Anti-Fraud plan is reviewed and updated annually to consider changes in The Council and the changing fraud environment.</p> <p>The Annual Fraud Indicator 2017, Fighting Fraud Locally – The Local Government Fraud and Corruption Strategy 2016-2019 and the CIPFA Fraud and Corruption Tracker Results 2018 suggest that fraud is committed in all organisations to varying degrees. Areas of particular risk highlighted in the reports are: -</p> <ul style="list-style-type: none"> - Council Tax Discounts - Council Tax Reduction - Grants - Housing Tenancy - Payments for Social Care - Procurement <p>The Anti-Fraud Plan is based on the identified high-risk areas above. The CFT assume responsibility for investigating all fraud/</p>	The Council have a counter fraud strategy in place which is overseen by those charged with governance. However, it would be more effective to include fraud risk within the corporate risk register to ensure that the risk is highlighted and disseminated across the organisation.

	<p>management and Audit Committee/Board</p>	<p>corruption allegations. The Council prepare an Annual Anti-Fraud Statement which is communicated to those charged with governance. The Anti-Fraud Statement defines Corporate, Councillor, Manager, Employee, Contractor, Internal Audit & the General Public responsibilities in respect of fraud.</p> <p>Senior managers have access to the fraud action plan, but this is not readily publicised to operational staff. The anti-fraud action plan sets out both proactive and responsive approaches.</p> <p>Related policies such as the code of conduct, whistleblowing and fraud function plan refer to fraud and what you should do in response to the identification of fraud.</p> <p>The Anti-fraud action plan is signed off by chief internal auditor, corporate management team and audit committee.</p>	
<p>3.2 Does the organisation have a code of conduct which sets out clearly for employees and contractors which behaviours are acceptable and unacceptable and includes a section for reporting and addressing conflicts of interests?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> • There is a Code of Conduct in place which sets out standards expected by employees and contractors and highlights that unethical behaviours will lead to disciplinary action • Organisation policies and procedures support the counter-fraud strategy • All staff are required to sign up to the requirements of the Code. • Code of Conduct and related policies are regularly reviewed, communicated to employees and contractors, signed off by managements / audit committee and tested to ensure there are no gaps <p>Potential poor practice:</p> <ul style="list-style-type: none"> • Limited procedural guidance 	<p>The Council has in place a Code of Conduct which sets out standards expected by employees and contractors and highlights that unethical behaviour will lead to disciplinary action. Para 1.3 of the Code of Conduct states that "Failure to observe any provision of the Code of Conduct may render an employee liable to disciplinary measures and depending on the circumstances may be viewed as misconduct or gross misconduct under the Council's Disciplinary Policy."</p> <p>There is also referenced to reporting and addressing conflicts of interests, particularly for secondary employments, memberships and sponsorships.</p> <p>Whilst the scope of the policy applies to all staff, there is limited procedural guidance or reference to anti-fraud procedures. The only reference made to the Anti-Fraud and Corruption Policy within the Code of Conduct is within para 12.1 which relates to staff receiving any gift, loan, fee, reward or advantage corruptly.</p> <p>The latest version of the Code of Conduct is dated 29/11/2016 which reflected updates to the ICT acceptable use policy in para 10.13 and 15.8. The Council monitors the application of the policy and has discretion to review it at any time through the appropriate consultation mechanisms.</p> <p>Responsibility for the implementation, monitoring and development of the policy lies with the Head of Human Resources. Day to day operation of the policy is the responsibility of nominated officers who will ensure that this policy is adhered to.</p>	<p>Yes- the Code of Conduct sets out standards expected by employees and contractors, however there is a limited reference to anti-fraud procedures.</p>
<p>3.3 Does the organisation have whistle blowing arrangements in place that clearly signpost the mechanisms for reporting fraud to both staff and external parties?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> • An organisation has whistleblowing arrangements in place to ensure that staff and external parties have the confidence to raise concerns. 	<p>The Council have a Whistleblowing policy in place which applies to all employees other than those in educational establishments with delegated powers. The policy also applies to all contractors working for the Council on Council premises, for example, agency staff, builders and drivers. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example care homes.</p>	<p>Yes- The Council have a whistle blowing arrangements in place that clearly signposts the mechanisms for reporting fraud to both staff and external parties</p>

	<ul style="list-style-type: none"> The whistle blowing arrangements are monitored for take up to demonstrate that suspicions have been acted upon The whistleblowing policy sets out clear mechanisms to raise concerns confidentially about matters including fraud Contractors and third parties also have to sign up to these policies <p>The policy covers:</p> <ul style="list-style-type: none"> Clear process for raising concerns; Assurances about confidentiality; Clear procedures on how the concerns will be handled including how and with who staff, and external parties should raise concerns about fraud; Reassurance that the employees will not be victimised for raising concerns The policy is reviewed periodically to ensure continued effectiveness Numbers of disclosures (including zero activity) are reported to top management and/or an appropriate scrutiny committee 	<p>Section 9 of the policy sets out clear mechanisms to raise any concerns confidentially. Para 9.2 and 9.4 makes specific reference to cases of known or suspected fraud and how the allegation can be reported to the Corporate Fraud Team.</p> <p>The latest version of the Whistleblowing Policy is dated August 2016 which was revised due to changes in the Corporate Fraud Team. The Council monitors the application of the policy and has discretion to review it at any time through the appropriate consultation mechanisms.</p> <p>Responsibility for the implementation, monitoring and development of this policy lies with the Head of Human Resources. Day to day operation of the policy is the responsibility of nominated officers who will ensure that the policy is adhered to.</p> <p>The Whistleblowing policy covers: -</p> <ul style="list-style-type: none"> - Clear processes for raising concerns (Section 9) - Assurances about confidentiality (Section 7) - Clear procedures on how the concerns will be handled including how and with who staff should raise concerns about fraud (Section 9 & 11) - Reassurance that employees will not be victimised for raising concerns (Section 4) - The policy is reviewed periodically to ensure continued effectiveness (Section 13) 	
<p>3.4 Does the organisation undertake pre-employment screening by risk assessing posts and undertaking checks to minimise the risk of employing dishonest and unethical staff?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation undertakes pre-employment screening through various checks e.g. CRB to minimise the risk of employing dishonest and unethical staff 	<p>The Council require all new staff to provide 2 referee's which are obtained direct from the referee via email. The Council will not issue a start date until both references have been received and verified. The references will be reviewed to identify any issues relating to dishonest or unethical staff.</p> <p>Staff working with Children or Vulnerable Adults require a DBS check to be completed prior to employment. Any issues arising would require an addition pre employment interview to discuss the issues that have been highlighted as part of the DBS clearance process.</p> <p>All Social Workers and some Care workers are required to be registered with Social Care Wales. The Council have access to the Social Care register which would be checked as part of the pre-employment checks process.</p> <p>This confirms that the pre-employment screening is undertaken to minimise the risk of employing dishonest or unethical staff.</p>	<p>Yes- all new starters are required to have 2 suitable references and for those who will work with vulnerable people, a DBS check must be completed.</p>
<p>3.5 Does the organisation hold a register of interests ?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation establishes and maintains a register of interest which is updated regularly to indicate staff and members interest. 	<p>The Council establishes and maintains a register of interest which is updated regularly to indicate staff/ member interests.</p> <p>Discussions with the Head of Democratic Services has confirmed that Councillors have a duty under the Councillors Code of</p>	<p>Yes- The Council maintain a register of interest which helps with ensuring that fraud risk is detected by establishing whether there are any material interests which could lead to staff and others colluding.</p>

	<ul style="list-style-type: none"> The register is compared against schemes of delegation for approving expenditure 	<p>Conduct to make declarations within 28 days of any change in interests. The duty is solely on them as Councillors however, the Democratic services team send an email every two months to remind Councillors of their duty to declare any interest/ changes in circumstances.</p> <p>The declaration of interests have been viewed as part of the Final Accounts audit and no issues were identified. The declaration of interest form is taken from the Councillors Code of Conduct set by the Public Service Ombudsman.</p> <p>Officers declarations are governed in-house by the Council Procedure rules (Section 16.5) and the Officers Code of Conduct (Para 10.10).</p>	
<p>3.6 Does the organisation have an information security policy in place including cyber security?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> Related policies are reviewed annually/ periodically, communicated to employees and contractors/agents/consultants, signed off by managements / audit committee and tested to ensure there are no gaps Policies should be clear, practical, accessible, effectively implemented and enforced. Related policies covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent members), and consultants. 	<p>The Council have an ICT Security Policy in place which was last updated in June 2019. Section 2 of the policy sets out the key roles and responsibilities which covers all personnel. The Senior Information Risk Owner (SIRO) is responsible for information security within the Council and will act as a champion. The SIRO is the owner of the policy and will identify and manage any risks whether internal or external via the information risk register.</p> <p>The Data Protection Officer (DPO) is responsible for ensuring that all systems and controls are in place so The Council, including its managers and employees, comply with their obligations under the latest data protection legislation.</p> <p>The policy is clear setting out high-risk areas and associated procedures to be followed. The policy covers: -</p> <ul style="list-style-type: none"> - Physical and environmental security - Network and desktop security - Information assets - Mobile and agile assets - Cyber Security - Clear screen and desk initiative - Email encryption - Cloud storage - Reporting breaches of data - Related ICT policies such as the non-disclosure agreement and network access protocol. <p>Whilst the ICT Security Policy is thorough, no reference is made to suspected fraud and associated fraud allegation procedures. Therefore, the ICT Security policy is ineffective in supporting counter fraud arrangements.</p>	<p>Yes- The Council have a thorough information security policy in place which also covers cyber security. This helps to make fraud prevention more effective by implementing internal controls to prevent unauthorised access to systems.</p>
<p>3.7 Does the organisation have an anti-bribery and corruption policy in place which includes due diligence arrangements?</p>		<p>The Anti-Fraud and Corruption policy (last updated in December 2016) makes reference to Bribery, setting out behaviour that is unacceptable including accepting, requesting or offering financial or other reward from any person in return for providing some favour.</p>	<p>Yes- The Council have an anti- fraud policy in place which covers bribery.</p>

		<p>Para 5.3 of the policy states that the Council aim to demonstrate it has adequate procedures by addressing due diligence procedures.</p> <p>The policy applies to all Councillors and to all employees, except those based in Educational establishments with delegated powers. Members of the public are also encouraged to report concerns by means of the Council's Complaints Procedure and / or the Corporate Fraud Team (CFT).</p> <p>The Council monitors the application of the policy and has discretion to review it at any time through the appropriate consultation mechanisms.</p> <p>Responsibility for the implementation, monitoring and development of the policy lies with the Head of Human Resources. Day to day operation of the policy is the responsibility of nominated officers who will ensure that this policy is adhered to.</p>	
<p>3.8 Does the organisation maintain a register of gifts and hospitality and are staff made aware of the need to register any gifts and hospitality received?</p>		<p>All Councillors must complete and regularly review their Register of gifts and hospitality on an Annual Basis.</p> <p>Council Procedure Rule 16.4 of the Council Constitution places a personal duty upon Councillors to declare any gift or hospitality of more than £25 in value that a Councillor has received either for him/herself or for the Authority within 28 days. Failure to do so, is treated as a breach and can be reported to the Public Services Ombudsman for Wales.</p> <p>Gifts / Hospitality received include Tickets received from the Authority i.e. for the Liberty Stadium, Grand Theatre, Fireworks Display, Big Weekend etc.</p>	<p>Yes- The Head of Democratic services maintains a register of gifts and sends regular reminder emails to senior officers/ councillors of their duty to report any gifts above £25 within 28 days of receipt.</p>

4. Does the organisation undertake an effective fraud risk assessment together with appropriate responses to emerging issues?

