

CITY AND COUNTY OF SWANSEA

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

**HELD AT THE CIVIC CENTRE, SWANSEA ON WEDNESDAY 2 OCTOBER
2014 AT 3.00 P.M.**

PRESENT: Mr A M Thomas (Independent Chair) presided

Councillor(s):

R A Clay
P R Hood-Williams
L James

Councillor(s):

J W Jones
P M Meara

Councillor(s):

R V Smith
L V Walton

ALSO PRESENT:

S Barry - Wales Audit Office
D Hanley-Crofts - Pricewaterhouse Coopers

Officers:

P Beynon - Chief Auditor
S Heys - Principal Lawyer
S Cockings - Group Auditor
J Parkhouse - Democratic Services Officer

30. **APOLOGY FOR ABSENCE**

An apology of absence was received from Councillor P Downing.

31. **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS**

In accordance with the Code of Conduct adopted by the City and County of Swansea, the following interests were declared:

Councillor L James - Minute No. 35 - Internal Audit Annual Report 2013/14 and Minute No. 36 - Annual Report of School Audits 2013/14 - School Governor at Pennard Primary and Bishopston Comprehensive Schools - personal.

32. **MINUTES**

RESOLVED that the Minutes of the Special Meeting of the Audit Committee held on 17 September 2014 be agreed as a correct record, subject to the following amendment:

Minute No. 25 - Education Briefing - Schools Delegation

Point I - replace the word 'is' with 'are'.

Minute No. 27 - Report of the Wales Audit Office - Audit of Financial Statements 2013/14 Progress Report - City and County of Swansea

Fifth bullet point - replace the word 'in' with 'and' to read 'regime and the manner...'

33. **WALES AUDIT OFFICE - WALES AUDIT OFFICE PERFORMANCE AUDIT PROGRAMME 2014-15**

S Barry, Wales Audit Office reported the Wales Audit Office Performance Audit Programme 2014-15.

A detailed update was provided in relation to the Improvement Assessment 2014-15 which included the Corporate Assessment, improvement planning and performance reporting. In addition the Committee were updated with regards to Local Government All Wales/National Studies 2014/2015 which included a Financial Planning Assessment, Delivering with Less, Independence of Older People, Regional Education Consortia, Safeguarding, Whistle Blowing, Impact of Welfare Reform on Social Housing and Delivering with Less - the Impact on Environmental Health Services and Citizens.

The Committee asked a number of questions in relation to the programme which were responded to accordingly. Discussions centred around the following:

- The Corporate Assessment of the Authority to be undertaken in November 2014;
- The priorities of the Authority compared to other Authorities in Wales;
- The detail of monitoring work undertaken;
- Whether or not the large amount of savings identified were acceptable and fitted in with the programme of work;
- Whether the Wales Audit Office take into account inspections by other bodies, for example, Estyn;
- How the Wales Audit Office undertakes its Performance Audit Programme with regards to regional working, for example, in the education sector and the lack of consistency regarding the governance of such matters;
- Wales Audit Office policy/City and County of Swansea policy in relation to whistle blowing.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) the Principal Lawyer clarifies if Councillors are included as a possible point of contact for staff in the City and County of Swansea Whistle Blowing Policy.

34. **UPDATE ON COMPLETION OF THE AUDIT OF THE STATEMENT OF ACCOUNTS**

D Hanley-Crofts, PricewaterhouseCoopers provided a verbal update report on the audit of the Statement of Accounts. It was outlined that the Statement of Accounts were finalised and agreed by Council on 30 September 2014 and a clean audit opinion was issued with no significant weaknesses.

The Head of Finance and Delivery and his team were thanked for providing the information towards a successful audit.

RESOLVED that the contents of the report be noted.

35. **INTERNAL AUDIT ANNUAL REPORT 2013/14**

The Chief Auditor presented the report which reviewed the work of the Internal Audit Section during 2013/14 and included the Chief Auditor's required opinion on the internal control environment for 2013/14 based on the audit testing completed in the year.

A summary of the time spent in 2013/14 on the different categories of internal audit work was provided at Appendix 1. This showed a reduction 252 days (8.4%) in the actual productive audit days achieved against the planned number of productive days. The loss of productive days was due to vacancies and maternity leave exceeding the planned time by 369 days (12.2%). This is equivalent to the loss of almost 2 members of staff for the entire year. As a result of the loss of productive days and an increase in the amount of time spent on projects and special investigations, the Internal Audit Plan was reviewed and a number of lower risk audits included in the plan were deferred until 2014/15. Appendix 1 also showed the impact of the loss of productive days across directorates and other types of audit work such as systems and computer audits. The original Internal Audit Plan 2013/14 contained 165 audit jobs, of which 105 (64%) were completed to at least draft report stage during the year. Each job produced an audit report which was discussed and agreed with the client and the reports included recommendations to improve any weaknesses or areas of concern identified during the audit in relation to the systems, procedures and controls. During the year, 99.5% of recommendations made were accepted by clients.

