

# CITY AND COUNTY OF SWANSEA

## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 6, GUILDHALL, SWANSEA ON TUESDAY  
18 AUGUST 2015 AT 2.00 P.M.

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

<b>Councillor(s):</b>	<b>Councillor(s):</b>	<b>Councillor(s):</b>
C A Anderson	J W Jones	R V Smith
R A Clay	P M Meara	L V Walton
L James	D Phillips	T M White

### **Officers:**

M Hawes	-	Head of Finance and Delivery
P Beynon	-	Chief Auditor
S Heys	-	Principal Lawyer
R Thomas	-	Planning Control Manager
P Holmes	-	Head of Economic Regeneration and Planning
C Allingham	-	Principal Planning Lawyer
T Davies	-	Corporate Fraud Manager
J Fish	-	Corporate Fraud Investigator
J Rogers	-	Corporate Fraud Investigator
J Parkhouse	-	Democratic Services Officer

### **ALSO PRESENT:**

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

### 13. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors P R Hood-Williams and D W W Thomas.

### 14. **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 C A Anderson - Minute No. 19 - Draft Statement of Accounts 2014/15 - member of Port Health Authority and member of the LA Governor Panel - personal.

Councillor T M White - Minute No. 16 - Section 106 Agreements Audit - Action Plan - member of the Planning Committee and Minute No. 19 - Draft Statement of Accounts 2014/15 - I am a member and recipient of Local Government Pension Scheme, I am a member of the Swansea Waste Disposal Company, an LEA Governor, a member of the Association of British Port Authority and my son is in receipt of Single Occupier Discount Council Tax (HRA account) - personal.

15. **MINUTES**

**RESOLVED** that the Minutes of the meeting of the Audit Committee held on 16 June 2015 be approved as a correct record.

16. **SECTION 106 AGREEMENTS AUDIT - ACTION PLAN**

The Head of Economic Regeneration and Planning and the Planning Control Manager provided an update report on the implementation of the recommendations of the Section 106 Agreements Audit - March 2015.

It was outlined that an update of the implementation of recommendations of the Internal Audit Section regarding Section 106 Agreements was provided in the Action Plan at Appendix A. It was added that the mechanism for the receipt and payment of Section 106 contributions had been in place for many years and there was no evidence to indicate that this system had failed or that contributions had not been collected or spent in accordance with the terms of the relevant Agreements or otherwise accounted for. Since May 2008, a total of 51 Section 106 Agreements had been signed, 29 of which involved financial contributions to the sum of £4,835,136. To date, £2,877,558 had been paid to the Authority with £1,957,578 outstanding as trigger points had not been met or there were outstanding issues to be addressed. A Central Housing Land Availability/Section 106 Database had already been procured by Planning Services and has been populated with data relating to all Section 106 Agreements secured since May 2008.

Details were also provided in relation to the action plan agreed with the Internal Audit Section which was provided at Appendix A. Reference was made to the Section 106 Register, case files, database records, financial contributions and trigger points, monitoring of Agreements, Completion Reports, IT controls and Community Infrastructure Levy.

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

- recognising trigger points for Section 106 Agreement;

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- providing Councillors with details of Section 106 Agreements in their wards per calendar year;
- the purpose of Section 106 Agreements was to make developments acceptable in accordance with Planning Regulations;
- comparing the situation in Swansea with Newport and other councils in Wales;
- records of Section 106 Agreements prior to 2008 and checks on any outstanding Agreements;
- utilising Section 106 Agreement money.

### **RESOLVED** that:

- (1) the contents of the report be noted;
- (2) the Planning Control Manager circulate details of Section 106 Agreements relating to affordable housing and confirm if there was any money outstanding in relation to these Agreements.

## 17. **PRESENTATION - CORPORATE FRAUD TEAM**

The Corporate Fraud Manager provided a detailed and comprehensive presentation regarding the Corporate Fraud Team. Details provided included:

- Benefits Investigation Team to Corporate Fraud Team;
- Benefits Investigation Team;
- Single Fraud Investigation Service (SFIS);
- Impact of SFIS on the Council;
- Corporate Fraud Team structure, remit and aims;
- Relevant policies and how to report fraud;
- Corporate Fraud Team contact details.

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

- Prioritising issues of highest risk;
- Blue Badge fraud, particularly around the Liberty Stadium on match days;
- Housing Benefits/Council Tax fraud by landlords;
- Addressing internal fraud, whistle blowing policy and the Internal Audit Charter;
- Succession planning within the Corporate Fraud Team and retaining expertise.