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
<p>4.1 Does the organisation undertake a regular and comprehensive fraud risk assessment which is shared and discussed with the Board/Senior Management Team/Audit Committee?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation has carried out a thorough risk assessment in the last two years to provide an honest appraisal of risk and resources needed to tackle the risks identified The assessment of risk is based on known fraud risks, benchmarking and internal brainstorming The fraud risk assessment is reviewed by Audit Committee/ SLT <p>Potential poor practice: Assessments either not carried out at all or they are prepared but have the following pitfalls;</p> <ul style="list-style-type: none"> Risks identified are too generic so actions to mitigate the risks cannot be formulated Not using an expert Assessments viewed as a one off event and not updated annually Information and data hard to interpret and understand Results not acted upon Too many risk assessments being performed on a piecemeal basis and not linked in/joined up/communicated 	<p>The CFT perform regular and comprehensive fraud risk assessments and this is reflected within the Counter Fraud Action Plan which is reported to the Audit Committee. However, fraud risk is not assessed on a Senior Management Level as part of the Corporate Risk Register.</p> <p>Nevertheless, the Senior Management Team provide 'Senior Management Assurance Statements that is used as the basis for preparing the Annual Governance Statement which covers Fraud and Financial Impropriety. This provides assurance on the following: -</p> <ul style="list-style-type: none"> Level of robust controls in place to prevent and promptly detect fraud, bribery and corruption Whether all frauds and suspected financial irregularities are referred to the Head of Finance, Internal Audit and CFT in accordance with Financial Procedure Rule 12. 	<p>The CFT perform regular and comprehensive fraud risk assessments and this is reflected within the Counter Fraud Action Plan which is reported to the Audit Committee. However, fraud risk is not assessed on a Senior Management Level as part of the Corporate Risk Register.</p>
<p>4.2 Does the organisation consider fraud risk as part of the overall risk management process?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation considers and identifies fraud risks. This is could be done through fraud risk workshops, self-assessments or external fraud review The risk of fraud features in department/ corporate risk registers A fraud matrix is used to assess whether the risk is high medium or low. The level of risk often determines the level of intervention needed to mitigate the risks There is good linkage between corporate and departmental risk registers There is regular updating to risk registers to reflect current issues Prevention of fraud features prominently within the organisations risk management framework <p>Potential poor practice:</p> <ul style="list-style-type: none"> There is no organisation wide risk management system Fraud risks do not feature as part of the risk management process 	<p>The Council have not included fraud risk within the Corporate Risk Register which is overseen by the Senior Management Team and therefore have not considered Fraud risk as part of the overall risk management process.</p>	<p>No- Fraud risk is not included within the Corporate Risk Register and therefore excluded from the central risk management process.</p>
<p>4.3 Does the organisation consider fraud risk at the</p>	<p>Expected good practice:</p>	<p>All Contract Procedure rules, Financial Procedure Rules and Accounting Instructions ensure that fraud risk is considered at the</p>	<p>Yes- Fraud risk is considered at the system design stage of new policies. The Chief Internal Auditor has the opportunity to provide comments on any</p>

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
system design stage in order to 'fraud proof' policies and systems?	<ul style="list-style-type: none"> The organisation has considered fraud risk for all its systems and has looked at how to prevent and detect fraud in the system and has 'fraud proofed' its procedures in key areas e.g procurement, payroll, creditors. Counter-fraud/internal audit staff are consulted to fraud proof new policies, strategies and initiatives across departments 	<p>system design stage via checks and balances, dual authorisations, system access controls, password protection.</p> <p>When policies are reviewed, The Chief Internal Auditor is consulted to provide input to ensure that the risk of fraud is accurately reflected in the policies.</p>	updates made to policies where fraud risk/ internal controls are also assessed.

5. Does the organisations internal control environment support effective arrangements for preventing and detecting fraud?

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
5.1 Has the organisation's internal controls been designed and tested to address identified fraud risks and help prevent fraud occurring?	<p>Expected good practice:</p> <ul style="list-style-type: none"> There should be controls in place to prevent fraudsters from assessing systems and prevent losses. It is more cost efficient to prevent losses rather than suffer the losses after the event The Annual Governance Statement should provide assurances from management over the effectiveness of the system of internal controls in mitigating fraud risks 	<p>The Councils internal Audit team regularly review/ test internal controls and provide recommendations for improvement when there are any failures in controls that have been identified.</p> <p>The Council had various external company reviews to provide assurance on systems/controls which help to prevent fraud occurring: -</p> <p>1) Cyber Essentials Plus Assessment Report</p> <p>Assessed by Gaia Technologies Plc dated 29/05/2019 which is the audited version of the Cyber Essentials Information security standard. Cyber Essentials requires organisations to have several technical and procedural controls in place to improve their information security in order to mitigate common internet-borne cyber-attacks. The assessor concluded that the Council passed the required tests and were awarded the Cyber Essentials Plus Certification.</p> <p>The testing undertaken included the following:</p> <ul style="list-style-type: none"> - Test 1 Remote vulnerability patching - Test 2 Review of device patching - Test 3 Review of malware protection - Test 4 Review of protection against malware sent by email - Test 5 Review of protection against malware delivered through a website. <p>2) Public Services Network (PSN)</p> <p>This Public Services Network (PSN) connection compliance certificate was issued on 17/04/2019 which shows that The Council successfully demonstrated that the infrastructure is sufficiently secure to enable connection to the PSN.</p>	<p>Yes- the internal audit team undertake annual fundamental audits of internal controls which have been designed/ tested to prevent fraud from occurring.</p> <p>The Council also have accredited certifications from external companies to provide assurance over the cyber security control environment.</p>

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
5.2 Does internal audit look at fraud risks and test controls designed to prevent and detect fraud as part of its annual programme of work?	<p>Expected good practice:</p> <ul style="list-style-type: none"> • There is a specific reference to fraud risk in the internal audit work programme. • Internal audit look specifically at fraud risks when they review the policies, procedures and internal controls. • The internal audit plan is risk based and known risks are taken into account in scoping audit programmes • All key systems are covered on a rolling basis • There is a well-planned local programme of counter-fraud work 	<p>There is no specific reference to fraud risk in the internal audit work programme. The Internal Audit team look to identify weaknesses in control that could lead to a fraud occurring.</p>	<p>Internal audit review and test internal controls, however there is no specific reference to fraud risk detection in the internal audit work programme.</p>
5.3 Does the organisation act on recommendations to strengthen controls if internal controls are found to be not operating as well as intended and learn lessons from fraud incidents?	<p>Expected good practice:</p> <ul style="list-style-type: none"> • There is a track record of action being taken quickly if internal controls are found not to be performing as well as intended. For example, by internal audit, external audit, NFI • Where a fraud has occurred, there is evidence of post event learning where an organisation looks at how the fraud occurred and possible trends in order to learn from this and minimise future incidents. <p>Potential poor practice:</p> <ul style="list-style-type: none"> • Recurring audit recommendations • There is no evidence that an organisations learns lessons from frauds that occur 	<p>Internal Audit maintain a Fundamental Audits Recommendations Tracker which provides a summary of the recommendations made and identifies whether the agreed recommendations have been implemented. This tracker is taken to Audit Committee quarterly for review and discussion of progress made against recommendations made.</p> <p>Fundamental Audits are undertaken by the Internal Audit Team annually. They review systems that are fundamental to the achievement of the Councils objectives and these are listed below: -</p> <ul style="list-style-type: none"> • Main Accounting System • Fixed Assets • Housing and Council Tax Benefit • Council Tax • NNDR • Cash • Accounts Payable • Accounts Receivable • External Investments and Borrowing • Pension Fund Investments • Employee Services (Payroll) • Pensions Administration • Teachers Pensions • Housing Rents <p>In 2018/19 46 recommendations were made, of which 74% had been implemented by 30/09/19 when it was reported to the Audit Committee.</p> <p>Any recommendations that are not/ partly implemented are followed up with an agreed action plan and implementation date with a dedicated Council officer.</p> <p>Whilst the recommendations tracker helps to ensure that internal controls are strengthened, they are not necessarily in relation to fraud incidents identified. The fundamental audits are undertaken</p>	<p>Yes- all recommendations are monitored and tracked to ensure that they have been implemented.</p>

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
		on systems to ensure that CPR are being implemented at a high level. The CFT maintain a register of fraud incidents and use this register to perform a risk assessment when preparing their annual fraud action plan.	
5.4 Does the organisation regularly use data analysis/matching (outside NFI) to validate data and detect potentially fraudulent activity?	<p>Expected good practice:</p> <ul style="list-style-type: none"> Organisations undertake data matching which involves comparing sets of data within or across organisations in order to highlight inconsistencies which can be used to help prevent and detect fraud <p>(NB: NFI will be picked by the study team so auditors are asked to capture other arrangements outside of NFI)</p>	The Benefits Team use Data tank which is a database used to identify duplicates in single persons discounts which helps to detect potentially fraudulent activity. However, the CFT or other teams do not use any other forms of data analysis/ matching outside the NFI to identify inconsistencies to help detect fraudulent activity.	The Benefits team use Data Tank to establish any fraud risk in single persons discount, however no other data analysis/ matching exercise is used.
5.5 Are weaknesses revealed by instances of proven fraud and corruption scrutinised carefully and fed back to departments/teams to fraud proof systems?	<p>Expected good practice:</p> <ul style="list-style-type: none"> Where cases of fraud have been identified the weaknesses behind these frauds and have been scrutinised and fed back to departments to fraud proof systems 	Where fraudulent activity is identified it is usually the case that staff are not adhering to already known controls and protocol. In these instances, staff are reminded of the expected adherence when necessary.	Yes- weaknesses revealed by instances of proven fraud are fed back to teams and recommendations for improvement will be raised and tracked for implementation.

