

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

**HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
TUESDAY, 8 AUGUST 2017 AT 2.00 PM**

PRESENT: Mr A M Thomas (Chair) Presided

Councillor(s)

C Anderson
O G James
S Pritchard

Councillor(s)

T J Hennegan
L James
L V Walton

Councillor(s)

P R Hood-Williams
J W Jones
T M White

Officer(s)

Simon Cockings
Talryn Davies
Kate Jones
Debbie Smith

Chief Auditor
Corporate Fraud Manager
Democratic Services Officer
Interim Deputy Head of Legal , Democratic Services and
Business Intelligence.

Also Present: -

Aneesa Ali Wales Audit Office
Lucy Herman Wales Audit Office

Apologies for Absence

Councillor(s): B Hopkins, M B Lewis and W G Thomas

21 **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 T M White – Minute No. 28 – Letters of Representation 2016/17 – Benefactor of Local Government Pension Scheme and Member of the Pension Board – personal.

Councillor P R Hood-Williams – Minute No. 25 – Internal Audit Annual Report 2016/17 – Governor of Crwys Primary School – personal.

22 **MINUTES.**

RESOLVED that the Minutes of the meetings of the Audit Committee held on 20 June 2017 and 11 July 2017 be approved as correct records.

23 **GOVERNANCE TRAINING.**

Debbie Smith, Interim Deputy Head of Legal, Democratic Services & Business Intelligence provided the Audit Committee with Overview Training on Governance.

Details included within the presentation were as follows: -

- Principles of Public Life
- Upholding Ethical Standards – Members
- Upholding Ethical Standards – Officers
- Education/Training
- Whistleblowing
- How does the Council Respond?

The Committee discussed the issues raised within the training presentation.

RESOLVED that the contents of the training presentation be noted.

24 **INTERNAL AUDIT TRAINING.**

Simon Cockings, Chief Auditor, provided the Audit Committee with Internal Audit Training. The training was to give an overview of the key principles of the Public Sector Internal Audit Standards and Arrangements in Swansea.

The training comprised of the following: -

- Public Sector Internal Audit Standards (PSIAS)
 - Purpose of PSIAS
 - What do the PSIAS Contain?
- Compliance with PSIAS
 - Local Government Application Note
 - External Review of Compliance
- Internal Audit In Swansea
 - The Team
 - The Work
- Internal Audit Reviews
- Contacts and Resources

The Committee discussed the issues raised with the training.

RESOLVED that the contents of the training be noted.

25 **INTERNAL AUDIT ANNUAL REPORT 2016/17.**

The Chief Auditor presented a report which reviewed the work of the Internal Audit Section during 2016/17 and included the Chief Auditor's required opinion on the internal control environment for 2016/17 based on the audit testing completed in the year.

A summary of time spent in 2016/17 on the different categories of Internal Audit work was provided in Appendix 1 to the report. There had been a reduction of 170 days (6.2%) in the actual productive audit days achieved against the planned number of productive days.

The loss of productive days was mainly due to the increased level of sickness (+156 days) and a vacant post which was held vacant for longer than originally planned

(+25 days). The overall loss in productive days had been reduced by the use of the contingency (80 days) and reduced staff training (24 days).

The original Internal Audit Annual Plan 2016/17 contained 167 audit jobs, of which 83 (50%) were completed to at least draft report stage during the year while a further 38 audits were in progress as at 31/03/17. Taking into account those audits that were in progress at the end of the year, 72% of the audit jobs in the Annual Plan 2016/17 had been completed or were in progress as at 31/03/17.

A complete list of each audit finalised during 2016/17 along with the level of assurance and the number of recommendations made and accepted was shown in Appendix 2 to the report.

The amount of time spent on special investigations increased from 40 days in 2015/16 to 85 days in 2016/17. A summary of the main investigations along with other areas of work undertaken by Internal Audit in 2016/17 was provided.

The Chief Auditor provided information on the Quality Assurance & Improvement Programme as well as the Statement of Organisational Independence. Committee Approval was sought to undertake the external assessment in Swansea during quarter 3 of 2017/18 and the preferred method was a self-assessment review subject to an external validation using the peer review group established by the Welsh Chief Auditors Group. Details of the summary of the self-assessment review of conformance against the PSIAS was undertaken during June/July 2017 by the Chief Auditor, was provided in Appendix 4 to the report. The self-assessment indicated that the Audit Department was 94% compliant with the Standards, with 315 of the 334 best practice lines in the Standards being in place. Details of the Quality Assurance & Improvement Programme report and action plan for 2017/18 were also provided at Appendix 5 to the report.

Details of follow ups, performance indicators, and Internal Control Opinion were also provided. This included the opinion of the Chief Auditor who stated:-

'Overall, based on the audit testing completed in 2016/17, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2016/17 which would have a material impact on the Council's financial affairs or the achievement of its objectives.'

