

# CITY AND COUNTY OF SWANSEA

## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 1, CIVIC CENTRE, SWANSEA  
ON THURSDAY 15 JANUARY 2015 AT 3.00 P.M.

**PRESENT:** Mr A M Thomas (Independent Chair) presided

**Councillor(s):**

R A Clay  
P Downing  
P R Hood-Williams

**Councillor(s):**

L James  
P M Meara  
D Phillips

**Councillor(s):**

R V Smith  
D W W Thomas

**Officers:**

M Hawes - Head of Finance and Delivery  
P Beynon - Chief Auditor  
C Howell - Head of Waste Management  
D Smith - Directorate Lawyer  
L Morgan - Category Manager  
J Parkhouse - Democratic Services Officer

**ALSO PRESENT:**

R Nelson - PricewaterhouseCoopers

55. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors A M Cook, J W Jones and L V Walton.

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

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

Councillor P Downing - Minute No. 58 - Waste Management Audit - Head of Service Briefing and Minute No. 60 - Annual Audit Letter - City and County of Swansea 2013/14 - Member of LAWDC in respect of Minute No. 58 - personal and Member of the Pension Fund Committee in respect of Minute No. 60 - personal.

57. **MINUTES**

**RESOLVED** that the Minutes of the Meeting of the Audit Committee held on 27 November 2014 be agreed as a correct record, subject to the following amendments:

## Minutes of the Meeting of the Audit Committee (15.01.2015) Cont'd

Minute No. 50 - Report of the Wales Audit Office - Report of Deficiencies of Internal Controls - City and County of Swansea - paragraph 3, sentence 3 to be amended as follows:

"It was found that all of the fifteen recommendations raised in the prior years had been implemented."

Amend Resolution (4) as follows:

"In future, schools be requested to provide bank balances as at 31 March or prior to the Easter holidays, where necessary."

The Committee discussed the following matters:

### **Section 106 Agreements**

Members queried why an interim report regarding Section 106 Agreements was not included in the agenda pack or the Audit Committee Work Plan.

The Chief Auditor explained that the internal audit of Section 106 Agreements had been completed and details will be reported to the Committee as part of the Internal Audit Monitoring Report Quarter 4 - 2014/15.

Members commented that a Cabinet Advisory Committee was looking into Section 106 Agreements and it was important to avoid duplication of work but also to ensure that this topic is investigated.

### **Journals**

Members sought a further explanation regarding journals. The Head of Finance and Delivery provided a detailed explanation which was supported by the PricewaterhouseCoopers representative. It was explained that basically a journal entry is the moving of a transaction between codes within the Authority and an incorrect journal could affect the end of year figures. There was no cash involved however, transactions could be numerous.

**RESOLVED** that the Head of Finance and Delivery provide a summary report which (1) identifies risk and (2) monitors and reduces risk.

58. **WASTE MANAGEMENT AUDIT - HEAD OF SERVICE BRIEFING**

The Head of Waste Management provided a detailed and informative briefing which explained the significant budget overspends that were highlighted in the Internal Audit Annual Plan 2014/15 - Monitoring Report for the period 1 July 2014 to 30 September 2014.

He highlighted the previous failings identified with the LAWDC Waste Disposal Company in 2011/12 which put it at risk of closure. It was added that the Authority had then worked very closely with LAWDC and formed an action plan and the company was transferred 'in house' to the Authority in 2013. A City and County of Swansea employee was appointed manager.

It was explained that there were overspends within the company relating to work contained in the action plan. The overspends were affected when the Tir John site closed and the Authority had to dispose waste at other landfill sites. Additional costs were also incurred concerning third party waste being placed on hold and introducing sorting works for improving recycling. He confirmed that these were the main reasons for the overspend.

The Committee asked a number of questions of the officer who responded according. Discussions centred around the following:

- Facilities and performance had improved during the last 15 months.
- A partner organisation is being engaged at Tir John as it was a specialised area of work. The operation of the works had dovetailed well and the recycling and budget target figures were being met.
- The Authority had entered into a partnership because additional expertise was required at the Tir John site in order to expand and manage the capping and closure of the site.
- The key risks in Waste Management include penalty charges imposed for not hitting recycling targets and exceeding the landfill allowance. The penalty is £200 per tonne which is £228,000 per 1% missed.
- The Authority was working on a regional basis with other Authorities regarding extracting energy from waste. The options available for the future were outlined and the Welsh Government preference to keep contracts and jobs local. However, this was driven by cost.

## Minutes of the Meeting of the Audit Committee (15.01.2015) Cont'd

- The options available in future when the Tir John site closes.
- The Authority is on target to achieve 56% of all municipal waste being recycled this year and the 58% recycling target next year. The Council is currently tenth in the table from 22 Local Authorities in Wales, which is up from being in the bottom three two years ago.
- The reduction in carrier bags has had a noticeable impact on waste. Pressure needed to be placed upon food producers to reduce packaging and the situation regarding collections from supermarkets by the Authority was outlined. The main contributors to recycling are food and garden waste.
- The reluctance of people to recycle when out in fast food outlets despite the efforts of food establishments to encourage recycling.
- The need to work with landlords and tenants, especially in respect of HMO properties.
- A key risk to the Authority was the age of the recycling fleet which required replacing.
- The money saved from recycling could be used to source jobs and services within the Authority.
- The incredible volatility of the recyclables industry causes great difficulty in budgeting and planning for the future.