6. Does the organisation have an appropriate response to fraud?

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
6.1 Does the organisation have an appropriate fraud response plan that is communicated to all staff which makes clear that all allegations of fraud will be investigated?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation has a Fraud Response Plan which provides direction to staff, third parties and members of the public who wish to raise their concerns about suspected fraud and gives a framework to follow in responding to allegations of fraud <p>The fraud Response plan includes the following areas:</p> <ul style="list-style-type: none"> outlines the entire fraud investigation process clearly defines the roles and responsibilities of senior management and others involved in the investigation process; outlines procedures for securing evidence and undertaking interviews; sets out arrangements for dealing with staff under suspicion; includes arrangements for when, and how, to contact the police; commit to pursuing the full range of sanctions – disciplinary, regulatory, civil and criminal; makes clear that recovery action will be taken in relation to all fraud losses; clarifies how lessons learned from frauds will be used to strengthen controls to prevent recurrence <p>The plan should be communicated to staff so that all are aware of the process that should be followed</p>	<p>There is no specific fraud response plan in place at Swansea Council. Section 6 of the Anti-Fraud and Corruption Policy makes reference to how the Council will respond to a fraud allegation. However, there is no specific outline of the entire fraud investigation process, clearly defined responsibilities of senior management involved in the investigation process, outline procedures for securing evidence/ undertaking interview, clarification of how lessons learned from frauds will be used to strengthen controls to prevent recurrence etc.</p> <p>Discussions with the CFT confirmed that each fraud allegation is dealt with on a case by case basis. Due to the varied nature of each allegation there is no specific outline policy that is available to staff/ members.</p> <p>There are numerous online reporting tools which states that the information provided will be treated with strict confidence. The Council commit to evaluating the information and to take appropriate action as necessary. The Council website also states that they are unable to provide updates on individual cases due to a potential breach of the General Data Protection Regulations 2018.</p>	No- there is no specific fraud response plan in place at Swansea Council. Section 6 of the Anti-Fraud and Corruption Policy refers to how the Council will respond to a fraud allegation.
6.2 Does the organisation take action to ensure that allegations of fraud, including anonymous allegations are assessed in line with the fraud response plan?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation monitors that allegations are actually assessed in line with the plan 	The Council have an Anti-Fraud Plan in place which sets out the proactive work they intend to complete, however there is no specific policy in place which sets out the fraud response plan to allegations raised.	All fraud allegations will be investigated, however there is no set policy in place about how the investigation will take place.
6.3 Does the organisation have documented procedures in place for conducting fraud investigations which follow proper professional practice?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation has procedures in place for fraud investigations detailing the processes that should be followed The organisation has a clear criteria to determine those cases that should be investigated There are procedures setting out when and how to involve the police 	<p>The Council have not got documented procedures in place for conducting fraud investigations.</p> <p>The Corporate Fraud Team assess each fraud allegation on a case by case basis. The cases are risk assessed and prioritised accordingly.</p>	No- The Council have no documented procedures in place for conducting fraud investigations which follow proper professional practice.
6.4 Does the organisation effectively investigate	<p>Expected good practice:</p> <ul style="list-style-type: none"> Investigations should follow the agreed procedures 	The Council have not got documented procedures in place for conducting fraud investigations. The Anti-Fraud and Corruption	No- The Council have no documented procedures in place for conducting fraud investigations which follow proper professional practice.

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
allegations of fraud in line with their procedures?	<ul style="list-style-type: none"> The investigation is undertaken by trained/qualified staff Investigations are carried out in accordance with the fraud response plan Investigations are undertaken in a timely manner 	<p>Policy states that all cases will be investigated, however it does not set out how the investigation will be conducted.</p> <p>The Corporate Fraud Team assess each fraud allegation on a case by case basis.</p>	
6.5 In responding to proven fraud, does the organisation consider the full range of possible sanctions e.g. disciplinary, regulatory, civil and criminal?	<p>Expected good practice: Having a range of options which allows for an appropriate response when determining which sanctions to apply e.g.</p> <ul style="list-style-type: none"> Disciplinary sanctions - when breaches of employment have occurred Regulatory sanctions - when an offender is a person who falls under a professional regulator Civil Sanctions- where recovery of losses can be applied Criminal Sanctions - where there is prosecution 	<p>The Council's Anti-Fraud and Corruption Policy states that The Council will deal swiftly and thoroughly with any employee who attempts to defraud the Council or who is corrupt. The Council will be robust in dealing with financial malpractice. In all cases where financial loss has been suffered by the Council, it will seek to recover such losses.</p> <p>The Corporate Fraud Annual Report 2018-19 confirmed that although there was a decrease in the number of cases investigated in 2018/19, the number of sanction outcomes increased. 8 cases were referred to the Crown Prosecution Service with 5 being prosecuted (2 cases in 17/18) and 4 Administrative Penalties in lieu of prosecution were offered and accepted (2 in 17/18). The value of overpayments realised decreased to £203,019.69 from £290,685.17 in 17/18, but that is reflective of the decrease in cases investigated.</p>	Yes- The full range of possible sanctions will be considered when responding to fraud, which helps to ensure that fraud prevention arrangements are effective.
6.6 Does the organisation seek redress including recovery of assets and money where possible?	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation applies sanctions in response to fraud and seek recovery of losses to help send out a message and act as a deterrent 	Yes- see comments in question 6.5	Yes- The Council seek redress including recovery of assets and money where possible
6.7 Does the organisation have an appropriate case management system to record and monitor the progress of potential fraud cases?	<p>Expected good practice: The system enables relevant information to be included for reporting purposes such as:</p> <ul style="list-style-type: none"> how the fraud occurred how the fraud was discovered the case progress the outcome of the investigation the cost or adverse impact upon the organisation the details of any police involvement the status of cases passed other agencies summary of sanctions and losses recovered actions taken to improve the control environment <p>The system is only accessed/amended by authorised individuals</p>	<p>The Council maintain an internal case management spreadsheet to record/ monitor the progress of any fraud allegations.</p> <p>The system enables relevant information to be included for reporting purposes and form the basis for preparing the Corporate Fraud Annual report (Appendix 1- Overview of activities for 2018-19) which is reported to the Audit Committee annually.</p> <p>The spreadsheet is password protected and can only be accessed by authorised personnel. (i.e. CFT and Chief Internal Auditor)</p>	Yes- the Council maintain an internal spreadsheet to record/ monitor the progress of any fraud allegations. The system enables relevant information to be included for reporting purposes and form the basis for preparing the Corporate Fraud Annual report
6.8 Does the organisation collaborate externally and work with others to tackle fraud i.e. do they work with national, regional and local	<p>Expected good practice:</p> <ul style="list-style-type: none"> The organisation actively seeks to break down the barriers to collaboration and information sharing and has examples of joint working to identify common threats 	<p>The Council currently have joint working arrangements with DWP, South Wales Police and Trading Standards.</p> <p>There is evidence to suggest that the Council actively seek to break down the barriers to collaboration and information sharing</p>	Yes- The Council work with DWP, South Wales Police and trading standards. This helps to reduce fraud occurring by enabling collaborative work to share knowledge and expertise.

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
<p>partnerships and networks to ensure that they know about current fraud risks and issues, can share knowledge and data and have access to wider intelligence and tools?</p>	<p>and pool knowledge and expertise to tackle fraud and share good practice both internally and externally</p> <ul style="list-style-type: none"> The organisation has protocols in place to facilitate joint working and intelligence sharing with outside bodies e.g. memorandum of understanding setting out arrangements in place for sharing data The organisation seeks out opportunities to share resources work across boundaries and share skills The organisation shares good practice or problem areas in relation to counter-fraud to promote learning within the sector and cross sectors There is evidence that the organisation applies the learning through collaboration to help inform risk assessments <p>Potential poor practice:</p> <ul style="list-style-type: none"> Organisations do not collaborate with external organisations in the fight against fraud and hence do not have a way to share good practice or risk areas in order to promote learning and gain efficiencies. No formalised arrangements just sporadic <p>(NB: NFI will be picked by the study team so auditors are asked to document the examples of external collaboration outside of NFI)</p>	<p>with examples of joint working to identify common threats and pool knowledge/ expertise to tackle fraud and share good practice internally or externally. This is evidenced by The Councils association/ information sharing with the following:</p> <ul style="list-style-type: none"> 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 Participation in NFI (National Fraud Initiative). Has links to CIPFA (Chartered Institute of Public Finance & Accountancy). Dialogue with the WAO (Wales Audit Office). Attendance at the Welsh Chief Auditors Group. <p>Due to concerns raised mainly by Local Authorities (LA's) regarding potential loss of local knowledge, reduced information sharing, and Council tax Reduction (CTR) offences either not being investigated, or LA's undertaking a separate investigation alongside SFIS investigations, the Government introduced a joint working pilot. Swansea Council were the sole Welsh Authority to take part in that pilot which ran from November 2015 to May 2017.</p> <p>On completion of the pilot, the Government concluded that joint working "Protects the integrity of the Welfare Benefit, Tax Credits, and Local Government systems" and therefore the National roll-out commenced 28th April 2019. Swansea is one of 9 of the 22 Welsh Authorities currently undertaking joint investigations with the DWP.</p> <p>The CFT played a senior command and intelligence role with South Wales Police in relation to Operation Timmea, an investigation into a series of serious and aggravated burglaries in South Wales and beyond. During 2018-19, the CFT Handled 435 requests for information from a raft of other government agencies.</p> <p>During 2018/19 the team has continued to develop its role in inter-agency working and data exchange. Staff have attended regular meetings and shaped the development of the Local Authority Welsh Anti-Fraud Officers group e.g. Uniformity in employee investigations.</p> <p>Staff have also attended regular inter agency meetings with other government agencies tackling organised crime and hosted a meeting of the multi-agency Local Organised Crime Board.</p>	

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
6.9 Does the organisation have access (through partnership/other organisations/or funds to buy in) to specialist fraud investigation teams e.g. Surveillance, Computer forensics, Asset recovery, Financial investigations?	<p>Expected good practice:</p> <ul style="list-style-type: none"> Organisation has access to specialist resources that they can call on to assist them in certain cases 	<p>CFT undertake internal surveillance. In cases where further resources are needed then the team would receive assistance from other internal investigation teams. Trading standards have two accredited financial investigators who assist with POCA investigations which includes asset recovery.</p> <p>The CFT buy in computer forensic expertise where necessary.</p>	N/A- The Council have designated Counter Fraud investigators, however where necessary the designated officers will use external resources where necessary specifically for forensic expertise where necessary.

7. Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
7.1 Does the organisation keep a record of fraud losses and recoveries?	<p>Expected good practice:</p> <ul style="list-style-type: none"> Organisation maintains a log/register/database/spreadsheet of potential losses in order to understand the scope of the challenge and measure performance Organisation has an agreed methodology to ensure that losses from fraud can be estimated on a consistent basis and support a more accurate risk assessment Organisation shares this information internally and externally to aid comparison Organisations have set objectives and targets for counter-fraud work and monitor performance <p>consider whether the organisation has a view of what good performance is in relation to counter -fraud i.e. do they consider that it is lots of fraud cases being identified, or do they consider it to be no frauds found)</p>	<p>The Council maintain an internal case management spreadsheet to record/ monitor the progress of any fraud allegations. The spreadsheet is password protected and can only be accessed by authorised personnel. (i.e. CFT and Chief Internal Auditor)</p> <p>The system enables relevant information to be included for reporting purposes and forms the basis for preparing the Corporate Fraud Annual report (Appendix 1- Overview of activities for 2018-19) which is reported to the Audit Committee annually.</p> <p>Losses from fraud are only recognised based on actual savings/ recoveries made. The Council actively do not estimate losses caused from fraud due to the subjective nature of the estimates being used. The Council base their risk assessment of fraud on published fraud risk studies and areas where fraud had been identified in prior years.</p> <p>The Council set out their objectives in the Anti-Fraud Plan and report their performance against the set objective in the Corporate Fraud Annual report. This information is shared with the audit committee and is available internally and externally as it is published on the Council's website.</p>	The Council maintain an internal case management spreadsheet to record/ monitor the progress of any fraud allegations. The system enables relevant information to be included for reporting purposes and forms the basis for preparing the Corporate Fraud Annual report (Appendix 1- Overview of activities for 2018-19) which is reported to the Audit Committee annually.
7.2 Does the organisation's Audit Committee take a proactive role with respect to fraud prevention and take an active role in promoting an effective counter-fraud culture?	<p>Expected good practice:</p> <p>The Audit Committee;</p> <ul style="list-style-type: none"> Takes an active role and promotes counter-fraud and understands the organisations control environment and risks including fraud risks 	The Audit Committee scrutinise and approve the Anti-Fraud Plan and are required to take a proactive role in counter fraud as per their terms of reference. However, the Audit Committee do not actively promote an anti-fraud culture, they review the work already completed by the CFT.	The Audit Committee oversee the work of the CFT, however it would be more effective for the committee to take a proactive role in promoting an anti-fraud culture rather than review the work already completed by the team. This will help reaffirm the strong anti-fraud culture at Senior Management Level.

