

## **CITY AND COUNTY OF SWANSEA**

### **MINUTES OF THE SPECIAL AUDIT COMMITTEE**

**HELD AT ROOM 226, CIVIC CENTRE, SWANSEA - CIVIC CENTRE ON  
MONDAY, 21 SEPTEMBER 2015 AT 10.00 AM**

**PRESENT:** Councillor J W Jones (Vice Chair) presided

<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
P R Hood-Williams	P M Meara	T M White

M Hawes – Head of Finance & Delivery  
P Beynon – Chief Auditor  
S Heys – Principal Lawyer  
J Parkhouse – Democratic Services Officer

**Also Present: -**

K Williams - PricewaterhouseCoopers  
D Hanley-Crofts – Pricewaterhouse Coopers

#### 27 **APOLOGIES FOR ABSENCE.**

Apologies for absence were received from Mr A Thomas and from Councillors C A Anderson, R A Clay, L James, R V Smith, L V Walton.

#### 28 **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.

#### 29 **AUDIT OF FINANCIAL STATEMENTS REPORT - CITY AND COUNTY OF SWANSEA.**

K Williams and D Hanley-Crofts, PricewaterhouseCoopers (PwC) presented the Audit of Financial Statements Report - City and County of Swansea. It was outlined that the purpose of the report was to provide an opinion on whether the financial statements provided 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 then ended that required reporting under ISA 260.

It was added that PwC had received the draft financial statements for the year ended 31 March 2015 on 30 June 2015, which was in line with the agreed timetable. The audit work had been substantially completed and at the date of the presentation of the report the following were outstanding:

- a. Detailed testing of employment provisions;
- b. Final review of pension disclosures;
- c. Review of payroll disclosures, specifically the pay multiple disclosure;
- d. Finalisation of the termination benefits note;
- e. Review of compliance with laws and regulations;
- f. Review and detailed testing of whole of government accounts;
- g. Finalisation of the audit report and accounts.

The Auditors reported the more significant issues arising from the audit, for consideration, prior to approval of the financial statements. The Auditors had already discussed these issues with the Head of Finance and Delivery.

It was outlined that subject to the satisfactory completion of the outstanding work, it was the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority had provided the Auditors with a Letter of Representation based on that set out in Appendix 1. The proposed audit report was set out in Appendix 2. Appendix 3 provided the summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance.

Details of significant issues arising from the audit were provided and included uncorrected misstatements, significant and elevated audit risks, corrected misstatements, risk of fraud and other significant issues arising from the audit. It was added that the Auditors will be making recommendations arising from their 2014/15 financial audit work, relating to improvements to internal controls, will be reported to Audit Committee in October 2015.

The Committee highlighted a number of issues contained within the report which were responded to by the PwC representatives.

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

30 **DEBT WRITE OFFS - BRIEFING.**

The Head of Finance and Delivery presented a report which detailed the debts written off by the Council in the last 3 financial years and provided an outline of the robust debt recovery procedures that are followed by services before a debt is submitted for write off.

It was added that PricewaterhouseCoopers (PwC) presented a report on Deficiencies in Internal Controls 2013/14 report to the Audit Committee in November 2014. One of the issues raised in the report was a delay in writing off a small number of batches of invoices in excess of £10,000. The implication being that if write offs were not actioned promptly then the Council's debtors balance may be over stated. Following the PwC report, the Audit Committee resolved that an update report be provided regarding bad debt write offs.

The report provided details of the debts written off by the Council over the last 3 financial years and an outline of the robust debt recovery procedures followed by services before a debt was submitted for write off. Reference was also made to

Financial Procedure Rule 11.6 which outlined the procedures undertaken within the Authority in relation to debt write off.

Details of debts written off between 2012/13 and 2014/15 were provided. It was explained that the increase in Accounts Receivable write offs in 2014/15 was due to the write off of debts in excess of £10,000 many of which were raised prior to 2006. The total value of debts in excess of £10,000 written off in 2014/15 was just over £550,000 which included the debts referred to by PwC in their Deficiencies in Internal Controls report. Many of these write offs were long standing and were not necessarily a reflection of current collection performance.

It was added that figures related to the year in which the debt was actually written off and not the year in which it was raised. A brief description of debt recovery procedures were outlined and it was explained that before a debt was considered to be irrecoverable and submitted for write off, every effort was made to collect the debt via the services established debt recovery procedures.

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

- Council Tax write offs;
- Business Rates write offs;
- Housing Benefit Overpayments;
- Accounts Receivable write offs;
- The need to write off bad debts on a regular basis;
- Potential effects of Commissioning Review being discussed by Cabinet in October 2015;
- Debt recovery procedures.

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

31 **AUDIT COMMITTEE ANNUAL REPORT 2014/15 - FOLLOW UP. (VERBAL)**

In the absence of the Chair, the item was deferred.

32 **AUDIT COMMITTEE WORK PLAN.**

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

33 **DATE OF NEXT MEETING - 2 P.M. ON TUESDAY, 20 OCTOBER 2015.**

**NOTED** the date of the next Audit Committee meeting at 2 p.m. on Tuesday, 20 October 2015.

The meeting ended at 11.05 am

**CHAIR**