The Committee asked a number of questions of the Chief Auditor, who responded accordingly. Discussions centred around the following: -

- Challenge of managing the work plan alongside issues arising (i.e. sickness) and limited resources
- Policy regarding stress related sickness
- Despite a decrease in the number of productive days, 72% of the audit jobs outlined in the Annual Plan 2016/17 had been completed
- Ensure that the Annual Plan is realistic with the resources available
- During the year, 98% of recommendations made by Audit were accepted by clients

- Process for dealing with recommendations not accepted
- Some of the Performance Indicators were very positive
- Time taken to receive responses from Clients
- Communication of audits where departments are performing well to highlight the good work undertaken by both Audit and the Department itself
- Training for Audit Staff

RESOLVED that: -

- 1) the contents of the report be noted; and
- 2) The preferred approach to external assessment as set out in Paragraph 5 of the report be approved.

26 **CORPORATE FRAUD ANNUAL REPORT 2016/17.**

The Corporate Fraud Manager presented a summary of the work completed by the Corporate Fraud Team in 2016/17.

The Corporate Fraud Manager noted some amendments to the report and apologised for that requirement. The Committee was provided with a Table of Amendments to the report.

The Chair provided a background to the Corporate Fraud Team.

The Corporate Fraud Manager highlighted some Headline Figures and Headline Activities undertaken by the Team.

The total value of savings achieved exceeded £368,500, as outlined in the Table of Amendments, which showed excellent progress by the Team in its second year of operation. Appendix 1 to the report, as amended, detailed the total savings further showing the amount of Actual Savings and Theoretical Savings and the split between cases investigated as part of the Joint Working pilot with the DWP and cases investigated solely by the Corporate Fraud Team.

The number of cases investigated to date by the Team which at the end of March 2017 stood at 278.

During 2016/17 there had been the number of employee cases referred to the Team for investigation. The Table of Amendments provided that savings of just over £108,000 were achieved from 26 employee cases in respect of 50 employees which was a good indication that the work of the Team was valued across the Council. Headline figures, as amended, for employee cases for 2016/17 were provided.

Headline Activities included the following: -

- Fraud Awareness
- Revised Corporate Induction Training
- Updated relevant Corporate Policies
- Guide to preparing witness-type statements
- Reviewed Direct Payment Forms
- Delivered Tenancy Fraud Key Amnesty

- External Audit undertaken on the use of DVLA data
- Commenced Participation in the National Fraud Initiative 2016
- Continued Participation in LA/DWP Joint Working Pilot
- Continued to evaluate, consider and investigate a diverse range of referrals in respect of abuse, misuse and fraud

The following 'significant' investigations / cases, as amended, concluded in 2016/17 were highlighted: -

- Personnel - Community Waste Recycling Site
- Personnel – Unauthorised Absences
- Personnel – Employee working whilst on sick leave
- Fake Goods

The Committee asked a number of questions of the Corporate Fraud Manager, who responded accordingly. Discussions centred around the following: -

- Joint Working Pilot with DWP
- Vast areas of work covered by Corporate Fraud Team
- Raising awareness of the Corporate Fraud Team
- Financial recompense for joint working cases
- National Fraud Initiative data matching exercise ongoing at present
- Greater clarity, explanation and emphasis on the difference between actual and theoretical savings in future reporting.
- Ways of displaying outcomes achieved by the Corporate Fraud Team which aren't quantifiable.

RESOLVED that the contents of the report alongside the Table of Amendments be noted.

27 **INTERNAL AUDIT MONITORING REPORT QUARTER 1 2017/18.**

The Chief Auditor presented the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2017 to 30 June 2017.

It was outlined that following the former Chief Auditor's retirement at the end of March, and subsequent restructure of the Audit Section that there would be a loss of one full time equivalent post from 2017/18 onwards. The Internal Audit Section had also continued to experience high levels of sickness in the 1st Quarter of 2017/18 with a total of 46 days against an annual budget of 80 days.

A total of 20 audits were finalised during Quarter 1. The audits finalised were listed in Appendix 1 to the report, which showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. A total of 195 audit recommendations were made and management agreed to implement 194 recommendations i.e. 99% against a target of 95%. The one recommendation that was not agreed was classed as low risk.

Appendix 2 to the report, showed each audit included in the Plan approved by Committee in March and identified the position of each audit as at 30 June 2017. An analysis of the details in Appendix 2 to the report, showed that by the end of June

2017 approximately 31% of the Audit Plan was either completed or in progress which was as expected at the end of the first quarter in the year.

Details of additional work undertaken by the Internal Audit Section, self-assessment questionnaire sent to schools and follow ups completed between 1 April 2017 and 30 June 2017 were outlined.

RESOLVED that the contents of the report be noted.

28 **LETTERS OF REPRESENTATION 2016/17.**

The Letters of Representation 2016/17 were reported for information.

It was noted that Letters of Representation would be reported to Audit Committee earlier in the future.

29 **AUDIT COMMITTEE ACTION TRACKER REPORT.**

The Audit Committee Action Tracker Report was provided for information.

30 **AUDIT COMMITTEE WORK PLAN.**

The Audit Committee Work Plan was reported for information.

The meeting ended at 4.12 pm

CHAIR