Questions	Prompts to auditors to identify good practice and potential poor practice	Auditor comments and links to supporting evidence	Conclusion
	<ul style="list-style-type: none"> • Understands the role of those charged with governance in relation to managing risk • Is familiar with the policies and procedures relating to fraud risk • Critically review and challenge the framework for managing risk • Scrutinise and approve the fraud risk assessment, annual counter-fraud plan and other policies and procedures relating to fraud risk 	<p>Annual Fraud Awareness training is delivered to the Audit Committee by the CFT. The aims were:</p> <ul style="list-style-type: none"> - To clarify the Council's obligations to tackle fraud. - To highlight the principles of good fraud risk management. - To underline the Council's arrangements for tackling fraud. <p>The Audit Committee are not presented with the policies relating to fraud risk, however they critically review/ challenge the anti-fraud plan to help manage risk.</p>	
<p>7.3 Does the organisation provide an appropriate level of information to an Audit Committee to enable it to discharge its duties in relation to counter-fraud?</p>	<p>Expected good practice: Does the organisation provide a report to the Audit Committee on fraud caseload and progress on a regular basis indicating?</p> <ul style="list-style-type: none"> • a summary of all fraud cases in the year (number, type of fraud and value); • how the frauds occurred (e.g. absence of controls, failure to apply controls); • how the frauds were discovered (e.g. whistleblowing, normal operation of controls, internal audit); • the outcomes of internal investigations; • the status of cases passed to external agencies for investigation; • a summary of sanctions imposed, and losses recovered; • changes made to internal control systems to prevent recurrence. <p>Potential poor practice:</p> <ul style="list-style-type: none"> • Information provided to Audit Committee is: Ad hoc, contains information which is incomplete, difficult to understand, misleading, lack commentary 	<p>The Corporate Fraud Annual Report provides a 12-month summary of the activities of the Fraud Function and reviews achievements compared to target outcomes contained in the Fraud Function Anti-Fraud Plan.</p> <p>Appendix 1 of the Annual Report provides an overview of the activities, the number of cases, their status and the outcome of the investigation.</p>	<p>Yes- Sufficient information including the Fraud action plan and annual report are provided to the Audit Committee for review to enable them to discharge their responsibilities. However, the Audit Committee should take a more proactive role in helping to promote a good anti-fraud culture.</p>
<p>7.4 Is the work of the counter-fraud team challenged and reviewed by Management/ Audit Committee?</p>	<p>Expected good practice:</p> <ul style="list-style-type: none"> • The work of the counter-fraud team should be subject to review to ensure it is performed in line with requirements/quality standards 	<p>The work of the CFT is challenged by the Corporate Management Team and Audit Committee.</p> <p>The Audit Committee receive a report that sets out the planned areas of activity for the Internal Audit Section's Fraud Function and it is designed to provide a strategic view of the areas that will be subject to examination. The committee review, discuss and approve the Anti- Fraud plan set out within the appendix to the report.</p>	<p>Yes- the work of the CFT is regularly challenged by the Audit Committee and Senior Management approve their plans prior to them being presented at Audit Committee.</p>

City & County of Swansea Council Annual audit summary 2020

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 March 2020. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

About the Council

Some of the Services the Council provides



Key facts

The Council is made up of 72 councillors who represent the following political parties:

- Labour (Ruling Group) 48
- Liberal Democrats 7¹
- Independent 3¹
- Independents@Swansea 2¹
- Non Aligned 1¹
- Conservative 9
- Uplands 2

The Council spent £444.6m on providing services during 2019-20, the 3rd highest spend of the 22 unitary councils in Wales.

¹ Liberal Democrats & Independents Opposition Group

Key facts

As at 31 March 2020 the Council had £93.8m of usable financial reserves. This is equivalent to 21% of the Council's annual spend on services, the 8th highest percentage of the 22 unitary councils in Wales.

Swansea has 17 (11%) out of its 148 areas deemed the most deprived 10% of areas in Wales, this is the 8th highest of the 22 unitary councils in Wales.²

Swansea's population is projected to increase by 6.1% between 2020 and 2040 from 247,912 to 262,999, including a 1.0% increase in the number of children, a 3.0% increase in the number of working age population and a 20.5% increase in the number of people aged 65 and over.³

The Auditor General's duties

We complete work each year to meet the following duties

- **Audit of Accounts**

Each year the Auditor General audits 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 the Auditor General has to be satisfied that it has done this.

- **Continuous improvement**

The Council also has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements.

- **Sustainable development principle**

Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

² An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

³ Source: Stats Wales



Since the Spring of 2020, the ongoing pandemic has affected our audit work. We recognise the huge strain on public services and have reshaped our work programme, and found new ways of working to reduce its impact on public bodies' response to COVID-19, while still meeting our statutory duties.



To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.

What we found

Audit of City & County of Swansea Council's 2019-20 Accounts

Each year we audit the Council's financial statements.

For 2019-20:

- The Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 15 September 2020 in line with 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;
- The quality of the draft statements presented for audit on 18th May 2020 was generally good;
- Several changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in September 2020;
- In addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our work to date has not identified any significant issues;
- The Auditor General issued the certificate confirming that the audit of accounts for 2019-20 has been completed; and
- Key facts and figures from the 2019-20 financial statements can be accessed [here](#).

Well-being of Future Generations Examination – Transfer of leisure facilities to the Council’s new delivery partner

The examination that we undertook in 2019-20 considered the extent to which the Council has acted in accordance with the sustainable development principle when 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. The full report can be viewed [here](#).

Continuous Improvement

The Auditor General certified that the Council has met its legal duties for improvement planning and reporting, and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21.

Financial Sustainability (March 2020)

During 2019-20 we examined the financial sustainability of each Council in Wales. In City & County of 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. The full report can be viewed [here](#).

National Fraud Initiative

In October 2020, the Auditor General published his report on the findings of the latest National Fraud Initiative (NFI) data-matching exercise in Wales. The exercise helped public bodies in Wales, including the 22 unitary authorities, identify fraud and overpayments amounting to £8m. The report can be accessed on our website [here](#). NFI continues to be developed and in the forthcoming NFI exercise (NFI 2020-22) local authorities will have access to matches designed to help identify potential fraudulent applications for COVID-19 business support grants.

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. During 2019-20 CIW published its ‘Local authority performance review letter 2019/20: Swansea City and County Council’. The letter can be viewed [here](#).

In January 2021, Estyn wrote to the Council’s Chief Executive outlining the outcome of their review of City & County of Swansea Council’s work in supporting their learning communities in schools and pupil referral units (PRUs) during the period from March to October 2020, and published a report on ‘Local authority and regional consortia support for schools and PRUs in response to COVID-19’. The report covers the ways councils across Wales have adapted their work to respond to the challenges from COVID-19. Although the report is a national report, it does reference City & County of Swansea Council’s work during the pandemic. For example the report includes reference to the Council’s work to support schools to adjust and improve their distance learning offer, and to develop their approach to assessing pupils’ work. The report also highlights the timely guidance for schools produced by the Council to support learners’ mental health and wellbeing, and the work done in Swansea to prioritise support for

pupils identified at risk of becoming NEET in the summer 2020. The report can be viewed [here](#).

Local Government Studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. We have published the following reports:

The effectiveness of local Planning authorities (June 2019)

We reviewed progress of local planning authorities in delivering their new responsibilities. We conclude that Planning Authorities are not resilient enough to deliver long-term improvements because of their limited capacity and the challenge of managing a complex system. The full report can be viewed [here](#).

The 'Front Door' to Social Care (September 2019)

We considered the effectiveness of the new 'front door' to social care, looking specifically at services for adults. We found that whilst councils are preventing social-care demand, information, advice and assistance are not consistently effective. The report can be viewed [here](#).

Review of Public Services Boards (October 2019)

We inspected how Public Service Boards are operating; looking at their membership, terms of reference, frequency and focus of meetings, alignment with other partnerships, resources and scrutiny arrangements. We concluded that Public Services Boards are unlikely to realise their potential unless they are given freedom to work more flexibly and think and act differently. The report can be viewed [here](#).

Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act (November 2019)

We examined how the new duties and responsibilities of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act are being rolled out and delivered. We found that victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system. The report can be viewed [here](#).

Rough Sleeping in Wales – Everyone's Problem; No One's Responsibility (July 2020)

We looked at how well public services are responding to the issue of rough sleeping. Overall, we found that responding to COVID-19 is an opportunity for public bodies to start addressing long standing weaknesses in partnership working which has stopped them from tackling rough sleeping in the past. The report can be viewed [here](#).

Better Law Making (September 2020)

This report draws on five reports published between 2019 and today looking at how local authorities are responding to the challenge of implementing new legislation. Implementation is a complex task which needs to be fully thought through by the Welsh Government and the Senedd whenever they bring forward and make any new legislation. The paper highlights the difficulties faced by local authorities and their public sector partners in implementing their new responsibilities. The report can be viewed [here](#).

Commercialisation in Local Government (October 2020)

Councils have conducted commercial activity for a long time, and many councils are exploring additional commercial opportunities to mitigate against the financial pressures they face. Our report is specifically targeted at helping elected members and senior officers to examine and judge the potential impact on their organisations when considering whether to undertake commercialisation. It will also help councils to demonstrate how well they are discharging their value for money responsibilities. The report can be viewed [here](#).

Planned work for 2020-21

We also looked at the key challenges and opportunities facing the Council. These risks could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle, the use of its resources and continuous improvement.

The most significant risk and issue facing councils and the wider public sector during 2020-21 is the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our work for 2020-21 includes:

- Recovery planning in response to the COVID-19 pandemic;
- Covid-learning project – helping to identify and share learning from the way in which public bodies have responded to the pandemic;
- Assurance and risk assessment; and
- A review of the Council's financial sustainability.

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

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 Senedd Commission and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

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.

Agenda Item 10



Report of the Chief Legal Officer

Audit Committee – 9 March 2021

Local Government and Elections (Wales) Act 2021

Purpose:	The report presents an update to the Committee around legislative changes to the terms of reference, membership and name of the Audit Committee.
Report Author:	Tracey Meredith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

For Information

1. Background

1.1 The Local Government and Elections (Wales) Act 2021 became law in January 2021. It is an extensive piece of complex legislation of 189 pages, 10 Parts and 170 sections. In addition there are complex commencement provisions which means that some parts of the legislation came into force immediately, others 2 months following Royal Assent and some in May 2022.

2. Local Government and Elections (Wales) Act 2021

2.1 The Act is divided into 10 Parts. Those parts which will have the most impact on the authority are summarised below:

Part 1 – Elections.

- Extension of the franchise to 16 year olds and foreign citizens.
- Changing council electoral cycles from the current 4 years to 5 years.
- Allows council employees not in politically restricted posts to stand for election to their own council.
- Discretionary power for Councils to change the voting system to single transferrable vote for their own elections.

Part 3 – Promoting Access to Local Government.

- Requirement to produce a public participation strategy.
- Duty to make a petition scheme.
- Duty to publish the constitution and a constitution guide.
- Duty to broadcast certain meetings.
- Various provisions around conduct of local authority meetings and documents.

Part 6 – Performance and Governance.