The Chair thanked the officer for providing a comprehensive briefing.

### **RESOLVED** that:

- (1) the contents of the briefing be noted;
- (2) the Head of Waste Management provides a further briefing to the Committee in the future.

### 59. **PROCUREMENT BY SCHOOLS - BRIEFING**

The Category Manager provided a detailed and informative briefing to the Committee regarding schools procurement. Details included in the presentation contained the following:

- Summary.
- Issues.

## Minutes of the Meeting of the Audit Committee (15.01.2015) Cont'd

- Current services provided under SLA.
- Progress to date.
- Future proposals.

The Committee asked a number of questions of the Officer who responded accordingly. Discussion centred around the following:

- The requirement for schools to comply with contract procedure rules.
- Current services provided under Procurement service level agreements.
- The limited control the Authority had over delegated budgets to schools and the limited sanctions available to the Authority when contract procedure rules are broken.
- The responsibility within schools lies with the Headteacher and Governing Body and training has been offered to schools and governing bodies covering all aspects of procurement.
- The use of the Authority's services, e.g. Design Print through service level agreements, and those services not covered by Procurement service level agreements.
- The lack of awareness of contract procedure rules within schools, the poor response to the last training session and the need to possibly escalate this to Head of Service level in order to take action.
- It was queried whether Chairs of Governors were receiving all the correspondence and information required from Headteachers.
- The need to invite Headteachers/School Governors to future meetings in order to explain the situation and to inform them that current practices of ignoring contract procedure rules and service level agreements was not acceptable.

Members proposed that the Officer briefs the Cabinet Member for Education regarding the situation.

### **RESOLVED** that:

- (1) the contents of the presentation be noted;

Minutes of the Meeting of the Audit Committee (15.01.2015) Cont'd

- (2) the Category Manager confirms if service level agreements apply to schools;
- (3) the presentation provided be circulated to Committee Members;
- (4) the Category Manager brief the Cabinet Member for Education regarding the situation;
- (5) the Acting Chief Education Officer be invited to the next meeting of the Committee to respond to the issues raised in the presentation.

60. **ANNUAL AUDIT LETTER - CITY AND COUNTY OF SWANSEA 2013/14**

The PricewaterhouseCoopers representative presented the Annual Audit Letter - City and County of Swansea 2013/14. The Letter summarised the key messages arising from the statutory responsibilities under the Public Audit (Wales) Act 2004 as the appointed auditor and the reporting responsibilities under the Code of Audit Practice.

The Letter outlined the following:

- The Council complied with its responsibilities relating to financial reporting and use of resources.
- The appointed auditor was satisfied that the Council had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- The appointed auditor had not yet issued a certificate confirming that the audit of accounts had been completed.
- The work of the appointed auditor to date on certification of grant claims and returns had not identified significant issues that would impact on the 2014/15 accounts or key financial systems.

**RESOLVED** that the contents of the Letter be noted.

61. **UPDATE REGARDING 2013/14 AUDIT COMPLETION CERTIFICATE**

The PricewaterhouseCoopers representative reported that a certificate had not yet been issued confirming that the audit of the accounts had been completed. It was outlined that when the audit opinion was issued on 30 September 2014, it was not able to issue a certificate confirming that the audit of the accounts had been completed because

the Pension Fund's Annual Report had not been finalised. On 26 November 2014, the Appointed Auditor issued an unqualified opinion with regard to the consistency of the accounting statement with the Pension Fund's - Annual Report. A certificate confirming that the audit of accounts had been completed is to be issued following the Council's approval of the accounting statements, in accordance with Regulation 11 of the Accounts and Audit (Wales) Regulations.

**RESOLVED** that the update be noted.

62. **AUDIT COMMITTEE ANNUAL REVIEW OF PERFORMANCE 2014/15**

The Chair referred to the Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit issued to Members prior to Christmas 2014, as a means to review performance and progress during the municipal year. He added that annual self-assessment of the Committee's achievements is very good practice. He requested that Members submit their self-assessment forms and the responses will be summarised in the Annual Audit Committee Review Report.

63. **AUDIT COMMITTEE WORK PLAN**

The Audit Committee Work Plan to May 2015 and Outline Work Plan for 2015/16 were provided for information.

64. **DATE OF NEXT MEETING - THURSDAY 12 FEBRUARY 2015**

**NOTED** that the next meeting of the Audit Committee be held at 3.00 p.m. on Thursday 12 February 2015.

The meeting ended at 4.50 p.m.

**CHAIR**