Minutes of the Audit Committee (02.10.2014) Cont'd

The Audit Committee is provided with a quarterly monitoring report on the audits being undertaken during the year. A complete list of each audit finalised during 2013/14 along with the level of assurance and number of recommendations made and accepted was provided at Appendix 2. The amount of time spent on special investigations in 2013/14 was 187 days which exceeded the planned time by 47 days. A summary of the investigations was provided and included the following:

- Domiciliary care provider.
- Employment training overspend 2012/13.
- Primary school - VAT.
- School caretaker.

Details of the data matches identified by the Audit Commission as part of the National Fraud Initiative exercise were provided along with the potential cost savings. Additional areas of work to the planned audit work and special investigations work provided.

In addition, details of additional work undertaken by the Audit Section, follow-ups to investigations, Performance Indicators at Appendix 3 and the Internal Control Opinion were provided.

The Chief Auditor reported that based on the audit testing completed during 2013/14, reasonable assurance can be given that the systems of internal control are operating effectively and that no significant weaknesses were identified which would have a material impact on the council's financial affairs.

The Committee asked a number of questions of the officer who responded accordingly. Details of discussions included:

- Whether the number of reviews being carried forward each year were increasing;
- Whether certain audits had been reduced;
- The importance of the follow-up procedure in ensuring that recommendations are implemented;
- The timescale involved in recommendations being implemented;
- The effect of the loss of productive days on audits, particularly school audits;
- The follow-up procedure and the need to get the message across to departments who had failed to implement recommendations;
- All Wales Performance Indicators and the performance of the City and County of Swansea against other Authorities;
- The Audit Report into the Community Alarm Service.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) the Chief Auditor's opinion on the internal control environment be noted;
- (3) the Chief Auditor informs the Committee of the performance of the City and County of Swansea Audit Section compared to other Local Authorities in Wales.

36. **ANNUAL REPORT OF SCHOOL AUDITS 2013/14**

The Chief Auditor presented a report which provided a summary of the school audits undertaken by the Internal Audit Section during 2013/14.

The School Audit Annual Report 2013/14 was provided at Appendix 1 of the report. It was outlined that the Internal Audit Section reviewed all primary, secondary and special schools within the City and County of Swansea. For routine audits, a risk assessment is carried out at individual school level. Based on this, a rolling programme of schools audits is undertaken and schools are planned to be audited every three years. The audit scope for schools during 2013/14 was also provided.

The Chief Auditor summarised the analysis of the areas where audit recommendations had been made. He highlighted that the Internal Audit Section had been involved with the Procurement Section in order to address areas of non-compliance within schools in relation to purchasing. Procurement continued to account for the significant majority of recommendations made as part of school audits, representing 35% of all recommendations made in 2013/14 across 11 recommendation categories. Furthermore, Contract Procedure Rules were amended in April 2014 which had seen changes to the required process for obtaining quotations and documentation retention, primarily for 'Band A' purchases (below £5,000) and also for 'Single Tender Application' process. It was added that a dedicated Senior Procurement Officer for Education was appointed in July 2013 in order to deal solely with education procurement issues and to act as a point of contact for all schools for all procurement related queries, issuing procurement guidance to schools when necessary. Procurement, in collaboration with Internal Audit, had undertaken a number of training sessions for deputy head teachers and school admin staff in order to ensure schools were aware of the impact of the above changes and to ensure they follow the correct procedures and it is envisaged that this will continue into 2014/15.

Minutes of the Audit Committee (02.10.2014) Cont'd

Details were provided of the primary and secondary schools audits undertaken during 2013/14 and the level of assurance awarded to each school. The report also identified the number of recommendations made and highlighted the areas where the recommendations arose.

It was concluded that the annual report provided information on schools audits undertaken and identified the main areas for improvement in relation to the financial management and other areas of schools. A good working relationship exists between schools and the Internal Audit Section, with head teachers generally responding positively to audit recommendations. However, the raising of orders and compliance with Contract Procedure Rules does remain a concern and in many instances these have been repeatedly reported over the years.

However, financial management systems established in schools continue to provide a generally high level of assurance, subject to the procurement compliance issues as outlined.

The Committee asked a number of questions of the officer which were responded to accordingly. Details discussed included:

- Procurement procedures within schools;
- Delegated budgets to schools and procedures schools must undertake, if any;
- The use of local suppliers by schools;
- The use of supply teachers within schools and the associated costs.

RESOLVED that:

- (1) the Annual Report of School Audits 2013/14 be noted;
- (2) the Chief Auditor provide details of the amount spent by schools on the procurement of goods and services

37. **AUDIT COMMITTEE - WORK PLAN**

The updated Audit Committee Work Plan was provided for information.

38. **DATE OF NEXT MEETING**

NOTED that the next meeting be scheduled for 3.00 p.m. on Thursday, 30 October 2014.

The meeting ended at 4.56 p.m.

CHAIR