- Duty to report on performance and prepare a self-assessment report.
- Duty to arrange a panel performance assessment.
- Duty to respond to panel assessment report.
- Powers of Auditor General.
- New name and functions of Audit Committee.

3. Governance and Audit Committee

- 3.1 The Committee will recall that Welsh Government recently consulted on draft statutory guidance – Performance and Governance of principal councils. It is anticipated that final statutory guidance will be issued around the commencement dates and will be reported to the Governance and Audit Committee at a future date.
- 3.2 Welsh Government have clarified that the name and remit of the Committee will change from 1 April 2021 but that the other changes around membership are due to come into effect from May 2022.
- 3.3 The amended terms of reference including the change to the name of the Committee are attached at **Appendix 1**. As these updates reflect legislative changes the Monitoring Officer will make the necessary changes to the Constitution under her powers set out in Article 15 of the Constitution. The changes will be reported to Council for information.
- 3.4 Further changes will be made in due course to reflect the legislative changes to membership of the Committee. At present there are 2 lay members of the Committee and 13 Councillor members.
- 3.5 The Local Government and Elections (Wales) Act requires that one-third of the membership of the Governance and Audit Committee are lay persons. A lay person is a person who is not a member or an officer of any local authority, has not at any time in the period of 12 months ending with the date of the person's appointment been a member or an officer of any local authority and is not a spouse or civil partner of a member or an officer of any local authority.

- 3.6 As the one-third requirement is not coming into force until May 2022 then the Committee will need to start looking at recruitment from September / October to ensure compliance. However to achieve the one-third membership a further 3 lay persons will need to be appointed or the size of the Committee reconsidered.
- 3.7 The Act also provides that a lay person must be appointed as Chair of the Committee and the deputy Chair must not be a member of the Cabinet.

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.

An EIA Screening Form has been completed with the agreed outcome that a full EIA report is not required as this is a For Information report around legislative changes which have to be complied with.

5. Legal Implications

- 5.1 There are no other legal implications associated with this report.

6. Financial Implications

- 6.1 There are no financial implications.

For Information

Background papers: *None*

Appendices:

Appendix 1 – Terms of Reference – Governance and Audit Committee

1 Governance and Audit Committee

Statement of Purpose

The Governance and 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.

The purpose of the Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework, the internal control environment and the performance assessment of the Council. It provides an independent review of the governance, performance assessment, 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, Performance, Risk and Control

- a) To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- b) To review the Council's draft annual Self-Assessment Report, and make any appropriate recommendations for changes to the conclusions or actions the Council intends to make.
- c) To review the Council's draft response to the Panel Performance Assessment Report, and make any appropriate recommendations for changes.
- d) To review the Council's draft response to any Auditor General's recommendations arising from a special inspection in respect of the Council's performance requirements and to make any appropriate recommendations for changes.
- e) To review and assess the authority's ability to handle complaints effectively and to make any associated reports and recommendations in relation to the authority's ability to handle complaints effectively.
- f) To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
- g) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

- h) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- i) To monitor the effective development and operation of risk management in the Council.
- j) To monitor progress in addressing risk related issues reported to the Committee.
- k) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- l) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- m) To monitor the counter fraud strategy, actions and resources.

Internal Audit and External Audit

- n) To approve the internal audit charter and resources.
- o) 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.
- p) To consider summaries of specific internal audit reports as requested.
- q) To consider reports dealing with the management and performance of the providers of internal audit services.
- r) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- s) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- t) To consider specific reports as agreed with the external auditor.
- u) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- v) To commission work from internal and external audit.

Financial Reporting

- w) 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.

- x) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

- y) 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.

Agenda Item 11



Report of the Section 151 Officer

Audit Committee – 9 March 2021

Revenue and Capital Budget Monitoring 3rd Quarter 2020/21

Purpose: To provide the Audit Committee with the Revenue and Capital Budget Monitoring Report that was presented to Cabinet on 18 February 2021.

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 18 February 2021.

Background papers: None.

Appendices:

Appendix 1 - Revenue and Capital Budget Monitoring Report which was presented to Cabinet on 18 February 2021.



Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 18 February 2021

Revenue and Capital Budget Monitoring 3rd Quarter 2020/21

Purpose:	To report on financial monitoring of the 2020/21 revenue and capital budgets
Policy Framework:	Budget 2020/21. Transformation and Future Council (Sustainable Swansea –fit for the future)
Consultation:	Cabinet Members, Corporate Management Team, Legal Services and Access to Services.
Recommendation(s):	It is recommended that Cabinet: <ol style="list-style-type: none"> 1) Notes the comments and variations set out in the report and the actions in hand to address these; 2) Approves the virements in para 2.7; 3) Reduces the level of permitted, in extremis, in year overspending to £4m, to be fully financed from draws from earmarked reserves, well within the sums approved at Council on 4 November 2020, to ensure the overall budget remains balanced for the year; 4) Continue to endorse that no officer may consider any material further spending commitments and must wherever possible continue to defer and delay spending to contain and reduce the likely modest forecast overspend by year end as far as is practicable, whilst delivering agreed Council priorities set out in the approved budget.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2020/21.
- 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 March 2020
 - 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.

2. Revenue Outturn Forecast Based on 3rd Quarter position

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2020/21 and the forecast variation at this time.
- 2.2 Other than projected variations on Directorate expenditure, it is still too early to confidently forecast final variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2019-20 of £0.7m and 2018-19 of £0.3m). However, given the likely impact of COVID on collection it is inevitable that a further shortfall will arise in 2020-21. An updated forecast is that there remains a potential shortfall of £3.8m in 2020-21. This may be subject to some form of grant underpin support in due course from the Welsh Government, but is far from assured.
- 2.3 The overall Directorate position is summarised below:-

DIRECTORATE

	FORECAST VARIATION 2020/21 £000	NET COVID VARIATION 2020/21 £000	OTHER VARIATION 2020/21 £000
RESOURCES	3,366	4,071	-705
PEOPLE - SOCIAL SERVICES	1,983	7,760	-5,777
PEOPLE - EDUCATION	4,898	3,225	1,673
PLACE	6,700	6,700	0
Additional Savings	194		194
<i>NET DIRECTORATE EXPENDITURE</i>	17,141	21,756	-4,615

- 2.4 Directors' comments on the above variations are shown at Appendix B

Appendix 1

- 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 The table above shows an estimated overspend for the year of £17.14million. Bar some “Business as usual” fluctuations in Social Services and Education which is in effect entirely as a result of the COVID 19 pandemic and relevant responses in expenditure and reductions in Income as a result. This figure does not include the Business Support Grants costs and Retail/Hospitality/Rates reductions resulting from Welsh Government decisions and which are now anticipated to cost around £110m of additional costs and to be funded in their entirety. A further approx. £15m support is anticipated from WG announcements for additional Business support in relation to the latest lockdown starting Christmas 2020 .Any funding from WG confirmed after the Quarter 3 report as a result of grant claims have not been included in the figures above. Section 2.7 below shows the level of “service” expenditure that has been deemed as eligible and paid by WG to date.
- 2.7 Currently, monthly claims against additional COVID expenditure (April to December and an historic claim in relation to March 2020) and a claim for loss of income for the first two quarters as a result of COVID in relation to the services has been submitted to WG. The summary of claims submitted and amounts received to date is set out below :

Summary of claims submitted and payments received to date in 2020/21

	Claim £000's	Paid £000's	
Hardship (costs) : April-December	14,928	10,849	Partial October , November Adult Social Care & November schools staffing awaiting WG response. December recently submitted & awaiting WG response.
Loss of Income : 1 st ,2 nd Quarters	11,216	10,805	
Overall total	26,144	21,654	

Welsh Government have amended eligibility criteria as the year has progressed both in relation to additional costs and loss of income. This has included deeming as ineligible certain elements of expenditure (eg day to day expenses such as mobile phones, postage/copying/stationery costs, local decisions re support to local business) and reducing the eligible element of other costs.

As such the monthly claims are amended to include only those elements of expenditure deemed to be eligible so exclude any costs etc not deemed eligible to be claimed.

Whilst some elements of expenditure are going to be continued to be claimed the WG

“panel have suggested as authorities are moving into a different phase of response then some costs deemed additional and necessary at the start will no longer be eligible within the fund but will be a matter for local discretion. e.g. packed lunches for homeless. This is because what was deemed an emergency response at the start of the pandemic is likely to

either have a national policy response or there has been enough time for authorities to make alternative arrangements at a lower cost from existing budgets.”

This will result in a further reduction in those elements deemed to be eligible for grant by WG.

Similarly, the Loss of Income claims only include those elements deemed as “eligible” by WG.

Grant claims to WG in relation to TTP have commenced which are anticipated to cover all additional costs arising. The additional forecast costs are included under Resources and currently amount to £2.8m in 2020/21. Some £0.66m has been claimed against spend to date. It remains unclear how much will be truly additional cost (and claimable) as opposed to, as is predominantly currently the case, redeployed and redirected costs of existing workforce otherwise prevented from working in their normal service areas, but as “return to new normal” becomes more prevalent it is clear costs will rapidly start to be additional rather than “in lieu” and thus reclaimable.

Grant claims to WG for the £500 carer payments are being made in line with the national scheme and again are assumed to fully cover costs with both elements contained with the Social Services forecast. The estimated total cost of the carers support scheme and equivalent grant funding to be claimed is £3.5m .The same approach applies to the £500/person isolation payments and social care statutory sick pay top up payments now the scheme is operational.

At present, therefore, it is proposed to allocate the additional sums received since the second quarter report as follows and to seek that cabinet formalise their virement in receiving this report to service budget lines as follows :

Education	£2.51m
Social Services	£2.26m
Place	£2.83m
Resources	£0.25m
Total	£7.85m

And once the final figure is confirmed up to the following :

Resources (TTP) £2.8m

This proposal has no overall impact on the position, merely allocates grant received back above the line and which will result in some reductions in report service overspending in later reports but equally will remove the net grant income received below the line.

Additional claims and payments regarding COVID from the Welsh Government will continue to be made during the rest of the financial year which will be required to be reflected in the final financial position of the Council. To date, Cabinet approval has been sought to allocate retrospective claim income to services as part of the quarterly reports. Due to the tight timescales for completing the financial outturn position for 2020-21 it is recommended by the S151 Officer that for the final quarter only the relevant claim values for that quarter are allocated out (vired) to the service budget lines as part of financial closure. The value of these amounts received and allocated to services will be reported in the normal “Outturn” financial report to Cabinet in July.

2.8 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 and deferral 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 must work closely with Cabinet Members and the Corporate Management Team to contain, reduce, defer and delay spending as far as possible, having due regard, to existing agreed budget and political priorities to nonetheless seek to limit service overspending.

2.9 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.
- £1.85m was also set aside to meet any specific and significant inflationary increases arising in year. Given the overall financial projection at this stage it is proposed by the S151 officer that this be released as a compensating corporate saving especially as the price inflation outlook for the year looks very subdued.
- Use of the Contingency Fund as detailed below.