**RESOLVED** that:

- (1) the contents of the presentation be noted;
- (2) the Corporate Fraud Team Manager provides a future update report to the Committee;
- (3) the presentation slides be circulated to the Committee.

18. **WALES AUDIT OFFICE - ANNUAL IMPROVEMENT REPORT  
INCORPORATING THE CORPORATE ASSESSMENT REPORT 2014  
- CITY AND COUNTY OF SWANSEA**

S Barry, Wales Audit Office reported the Annual Improvement Report incorporating the Corporate Assessment Report 2014 - City and County of Swansea.

It was outlined that in 2013/14, the Wales Audit Office commenced a 4 year cycle of corporate assessments of improvement to authorities in Wales. This meant that in addition to an annual programme of improvement studies and audits of councils' approaches to improvement planning and reporting, each authority would receive an in-depth corporate assessment once during a 4 year period. In the intervening years, the Wales Audit Office would keep track of developments through progress updates.

It was outlined that the Wales Audit Office field work for the corporate assessment focused on the extent to which arrangements were contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question: "Is the Council capable of delivering its priorities and improved outcomes for citizens?" The Auditor General had concluded that the Council can demonstrate improvement across a range of key services and had developed a clear framework for managing future challenges. The reasons to support this improvement were outlined within the report. The Wales Audit Office proposals for improvement were detailed as follows:

- (i) Implement planned changes to the reporting arrangements for the key corporate priorities and identify a smaller number of outcomes intended to ensure delivery of the Council's new priorities.
- (ii) Ensure records of delegated decisions made by officers are accurately recorded.

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- (iii) Increase the pace of implementation of improvements to performance reporting arrangements to provide a balanced range of readily accessible information that assists decision making.
- (iv) Ensure Service Business Plans consistently incorporate workforce and asset management requirements as expected in the Corporate Guidance.

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

- different stages of the Wales Audit Office reporting process;
- failure of the Council to praise all staff;
- inability of the Council to deliver a fit for purpose IT system that can cover all Council requirements e.g. time recording;
- scrutiny of the decision making process.

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

19. **DRAFT STATEMENT OF ACCOUNTS 2014/15**

The Section 151 Officer presented the Draft Statement of Accounts for 2014/15 for information and review. It was outlined that the draft accounts had been prepared and signed by the Section 151 Officer on 30 June 2015 and a copy was provided at Appendix A to the report. The accounts had been formally presented to the Council's Auditors, Pricewaterhouse Coopers, who had commenced the audit of accounts. As part of the audit process, the accounts were available for inspection by the public for a 4 week period during August and September 2015.

It was outlined that the form and content of the accounts was largely set out in the CIPFA Code of Practice which formed the basis of best practice in accordance with legislation. Legislation required that by 30 September 2015, the accounts must be audited and approved by Council.

The Committee asked a number of questions of the Section 151 Officer who responded accordingly. The Committee highlighted the following during discussions:

- pressure upon the Revenue Account;
- amount of money held in the Council reserves;
- level of school account balances and the scheme of delegation which provides power to schools;
- exit packages being offered to staff;

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- investment strategies used by the City and County of Swansea Pension Fund.

**RESOLVED** that the Draft Statement of Accounts 2014/15 be noted.

20. **WALES AUDIT OFFICE REPORT - AUDIT OF FINANCIAL STATEMENTS PROGRESS REPORT - CITY AND COUNTY OF SWANSEA**

K Williams, PricewaterhouseCoopers presented the Audit of Financial Statements Progress Report - City and County of Swansea. It was outlined that the purpose of the report was to provide an update to the Audit Committee on the progress of the audit of the Financial Statements for 2014/15. The Auditor General was responsible for providing an opinion on whether the Financial Statements gave a true and fair view of the financial position of the City and County of Swansea at 31 March 2015 and its income and expenditure for the year.

It was added that the Auditors had received the Draft Financial Statements for the year ended 31 March 2015 on 30 June 2015 and had now completed a significant amount of work. It was expected that the audit would be completed by 17 September 2015 when the Auditors would present their audit findings and management report to Cabinet in advance of the approval of the Financial Statements by Council on 24 September 2015. Details of the audit completed in relation to the significant and elevated audit risks within the 2015 Audit Plan were provided in the report. The key features of the Financial Statements were also outlined.

It was proposed that a Special Audit Committee be scheduled between 17 and 24 September 2015 in order to discuss the final report.

**RESOLVED** that a Special Audit Committee be scheduled between 17 and 24 September 2015 in order to discuss the Final Audit Report.

