

CITY AND COUNTY OF SWANSEA

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

**HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
TUESDAY 16 JUNE 2015 AT 2.00 P.M.**

PRESENT:

Councillor(s):

C Anderson
R A Clay
P R Hood-Williams

Councillor(s):

L James
J W Jones
P M Meara

Councillor(s):

R V Smith
D W W Thomas

Lay Member:

Mr A M Thomas

Officers:

P Beynon - Chief Auditor
S Heys - Principal Lawyer
S Caulkin - Head of Information and Business
J Harley - ICT Strategic Performance Manager
S Topliss - Project Manager - Business and ISIS Management
P Holmes - Head of Economic Regeneration and Planning
I Davies - Planning Team Leader
J Parkhouse - Democratic Services

ALSO PRESENT:

K Williams - PricewaterhouseCoopers
D Hanley-Crofts - PricewaterhouseCoopers
I Llewellyn - Wales Audit Office
D Rees - Wales Audit Office
S Barry - Wales Audit Office

1. ELECTION OF CHAIR FOR THE 2015-2016 MUNICIPAL YEAR

RESOLVED that Mr A M Thomas be elected Chair for the 2015-2016 Municipal Year.

(MR A M THOMAS PRESIDED)

2. **ELECTION OF VICE-CHAIR FOR THE 2015-2016 MUNICIPAL YEAR**

RESOLVED that Councillor J W Jones be elected Vice-Chair for the 2015-2016 Municipal Year.

3. **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor L V Walton.

4. **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.

5. **MINUTES**

RESOLVED that the Minutes of the meeting of the Audit Committee held on 9 April 2015 be approved as a correct record subject to the following amendment:

Add Councillor P M Meara to the list of attendees.

6. **WALES AUDIT OFFICE BRIEFING - KEY ISSUES FOR AUDIT COMMITTEES**

I Llewellyn and D Rees, Wales Audit Office provided the Committee with a detailed and informative presentation briefing regarding the key issues for Audit Committees.

The presentation discussed:

- What is the remit and what does that mean in practice?;
- What is the problem(s)?;
- If it's going to work;
- Some issues to resolve?;
- The future vision - the White Paper;
- Delivering the remit;
- General approach.

A number of questions were asked of the Wales Audit Office representatives who responded accordingly.

The Chair thanked the Wales Audit Office representatives for providing the presentation.

7. **BRIEFING - ICT CONTRACT TRANSFER**

S Caulkin, J Harley and S Topliss provided a detailed and informative presentation regarding "Everyone's IT: The Move to an In-House Managed ICT Service".

It was outlined that the current ICT contract ended on 31 December 2015 and Cabinet had agreed to proceed with the development of an ICT operating model and proposed delivery of the ICT in-house managed service. Details of the reporting process, project progress and the exit transition were provided. The Committee were also informed regarding the Oracle support, service desk, assurance, risks and associated costs. It was added that the indicative budget was showing a £1.5m saving. However, final costs could not be confirmed until it was known which staff would transfer back to the Authority and scenario planning was completed as part of budgeting.

The Committee asked a number of questions of the Officers who responded accordingly.

The Chair thanked the Officers for providing their presentation.

8. **WALES AUDIT OFFICE - 2015 AUDIT PLAN - CITY AND COUNTY OF SWANSEA**

Steve Barry, Wales Audit Office presented the 2015 Audit Plan - City and County of Swansea. It was explained that this work was delivered under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, the Local Government Act 1999 and the Code of Audit Practice.

It was explained that the purpose of the plan was to set out the proposed work by the Wales Audit Office, when it will be undertaken, how much it will cost and who will undertake it. There had been no limitations imposed upon the Auditor General in planning the scope of this audit. The responsibilities of the Auditor General, along with those of management and those charged with governance were set out at Appendix 1.

It was added that it was the responsibility of the Auditor General to issue a certificate and report on the financial statements which included an opinion on their "truth and fairness". The Auditor General would also consider whether or not the City and County of Swansea had

Minutes of the Meeting of the Audit Committee (16.06.2015) Cont'd

made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement did not comply with requirements. Appendix 1 set out the responsibilities of the Auditor General in full.