3. Contingency Fund Provision for 2020/21

3.1 The contingency fund was set at the £3.621m contribution for 2020/21 as set out in the budget report approved by Council in March 2020. As a result of the favourable outturn position this was added to, on a one off basis, to bring the total available to spend to over £9m. 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 2020-21 are:-

Contingency Fund 2020/21	Prediction
	2020/21 (£m)
Budgeted contribution for year.	3.621
Increase from c/fw from 2019-20 (as per Council 4 November 2020)	6.306
Proposed Strengthening and increased resilience in Financial Services	-0.250
Freedom of the City – Merchant Navy	-0.005
Support to Leisure Centres	-0.800
Underwrite to leisure Operators	-1.000
Support to Swansea Market	-0.500

Pipe House Wharf relocation lease costs	-0.057
School 3G pitch Support	-0.025
Communications/PR improvements	-0.010
City of Sanctuary floral badge	-0.001
Coroners ICT	-0.040
Market Rents	-0.035
COVID ICT agile/homeworking costs : staff & members	-0.320
COVID extension of waiver for staff parking permits –loss of income.	-0.300
COVID Wales National Pool support	-0.350
COVID Extending Rent concessions	-0.117
COVID George Hall temporary meeting arrangments.	t.b.c
COVID Reduction in Car Park charges	-0.185
Used to reduce service overspending	-5.932
Balance 31st March 2021	0.000

The above table lists current potential calls on the budgeted contingency fund. All bar the Strengthening of Finance (which will be a proposed budget adjustment for 2021-22) are anticipated to be one off costs .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 at 1st April 2020 some £3m remained within the Restructure Reserve to contribute toward ER/VR or other cost risks that may arise in 2020-21. The S151 officer remains satisfied that this is sufficient for 2020-21 and that there should be no call on contingency this year to fund such costs. 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 £5.932m to provide additional mitigation against the anticipated unfunded elements of cost/loss of income as a result of COVID19 in either 2020-21 or, if outturn improves, as part of the further recovery phase in 2021-22 .

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 2020-21, there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall service overspends. It looks inevitable as this early stage that substantial draws from earmarked reserves will be needed to achieve a fully balanced budget for the year. Any inroads to net spending will reduce the necessary draw from reserves and increase the amount of reserves available to carry into 2021-22.

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 2020/21
- Progressing implementation of final phases 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.
- On the basis that these are existing agreed actions fully set out in the agreed budget set by Council in March, whilst wholly recognising the ability to progress any of the above have been seriously impacted by Covid 19.
- Continuing the extant spending restrictions which have been agreed as necessary by Corporate Management Team.
- Directors detailed action plans which are summarised in their commentary in Appendix B.
- The Deputy Chief Executive continue to take forward implementation of the recovery plan approved at Cabinet to agree alternative mitigating actions and future steps, including the detail of the successor programme to Sustainable Swansea more suited and fitted pan and post Covid 19 and Brexit.

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 and shows a net £17.14m of shortfall in service revenue budgets, almost entirely in relation to anticipated costs/loss of income as a result of COVID19 which when combined with a forecast £3.8m shortfall in Council Tax collection leads to a total shortfall of £20.94m. Some additional £7.07m (incl £0.78m re schools costs not included in 2.7) has, since the previous report, actually been received or confirmed from WG in relation to service additional costs/loss of income claims as per 2.7 above. It is assumed that all the TTP costs will also be recovered and for 2020/21 and some £2.8m is included at this stage. It is also possible that Council tax losses, or part of them at least, will be met by future WG grant support but this is yet to be assured. In addition as identified above further mitigation is anticipated from the Apprenticeship/Inflation provision of £1.9m and Contingency fund of £5.932m. Whilst not able to be estimated until the year end the current pandemic is likely to lead to a substantial increase in bad debt provision, which in conjunction with the above additional costs and mitigation, could result in an overall net overspend of £4m by the year end.

Summary

Service Forecast overspend	£17.14m
Council Tax shortfall	£3.8m
Less Mitigating	
COVID grants received not incl in service forecasts	-£7.07m
COVID claims submitted no response from WG yet – assume will be received.	-£1.3m
Future covid claims re council tax losses - assumed	-£0.9m
TTP costs recovered	-£2.8m
Apprenticeship/Inflation	-£1.9m
Contingency Fund not currently utilised	-£5.9m
Net overspend forecast	£1.07m
(Plus any potential Bad Debt provision movement at year end)	

In addition, as outlined below, there is an anticipated underspend on Capital Charges of some £7.5m which will be utilised to replenish any calls on the Capital Equalisation Reserve made to meet any unfunded elements of the COVID19 costs arising in year.

NB Further claims for re-imbursement of both expenditure and loss of income continue to be submitted to Welsh Government in accordance with their criteria. Based on previous expenditure claims submitted (and subsequently paid to date) it is considered reasonable that as a minimum some additional £1.3m is likely to be paid on claims submitted and is therefore included above.

Any additional WG funding towards the additional costs or loss on income received from WG in relation to COVID19 costs /loss of income included in table 2.3 above will further reduce the overall budget shortfall and thus why a target of “no worse than £4m” is recommended to be kept by Cabinet and by the S151 Officer on a truly exceptional one off basis.

- a. All revenue grant income from WG in relation to COVID claims for the services, including schools that has not yet been allocated “back” to departments is allocated in line with claims paid together with any additional claims cash received as part of the year end accounts.
- b. Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be, as far as practicable, contained within the relevant limits of the current year budget as set by Council, and certainly within any agreed level of tolerance set by Cabinet on the advice of the s151 Officer, recognising the extreme nature of the Covid 19 impact.
- c. 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, an often increasing tax base, but equally a substantial deterioration in the economy and employment which may inhibit individuals ability to pay tax already set and due. .
- d. Included in the projected budget for 2020/21 for other corporate items are capital finance charges. At Quarter 3, a significant variance of -£4m and £-3.5m is forecast for Principal Repayments and Net Interest Payments. The reasons for the significant variances are twofold, understandable capital slippage in year due to

Appendix 1

Covid 19 pandemic and also the projected impact of the implementation of the Revised MRP Policy approved by Council in Dec 2018 where the revised policy would result in early year savings but with the expectation that these be reserved for the projected marginal increase in MRP payments in later years, albeit equalising the repayment of borrowing over the lifetime of the created asset. Council has previously approved that any underspending or overspending will be transferred at year end to or from reserves. The S 151 Officer reserves the right to recommend the temporary use of some of these balances to address in year Covid 19 budget pressures as identified in section 2.3 of this report.

- e. There continue to be risks around general inflationary pay and price pressures in the forthcoming year including increases to the National Living Wage from April 2021 which will significantly impact contractors to the Council in some service areas. It will also put further pressure on the lower end of the current local government pay spine in future years. The current year national local government pay award offer has been finalised at 2.75%, as budgeted and there is a now an agreed new pay offer for teachers worth up to 8% for some teachers (3.25% for majority), and part of the excess will be funded by WG by way of a one off specific grant. Whilst all are entirely welcomed from a policy perspective, nevertheless the Council simply cannot afford to fund them in isolation, unless additional permanent support is forthcoming from the UK and Welsh Governments, otherwise savings will have to be made elsewhere to meet such pressures longer term. Pressures are now much more likely to be dampened by UK government policy announcements around expectation for a near freeze in most public sector pay awards for 2021-22.
- f. Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.
- g. It remains imperative that sustainable, but sensitive in the unusual circumstances of Covid 19, base budget savings are found to replace in year one off actions to stabilise the 2020-21 budget ahead of the finalisation of the 2021-22 budget round.

5. Capital Budget

- 5.1 Expenditure to 31st December 2020 is £143.797 million, summarised as follows:

Directorate	Budget 2020/21	Actual to 31/12/20	% spend
	£'000	£'000	
Resources	2,564	1,426	55.6%
People (Education and Social Services)	32,016	20,223	63.2%
Place (General Fund)	165,381	95,777	57.9%
Place (HRA)	44,088	26,371	59.8%
Total	244,049	143,797	58.9%

Expenditure on major capital schemes is detailed in Appendix C.

Appendix 1

It should be noted that the actual spend to 31 December may only have 7 or 8 months costs relating to external invoices. The impact of COVID will have an impact on the timing and potential slippage of the original capital programme. The situation remains fluid and the full impacts of COVID continue to be monitored with capital schemes being reprofiled during the year as the impacts of timing / slippage become known. This will have an impact on the revenue Capital Financing Charges in 2020/21 and beyond.

Bay Studios Surge Hospital (Covid19)

The figures above for Place (General Fund) includes £20.974m of expenditure for the Bay Studio Surge Hospital (Covid 19). As part of the Region's response to address projected increased demand on hospital services as a result of the Covid 19 pandemic, the Authority was asked by Swansea Bay University Health Board (SBUHB)/ Welsh Government (WG) to deliver a 1,000 bed Surge Hospital on the site of the old Bay Studios in SA1.

The scheme was completed in an exceptionally short timeframe. It was conceived, designed, delivered and operational within 3 months (April – June 2020) by Corporate Building Services in partnership with our partner sub-contractors, Kier and TRJ. The full cost of the scheme has been received from SBUHB and WG.

6. Housing Revenue Account

- 6.1 The Covid situation could have a considerable impact on the HRA revenue budget in 2020/21. Whilst income collection rates have not been significantly affected, the economic impact of the crisis continues and rent income is being closely monitored. It is forecast that the current Bad Debt Provision should be sufficient. There has been a major impact on revenue expenditure with the revenue repairs budget forecast to be significantly underspent by £1m due to Covid restrictions on entering properties. This budget will continue to be closely monitored however the further restrictions could impact this figure by year end. There are also underspends on transport and employee/vacancies (£0.17m). The crisis has also understandably impacted the delivery of the HRA Capital Programme with commensurate reduction in spend and financing costs. It is anticipated that financing costs could be reduced by around £0.55m.

7. Legal Issues

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

8. Equality issues

- 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 Projection forecast Quarter 3 2020/21

Appendix B - Directors comments on variances and action plans

Appendix C - Expenditure on major Capital Schemes

REVENUE BUDGET PROJECTION QUARTER 3 2020/21

Appendix A

<u>DIRECTORATE</u>	BUDGET 2020/21 £000	PROJECTED 2020/21 £000	VARIATION 2020/21 £000
RESOURCES	50,524	53,890	3,366
PEOPLE - SOCIAL SERVICES	124,529	126,512	1,983
PEOPLE – EDUCATION	181,887	186,785	4,898
PLACE	63,143	69,843	6,700
Additional Savings	-194	0	194
<i>NET DIRECTORATE EXPENDITURE</i>	419,889	437,030	17,141
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	2,850	1,000	-1,850
CONTINGENCY FUND	0	0	0
SUPPORT TO LOCAL BUSINESS	0	74,978	74,978
WG COVID GRANTS (Assured & Due to be allocated to Services)	0	-122,253	-122,253
<i>OTHER ITEMS</i>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	87	87	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	13,741	13,741	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	16,368	12,368	-4,000
NET INTEREST CHARGES	20,010	16,510	-3,500
<i>NET REVENUE EXPENDITURE</i>	472,945	433,461	-39,484
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-4,690	-4,206	484
<i>TOTAL BUDGET REQUIREMENT</i>	468,255	429,255	-39,000
DISCRETIONARY RATE RELIEF	400	400	0
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	468,655	429,655	0
COMMUNITY COUNCIL PRECEPTS	1,582	1,582	0
<i>TOTAL REQUIREMENT</i>	470,237	431,237	-39,000
<i>FINANCING OF TOTAL REQUIREMENT</i>			
REVENUE SUPPORT GRANT	253,660	253,660	0
NATIONAL NON-DOMESTIC RATES	85,721	50,521	35,200
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	129,274	125,474	3,800
COUNCIL TAX - COMMUNITY COUNCILS	1,582	1,582	0
<i>TOTAL FINANCING</i>	470,237	431,237	39,000

Service related COVID19 funding already received from WG of c £21.6m IS included above.