21. **DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15**

The Chief Auditor presented the Draft Annual Governance Statement 2014/15. It was outlined that the Annual Governance Statement should report publically on the extent to which the Council had complied with its own Code of Corporate Governance on an annual basis, including how it had monitored and evaluated the effectiveness of the governance arrangements in the year and any planned changes in the coming period. The process of preparing the Annual Governance Statement should itself add value to the effectiveness of the Corporate Governance and Internal Control Framework.

The Draft Annual Governance Statement 2014/15 was provided at Appendix 1 and had been subject to consultation with the Executive Board prior to reporting to the Audit Committee. The final version of the Annual Governance Statement would be reported to Cabinet on 17 September 2015 for approval before being signed by the Chief Executive and Leader and published with the Audited Statement of Accounts 2014/15.

**RESOLVED** that the Draft Annual Governance Statement 2014/15 be noted.

22. **INTERNAL AUDIT ANNUAL REPORT 2014/15**

The Chief Auditor presented a report which provided a review of the work of the Internal Audit Section during 2014/15 and included the Chief Auditors required opinion on the internal control environment for 2014/15 based on the audit testing completed in the year. The report reviewed the work of the Internal Audit Section in 2014/15 and compared its performance against the Internal Audit Plan for the year which was approved by the Committee on 24 April 2014.

A series of Performance Indicators were used to measure the performance of the section against agreed targets set at the start of the year and also in comparison with other Welsh Authorities. A review of the Performance Indicators in 2014/15 was included in the report.

It was added that a summary of time spent in 2014/15 on the different categories of internal audit work was shown at Appendix 1. This showed a reduction of 348 days (12.9%) in the actual productive audit days achieved against the planned number of productive days. The loss in productive days is equivalent to almost 2 members of staff for the entire year. The loss of productive days was mainly due to secondments, vacancies and maternity leave which totalled 421 days, although this was offset by the use of contingency budget and reductions in other activities e.g. holidays, sick leave and administration. As a result of the loss of productive days the Internal Audit Plan was reviewed and a number of lower risk audits included in the plan were deferred until 2015/16. The specific audits which were deferred were reported to the Audit Committee in February 2015 and these audits would be the first call on available resources during 2015/16.

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During the year, 99.3% of recommendations were accepted by clients. A list of the audits finalised each quarter had been included in the Quarterly Monitoring Reports presented to the Committee during the year. A complete list of each audit finalised during 2014/15 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 and unplanned work in 2014/15 was 91 days which was less than the planned time of 110 days and a summary of the main investigations was provided in the report.

In addition, a total of 18,000 matches were received from the National Fraud Initiative 2014 Exercise, all of which could potentially be fraudulent. The investigation of appropriate matches arising from this exercise would continue through 2015/16.

The Committee was provided with details of a number of other areas of work undertaken during the year, including follow-ups completed, Performance Indicators and the internal control opinion.

The basis of the Internal Audit annual opinion was outlined and it was noted that based on the audit testing completed in 2014/15, the Chief Auditor could provide reasonable assurance that the systems of internal control were operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.

**RESOLVED** that the Internal Audit Annual Report 2014/15 and the Chief Auditor's opinion on the internal control environment be noted.

### 23. **INTERNAL AUDIT MONITORING REPORT QUARTER 1 2015/16**

The Chief Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2015 to 30 June 2015. It was added that a total of 24 audits were finalised during the quarter and these were provided at Appendix 1 which also provided 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 first quarter were shown and it was pleasing to note the large number of audits which were achieving a high level of assurance, a trend that was first highlighted towards the end of 2014/15. A total of 131 audit recommendations were made and Management agreed to implement all 131 recommendations i.e. 100% against a target of 98%. All recommendations made were classified as high risk, medium risk, low risk or good practice and an analysis of the recommendations made during Quarter 1 was provided in the report.



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The Internal Audit Annual Plan 2015/16 was provided in Appendix 2 which also included the current status on each audit included in the Plan to allow the Committee to closely monitor the progress being made by the Internal Audit Section in achieving the Annual Plan.

Brief details of the significant issues which led to the Music Service and Accounts Receivable audits being considered to be moderate were provided. Details of the grants certified and follow-ups completed between 1 April 2015 to 30 June 2015 were provided.

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

24. **DEBT WRITE OFFS - BRIEFING**

The item was deferred to the Special Audit Committee to be scheduled between 17 and 24 September 2015.

25. **AUDIT COMMITTEE WORK PLAN**

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

26. **DATE OF NEXT MEETINGS**

**NOTED** that the next meetings be scheduled as follows:

- Special Audit Committee - to be scheduled between 17 and 24 September 2015.
- 2.00 p.m. on Tuesday 20 October 2015.

The meeting ended at 4.50 p.m.

**CHAIR**