The audit work undertaken by the Auditor General to fulfil his responsibilities responds to his assessment of risks. This understanding allowed the Auditor General to develop an audit approach which focused on addressing specific risks while providing assurance for the financial statements as a whole. The audit approach consisted of three phases which were set out in Exhibit 1. The financial audit risks were provided at Exhibit 2. Exhibit 4 provided the components of the performance audit work, Exhibit 5 provided the contents of the 2015-2016 Performance Audit Work Programme and Exhibit 6 provided the estimated audit fee for the work. The timetable for the work for the Audit Plan was provided at Exhibit 8.

The Committee asked questions of the Wales Audit Office representative who responded accordingly.

RESOLVED that the contents of the report be noted.

9. **INTERNAL AUDIT PLAN 2014/15 - MONITORING REPORT FOR THE PERIOD 1 JANUARY 2015 TO 31 MARCH 2015**

The Chief Auditor presented the Internal Audit Plan 2014/15 - Monitoring Report for the period 1 January 2015 to 31 March 2015. The report detailed the audits finalised and any other work undertaken by the Internal Audit Section. It was added that 17 audits were finalised during quarter 4.

The audits finalised were provided at Appendix 1 which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. An analysis of the audits finalised during the fourth quarter was provided and it was pleasing to note that the number of audits that achieved a high level of assurance was increasing. A total of 81 audit recommendations were made and management agreed to implement all recommendations made, i.e. 100% against a target of 98%.

The significant issues which led to the Section 106 Agreements audit receiving a limited level of assurance were provided as follows:

Minutes of the Meeting of the Audit Committee (16.06.2015) Cont'd

- One file selected for testing could not be located and it was found that no system was in place to record the movement and transfer of files. An electronic document management system was in place but at the time of the audit not all files were held on the electronic system;
- The Section 106 Agreements database was not up to date, from a sample of 5 agreements tested, 2 had not been entered onto the database;
- There was no management check in place to ensure that the Section 106 Agreements database was updated on a prompt basis;
- There was no reconciliation between Section 106 Agreements and the income and expenditure details recorded on the general ledger;
- There was no system in place to ensure compliance with the terms and conditions of the Section 106 Agreements including the collection of contributions and their subsequent use.

A management action plan had been agreed with the Planning Control Manager which included a series of recommendations to address the issues outlined. A follow-up audit would be arranged within six months of the final report being issued in order to confirm that the agreed recommendations had been implemented.

Phil Holmes, Head of Economic Regeneration and Planning and Ian Davies, Planning Team Leader attended the Committee in order to provide assurance to Members that the issues identified in the report were being addressed.

The Committee expressed concern that there was no system or reconciliation in place in relation to Section 106 Agreements and highlighted the large amount of financial savings to the Authority that could be made if Section 106 Agreements were being properly recorded, monitored and reconciled.

The Committee asked a number of follow-up questions to the Officers who responded accordingly.

The Committee were assured that a monitoring system was in place and was currently being updated. Officers also made reference to the proposed changes to planning laws being introduced by the Welsh

Minutes of the Meeting of the Audit Committee (16.06.2015) Cont'd

Government whereby developers must inform Planning Services when developments commence which would provide Planning Services with the opportunity to monitor developments more closely.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) an update report regarding Section 106 Agreements be provided at the next scheduled meeting.

10. **COASTAL PROJECT CORRESPONDENCE**

The Committee were provided with for information details of correspondence between the Chair and the Leader of the Council following the review of the final evaluation report into the Coastal Project produced by Wavehill Consulting.

11. **AUDIT COMMITTEE WORK PLAN**

The Audit Committee Work Plan to May 2016 was provided for information.

12. **DATE OF NEXT MEETING - 2.00 P.M. ON TUESDAY 18 AUGUST 2015**

NOTED that the next meeting of the Audit Committee be held at 2.00 p.m. on Tuesday 18 August 2015.

The meeting ended at 4.35 p.m.

CHAIR