Appendix B

Director's comments on budget variances

Director of Resources

The COVID-19 response has had a detrimental effect on the Resources portfolio budget for the 3rd Qtr. The TTP staffing expenditure is expected to be fully recoverable from Welsh Government.

A number of transformation projects and restructures were unable to be progressed resulting in overspends in both Customer Contact Centre, Digital Services and Transformation and Commercial services. Alternative savings plans are being prepared.

The resources portfolio has limited income streams, however, where income streams are within services, these have also been affected and unlikely to be achieved within the year.

The heads of service have and will continue to review the budgets and look for alternative ways of achieving efficiencies to balance the budget in year.

Variance	£000	Explanation and Action
COVID-19 Variation:		
Test Trace & Protect Programme (TTP)	2,800	Estimated Staffing costs of £2.6m and IT costs of £0.2m. This is fully recoverable from Welsh Government.
Oracle Cloud Project	0	Project has been delayed, however, after negotiations with Oracle it is not anticipated that there will not be any additional costs.
WCCIS Project	0	Project has been delayed, No additional costs are anticipated as a result of negotiations with NWIS.
Mobile Phones	0	No additional costs are forecasted after working with the supplier to negate the costs.
Digital services staff costs	12	Additional Digital services staffing costs at the start of lockdown to enable homeworking.
Contact centre software licences and consultancy	25	Digital Services remote contact centre software licences and consultancy to enable call handling from home.
Schools infrastructure project	39	Government directive to continue to pay consultants. Estimated additional cost as a result of continuing to pay consultants

		during lockdown and therefore elongated project timelines.
Design Print	300	Loss of trading income which relates mainly to internal recharges to Council departments.
Council Tax Reduction Scheme (CTRS)	1,000	Estimated additional costs due to additional demand. Based on the latest position it is forecasted the additional cost will be £400k less than previously reported.
CTRS WG Grant	-315	WG grant received for Qtr1 and Qtr2 is £178k and £137k respectively.
Council Tax Court Cost Income	235	Loss of Council Tax/NNDR court cost income as no court action has been taken for a significant part of the year.
Consultancy and Employee Costs	41	Additional Covid-19 costs.
COVID-19 WG Grants	-66	WG Hardship, Loss of Income and NDR Admin grant received.
Net COVID-19 variation	4,071	
Other Variations:		
Contact Centre	50	Restructure in flight to ensure sufficient resources in WTU, Complaints and a new model for Customer Services. The restructure will aim to take account of 'new normal' but will still require additional resources needed for Social Services Complaints and WTU in order to meet legal requirements.
Welsh Translation Service (WTU)	183	Welsh Translation Unit Saving from previous years cannot be achieved as requirement to maintain the service and deliver demand due to Welsh language Measures.
Commercial Services	130	Income target attributed to Commercial Services will not be achieved.
Legal Services	-612	Net underspend mainly due to vacant posts.
Other net variations	-456	Net Employee, Supplies & Services underspends, Income shortfall and unachievable savings.
Total Other Variations	-705	
Total Forecast Variation	3,366	

Director of Social ServicesSocial Services

Variance	£000	Explanation and Action
Covid 19 Variation		
Additional costs within Child and Family	430	The pandemic has reduced the options for placements with particular issues around care leavers. This has resulting in the Council having to secure more expensive placements than would be usual. There has also been a rise in the cost of Direct Payments as we aim to support families through this time.
Additional Costs within Poverty and Prevention	171	The Directorate has incurred additional costs in supporting those deemed especially vulnerable at this time. Support has seen increased investment in services for those at risk of Domestic Violence as well as in Welfare Rights to help them cope with increased demand. Some of these costs have been offset by the use of grant. This includes a £95k cost for the Summer Provision for Vulnerable Children which is recoverable through the hardship fund.
Lost income within Poverty and Prevention	368	The primary area of income loss relates to the Gower Activity Centres. We have also lost expected income from Adult Education.
Additional Costs within Adult Services	8,715	This is the estimated additional cost of the actions taken to increase local social care capacity and the payment of Welsh Government support to the commissioned sector.
Loss of Income within Adult Services	1,679	This loss of income relates to income received from citizens and partners in respect of our day services that closed at the time of the outbreak.
First Tranche of WG Hardship Funding	-2,278	Significant additional income will follow in Q4
Second Tranche of WG Hardship Funding	-1,325	
Other		
Other Child and Family Variances	100	It is possible that this overspend will be reduced by grant funding later in the year.
External Residential Care	-1,455	An underspend continues to be forecast.
External Domiciliary Care	-922	This underspend is a continuation of that reported in 2019/20 and has been driven by increased client income and the 'right sizing' work around packages of care.

Variance	£000	Explanation and Action
Internal Staffing and Services	-2,900	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.
Third Party Spend	-51	The Directorate continues to maintain cost management approaches to ensure that our services are sustainable and we continue to pursue external partners to ensure we receive a fair income for our services.
MHLD Complex Care	604	This remains an area of pressure. Additional budget has been allocated but ongoing pressures on demand and fees remain.
Poverty and Prevention	-153	Some small savings are expected due to the management of grants.
Joint Arrangements	-1,000	A substantial underspend is expected within the Community Equipment Store due to the success of the service in attracting grant income. The Store is run as a joint arrangement between the Council, Neath Port Talbot CBC and Health Board. Underspends will be held in reserve for the future benefit of the Store.
Overall Variation	1,983	

Director's Comments

The Council's response to Covid-19 continues to dominate our financial outlook for the year. We have incurred significant additional expenditure through our response to the crisis. We continue to expect the majority of our additional costs will be recoverable through Welsh Government grant funding have aligned our processes to ensure we are successful in this.

Forecasts for Covid related expenditure and income loss are based on current WG Hardship Funding guidance and have been amended in line with the progression of the pandemic through the year.

The pandemic continues to affect our business as usual activity and we are reporting large underspends on some commissioned services that reflect a reduction in activity. Our non Covid variances continue the story from last year where we have been able to align grant income to offset the cost of our internal services.

We continue to forecast an overspend within Mental Health and Learning Disability Complex Care. Retendering has added to the pressures on fees, which have continued to increase at above inflation rates for some time.

We continue with efforts to seek fair and equitable funding contributions from our Health Service partners for the services they commission and have strengthened our systems for the recovery of client income.

Should our expectations around Hardship and Income Loss grants be met, the Directorate will deliver an underspend.

Director of Education

Variance	£0	Explanation and Action
Covid 19 Variations		
Additional direct cost of maintaining provision of lunches / food bags / BACS payments for FSM eligible pupils	3,022	Reflects significant additional food costs, considerably greater coverage of eligible families (with transitional protection), and additional provision over holidays. Work to estimate the cost of continued support in the 20/21 academic year is ongoing and not included in this forecast.
Loss of paid School Meal Income	2,250	Reflects previous year levels of take up of meals
Additional staffing costs over normal contracted hours (catering, cleaning and school support teams)	159	This is due to the support provided to settings at times when they would not usually be open such as weekends and holidays.
Additional hours for teaching assistants outside of term	120	
Additional transport, PPE, and utility costs.	342	Additional costs from the use of vehicles to support the delivery of Free School Meals, as well as the provision of PPE, continues to be scrutinised. Potential shortfall in the Face Covering Grant
Additional costs of licences to support Chromebooks and continuity of learning for pupils	24	Additional cost over and above core broadband and other IT infrastructure costs and available base budget
Loss of other income such as from school clerking services and penalty notices	10	On the basis of broad comparison with previous year – e.g. £4.2k per quarter re penalty notices
Loss of income to schools for example from school lettings and breakfast and other clubs	1,066	Reflects detailed analysis of income lost across our maintained schools.
Income Loss and Hardship Income Received	-3,768	1 st and 2 nd Tranches Received
Total Covid 19 variations	3,225	
Non Covid Variations		
Continuing additional costs of FSM transitional protection - part year impact once schools fully	335	Considerable increase in those entitled to FSM and likely to grow further with impact of lockdown. With transitional protection these numbers will be maintained without any

Appendix 1

Variance	£0	Explanation and Action
re-open		certainty of additional core funding from WG
Additional costs of FSM provision during lockdown which cannot be reclaimed from WG under strict grant criteria	700	Additional food costs, which cannot be reclaimed from WG, from free provision of care lunches to all pupils, over ordering by schools of food bags / parcels, and donation to food banks of food items not required due to changing expectations of food parcel contents
Loss of additional paid meal income from previously proposed MTFP increased prices (April 20 and Sept 20)	205	£125k loss of income from decision to remove increase from April and a further £80k part year impact with no increase in September
Home to School Transport - further underlying cost pressures and undeliverable savings target relating to creation of additional walking routes, allocated from Place Directorate	442	MTFP reflects robust management action to mitigate scale of demand and cost pressures but underlying pressures continue to grow. Further shortfall due to undeliverable savings target allocated to Education, with no influence in its determination or delivery
Continuing Additional Learning Needs demand and cost pressures	192	Significant impact of management action to manage demand and cost pressures reflected in MTFP, but challenges remain
Out of County Placements - undeliverable savings without further specialist provision within County	-96	Direction not to proceed with actions necessary to bring forward delivery of scale of additional Special School Places required
Implications of school decisions on SLA buy back on services	50	Reflects existing pressures on areas such as Music Service, as far as possible mitigate by robust management action
Additional cost for schools of corporate decision relating to average payments to staff	160	A local decision and so not reclaimable against WG funding for COVID 19
Additional staffing costs for schools due to freeze on ER/VR processes	100	Costs will increase further if HR redundancy processes cannot re-commence before September but may be able to mitigate from WG grant
Additional civic catering costs with decision to freeze closure	63	Reflects continuing shortfall exacerbated by loss of any income from sales for the lockdown period - could increase if closure further delayed
One-off additional contribution to Regional Improvement Partnership	82	Agreed for 2020-21 only, before Swansea withdraws from ERW from April 2021

Variance	£0	Explanation and Action
Capita One - one-off cost to have been charged to, and contained, within available 2019-20 budget	30	Proposed carry forward to reflect this one-off cost was not supported
Capita One annual maintenance costs - more than offset by savings in Corporate Digital Services budget but requiring an appropriate budget transfer	32	Highlighted as a potential continuing overspend until an appropriate base budget transfer from Digital Services is approved
Other continuing pressures (Primarily Historic Pension Costs, Maternity etc)	700	Will continue to be scrutinised to as far as possible mitigate pressures
One-off managed savings with delay to full implementation of new EOTAS model	-700	Further managed savings can be delivered whilst the new EOTAS model cannot be fully implemented
One-off managed savings identified in year in addition to those already reflected in MTFP	-622	Continuing robust management action will seek to identify further savings in addition to MTFP requirements
Net non-Covid 19 projected overspend	1,673	Reflects impact of decisions preventing the delivery of current year MTFP savings assumptions and unrecoverable additional Covid-19 costs
TOTAL PROJECTED PRESSURES	4,898	

The closure of schools has had a significant budgetary impact on the Directorate and is the primary cause of the variations reported above. We continue to align our processes in a way to ensure that we maximise the grants available to support us through this period but there is clearly a risk that some costs may not be fully reclaimable.

The non-Covid 19 projected overspend is more than accounted for by the impact of WG or local decision which has increased the uncontrollable and statutory cost pressures, prevented the delivery of significant elements of current year MTFP savings assumptions, and incurred unrecoverable additional Covid-19 costs in part underwritten by S151 Officer.

There are other areas of identified demand and cost pressures, in spite of the continuing delivery of the Education strategy, but these are anticipated to be more than offset by further one-off managed savings in addition to those already reflected in the MTFP. However, the underlying base budget shortfall facing the Education portfolio budget, potentially at almost £1.9m, is clearly of concern even though almost £1.2m directly reflects the full year impact of national or local decisions.

In line with corporate processes, the figures do not account for outstanding Covid Hardship and Loss of income figures that have not been distributed to the directorate. When this is accounted for, the figures reported will improve by £2.8m.

Director of Place

The directorate is currently projecting a £6.7m overspend which is significant and unprecedented (excludes expected quarter 2 loss of income and September/October Hardship Covid Grant of £2.8m currently held centrally, which when allocated to directorates would improve the forecast outturn in Place to an overspend of circa £3.9m). The reason for this is the additional costs incurred on Covid related matters, plus the lost income across a range of services areas due to the inability to carry out work or recharge for services. This projected out turn will be revised as further clarity is obtained from Welsh Government as to the level of support provided for both expenditure and lost income. There are some other "non Covid" projected overspends as is often the case but as in previous years the directorate would have achieved a balanced budget had it not been for COVID related implications.

Appendix C

Capital expenditure on major schemes to 31 December 2020 (where spend greater than £250k)	£000's
People	
EOTAS new build	4,555
Gorseinon primary new build	2,178
YGG Tan-y-Lan primary new build	2,656
YGG Tirdeunaw primary new build	2,784
YGG Gwyr secondary extension	1,848
Bishopston Comprehensive refurbishment	4,460
Pentrehafod remodelling	278
Hendrefoilan RICs scheme	427
Early Help Family Support hubs	330
Resources	
ERP System Upgrade	517
Hwb-in-schools infrastructure	536
Agile and Mobile IT equipment	332
Place	
City Centre Development Phase 1 (Arena schemes)	48,348
Kingsway Infrastructure	2,479
Kingsway Offices-Design & Plan	730
Hafod Copper Powerhouse scheme	781
Palace Theatre Redevelopment	564
Wind Street improvements	290
Corporate Building Services (including schools)	6,577
Highways - Baldwins Bridge / Fabian Way	486
Highways carriageway resurfacing including invest to save	4,648
Highways - Active Travel fund schemes	879
Highways - Drainage works	572
Highways - LTF Broadway interchange	861
Vehicle replacement scheme	1,370
New equipment for Corporate Transport Unit	283
DPD fitout and adaptations	672
Energy efficiency scheme with Salix Energy	338
Disability Facilities Grants	1,736
Mini adaptation grants	311

Appendix 1

Leisure Centres (Freedom Leisure schemes)	265
Absorbent waste scheme	889
Bay Studios Surge Hospital build for SBUHB managed by CBS	20,974
HRA	
HRA capital programme (More Homes schemes)	4,422
Wind and Weatherproofing (including West Cross)	5,516
External Facilities	4,630
HRA Kitchens & Bathrooms	7,186

Total scheme value where spend greater than £250k 136,708

Agenda Item 12



Report of the Head of Democratic Services

Audit Committee – 9 March 2021

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 up to date Action Tracker 2020/21 is attached at Appendix 1 and Outstanding actions from the Audit Committee Performance Review 2017-18 are provided at Appendix 2.
- 1.5 The Action Tracker is regularly updated and any completed actions will be marked 'Completed' 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

Appendices:

Appendix 1 – Audit Committee Action Tracker 2020/21 (Closed actions removed).

Appendix 2 – Outstanding actions from the Audit Committee Performance Review 2017-18 (Closed actions removed).

AUDIT COMMITTEE ACTION TRACKER 2020/21				
Date of Meeting	Minute Ref	Action	Nominated Officer(s)	Status
	41	Overview of the Overall Status of Risk - Quarter 3 2020/21		
		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.	Jeremy Parkhouse	Ongoing Reports to be added to the Audit Committee Work Plan 2021-22.
		The provision of additional risk management training for Officers on Control Measures be highlighted to the Corporate Management Team.	Richard Rowlands	Ongoing CMT to be updated that training is to be provided to the Leadership Team in March / April 2021.
	40	Update on Swansea Achieving Better Together		
		The Deputy Chief Executive provides a progress report to a future Audit Committee.	Adam Hill / Jeremy Parkhouse	Ongoing Reports to be added to the Audit Committee Work Plan 2021-22.
	39	Internal Audit Recommendation Follow-Up Report - Quarter 3 2020/21		
		The Chief Auditor checks the circumstances surrounding the failure of Health, Safety & Well-being to adhere to Contract Procedure Rules	Simon Cockings	Ongoing Chief Auditor is progressing.
	38	Internal Audit Annual Plan 2020/21 – Monitoring Report for the Period 1 October 2020 to 31 December 2021		
		An update report be provided to the next scheduled meeting regarding the Disclosure and Barring Service.	Sian Williams / Emma Johnson	Completed Update report included on the Audit Committee agenda for 9 March 2021.
	37	Service Centre: Accounts Receivable - Update		
		The Audit Committee be updated regarding the impact of the Corporate Insolvency and Governance Act 2020 on Accounts Receivable.	Sian Williams / Michelle Davies / Jeremy Parkhouse /	Ongoing Reports to be added to the Audit Committee Work Plan 2021-22.

	33	Audit Committee Action Tracker Report		
		Update reports in respect of the following list be added to the Audit Committee Tracker Report: - <ul style="list-style-type: none"> • Employment of Agency Staff / Staff Sickness Figures; • Corporate Joint Committees; • Recovery Plan. 	Jeremy Parkhouse / Adrian Chard / Adam Hill	Ongoing Reports to be added to the Audit Committee Work Plan 2021-22.
		Responses in respect of the Future Generations Act impact assessments be forwarded to the Chair / Democratic Services Officer	Chair / Jeremy Parkhouse	Ongoing
	31	Election of the Audit Committee Representative on the Annual Governance Group		
		Councillor L V Walton be elected as the Audit Committee representative on the Governance Group and the appointment be until the end of the current Council term in May 2022 only	Jeremy Parkhouse / Chair	Ongoing Re-appointment to be added to the Audit Committee Work Plan for 2022-23.
	29	Employment of Agency Staff Update		
		A follow up report be provided no later than June 2021. The follow up report to include areas of non-compliance, the total costs involved and associated costs in relation to lost sickness days.	Adrian Chard	Ongoing Update report to be added to the Audit Committee Work Plan 2021-22.
	111	ERW Replacement		
		An update be provided regarding future Scrutiny arrangements as a new regional Education model is introduced post April 2021.	Phil Roberts	Ongoing The constituent councils of ERW have now jointly agreed its dissolution and replacement with different consortium arrangements. The four councils in the Swansea Bay City Deal area are working together to design a new model for school improvement and this will include making appropriate arrangements for scrutiny. A report on progress will be presented to the next joint committee of ERW in February 2021.

		Local Transport Plan		
		An update report regarding the development of a new Local Transport Plan be added to the Audit Committee Work Plan.	Martin Nicholls / Stuart Davies	Ongoing The Wales Transport Strategy is due to be published in March 2021, and as a result of its delay, Welsh Government have extended the date for the submission of replacement Local Transport Plans (LTP) for approval by Welsh Ministers to 20 May 2022. A report will be brought in early 2022, to seek approval of the LTP.
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 01/12/20 – progress has been made with an alternative test system being put in place (not bar reader). Errors are currently under review. Unfortunately further roll out has been delayed due to IT prioritising Covid-19 response.

Appendix 2

		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.	Adam Hill	Completed Update report included on the Audit Committee agenda for 9 March 2021.
		2) 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.	Adam Hill	Completed Update report included on the Audit Committee agenda for 9 March 2021.



Report of the Head of Democratic Services

Audit Committee – 9 March 2021

Audit Committee – Workplan 2020/21

Purpose:	This report details the Audit Committee Workplan to May 2021.
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 2021 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 dates included for the meetings in 2020/21 were approved by the Political Group Leaders.

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.

Appendices:

Appendix 1 – Audit Committee Workplan 2020/21

Appendix 2 – Audit Committee Statement of Purpose

**Audit Committee Plan
2020 – 2021**

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
External Audit	Audit Wales Report – City & County of Swansea Annual Audit Summary 2020.	This is the audit summary for City & County of Swansea Council. It shows the work completed by Audit Wales since the last Annual Improvement Report, which was issued in March 2020. The audit summary forms part of the Auditor General for Wales' duties.	Jason Garcia	9 Mar 2021
Governance & Assurance	Benchmarking, Efficiency and Value for Money.	Corporate Management team will consider how best to use benchmarking information and what information is required for the Audit Committee to enable the Committee to discharge its duties.	Adam Hill	9 Mar 2021
External Audit	Counter Fraud	The report provides an action plan from the findings of the Audit Wales report 'Raising Our Game' – Tackling Fraud in Wales and The Counter Fraud Phase 2 Question Hierarchy Responses which informed the development of the Raising Our Game report.	Adam Hill	9 Mar 2021
Internal Audit	Draft Internal Audit Annual Plan 2021/22.	This report presents the Draft Internal Audit Annual Plan for 2021/22 to the Audit Committee for consideration prior to the final plan coming to committee in April for approval.	Simon Cockings	9 Mar 2021

**Audit Committee Plan
2020 – 2021**

Terms of Reference	Report Title	Report Summary	Report Author	Date of Meeting
Internal Audit	Internal Audit Annual Plan Methodology Report 2021/22.	This report provides a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2021/22 being reported to the Committee for approval on 20 April 2021.	Simon Cockings	9 Mar 2021
Governance & Assurance	Local Government and Elections (Wales) Act 2021	The report presents an update to the Committee around legislative changes to the terms of reference, membership and name of the Audit Committee.	Tracey Meredith	9 Mar 2021
Financial Reporting	Revenue and Capital Budget Monitoring - 3rd Quarter.	To report on financial monitoring of the 20/21 revenue and capital budgets.	Ben Smith	9 Mar 2021
Internal Audit	Service Centre – Disclosure & Barring Service (DBS) Follow Up Report	To provide an update on the current position following an audit undertaken. To provide an update on the recommendations put forward relating to the DBS procedure and associated processes.	Emma Johnson, Sian Williams	9 Mar 2021
External Audit	Audit Wales Report – City & County of Swansea Audit Plan 2020-2021.	Audit Wales 2021/22 audit plan for City & County of Swansea Council. The audit summary forms part of the Auditor General for Wales' duties.	Jason Garcia	20 Apr 2021

Page 191

**Audit Committee Plan
2020 – 2021**

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

Audit Committee Statement of Purpose

- 1) Our audit committee is a key component of the City and County of Swansea's corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2) The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City and County of Swansea's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

- 3) To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 4) To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
- 5) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 6) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 7) To monitor the effective development and operation of risk management in the Council.
- 8) To monitor progress in addressing risk related issues reported to the committee.
- 9) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 11) To monitor the counter fraud strategy, actions and resources.

Internal Audit and External Audit

- 12) To approve the internal audit charter and resources.
- 13) To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- 14) To consider summaries of specific internal audit reports as requested.
- 15) To consider reports dealing with the management and performance of the providers of internal audit services.
- 16) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- 17) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 18) To consider specific reports as agreed with the external auditor.
- 19) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 20) To commission work from internal and external audit.

Financial Reporting

- 21) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 22) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

- 23) To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee is meeting its purpose.

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