



City and County of Swansea

## Minutes of the **Audit Committee**

Committee Room 5, Guildhall, Swansea

Tuesday, 9 April 2019 at 2.00 pm

**Present:** P O'Connor (Independent Chair) Presided

**Councillor(s)**

C Anderson  
P R Hood-Williams  
E T Kirchner  
T M White

**Councillor(s)**

P M Black  
P K Jones  
S Pritchard

**Councillor(s)**

T J Hennegan  
J W Jones  
L V Walton

**Officer(s)**

Simon Cockings  
Peter Field

Adam Hill  
Tracey Meredith  
Jeremy Parkhouse  
Jonathon Rogers  
Richard Rowlands  
Ben Smith

Chief Auditor  
Principal Officer Prevention, Wellbeing and  
Commissioning  
Deputy Chief Executive / Director of Resources  
Chief Legal Officer  
Democratic Services Officer  
Corporate Fraud Team Investigator  
Strategic Delivery & Performance Manager.  
Chief Finance Officer / Section 151 Officer

**Also Present: -**

Jason Garcia	Wales Audit Office
David Williams	Wales Audit Office
Ian Arundale	Cardiff Council, Audit Committee
David Hugh Thomas	Cardiff Council, Audit Committee
Chris Pike	Cardiff Council, Audit Manager

**Apologies for Absence**

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

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**82 Representatives of Cardiff Council Audit Committee.**

The Chair welcomed Ian Arundale (Chair), David Hugh Thomas and Chris Pike (Audit Manager) who were representing Cardiff Council Audit Committee as part of the peer review process.

**83 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 R Hood-Williams – Minute No.91 – Internal Audit Strategy & Annual Plan 2019/20 – Governor of Crwys Primary School – personal.

Councillor T M White - Minute No.85 – Wales Audit Office – 2019 Audit Plan – City & County of Swansea - Member of the Local Pension Board and beneficiary of LGPS - personal.

Paula O'Connor – Agenda as a whole – Head of Internal Audit to Abertawe Bro Morgannwg University Health Board – Personal.

**84 Minutes.**

**Resolved** that the Minutes of the previous meeting of the Audit Committee were approved as a correct record.

**85 Presentation - Governance Update.**

Adam Hill, Deputy Chief Executive provided the Committee with a Governance Update presentation. Details on the following were provided: -

- Overview – Councillor and Chief Officer responsibilities;
- Governance Framework – Two core principles and five supporting principles;
- Internal Governance;
- External Governance;
- Assurance;
- Assurance Framework (Golden thread);
- Risk Management;
- 3 Lines of Defence;
- Sources of Assurance – Internal and external;
- Potential Sources of Assurance;
- Assurance Statements (Annual – April).

The Committee asked questions of the Officer, which were responded to accordingly. Issues discussed included: -

- Political and officer 'buy in' to the process including their aspirations;
- Legally and financially showing governance procedures;
- The challenge to CMT to ensure it fits with Corporate Priorities and delivers going forward;
- Confidence in the governance process going forward;
- Partnership working going forward;
- The role of Scrutiny in overseeing governance.

The Chair thanked the Deputy Chief Executive for his presentation and stated that it had provided assurance and covered a gap that had existed in the Committee's understanding of governance. She added that it was clear that officers were committed to making improvements and she looked forward to working to strengthen the framework / risks to ensure all areas were covered.

**86 Wales Audit Office - 2019 Audit Plan - City and County of Swansea.**

Jason Garcia, Wales Audit Office (WAO) presented the 2019 Audit Plan which provided the proposed audit work, when it would be undertaken, how much it would cost and who would undertake it.

Appendix 1 set out the responsibilities of the Auditor in full and Exhibit 1 provided the three phases of the audit approach. The risks of material misstatements were provided at Exhibit 2, the performance work in last year's audit outline still in progress were set out in Appendix 2 and the proposed audit fee for this work was set out in Exhibit 4. The more significant and/or recurring issues identified when undertaking grant certification work in 2017-18 were identified at Appendix 3. The components of the performance audit work were shown in Exhibit 3 and the timetable of the proposed audits was provided at Exhibit 6. An update on the progress of the Plan would be reported to the Committee.

It was highlighted that there were no significant issues of concern.

The Committee discussed the following: -

- Monitoring the provisions of the Well-being of Future Generations (Wales) Act 2015, avoiding duplication, providing clarity, providing a programme of work and assurance;
- Wales Audit Office fees, particularly the recent reductions and how the fees are justified;
- Governance and monitoring of the City Deal going forward;
- Brexit preparations and the assurance provided at Appendix 3;
- Performance work in last year's audit outline still in progress.

The Chair sought clarification that the Assurance and Risk Assessment was not an audit review but a WAO scoping exercise. She also requested that the Committee be informed of any issues arising from the scoping exercise.

**Resolved** that: -

- 1) the Wales Audit Office Audit Plan 2018/19 be noted;
- 2) an update report on performance work and also any issues from the assurance and risk assessment scoping be provided in the next Municipal year.

**87 Wales Audit Office - 2019 Audit Plan - City and County of Swansea Pension Fund.**

David Williams, Wales Audit Office presented the 2019 Audit Plan for the City and County of Swansea Pension Fund.

The responsibilities of the Auditors, along with those of management and those charged with governance, were set out in Appendix 1. The audit approach consisted of three phases as set out in Exhibit 1. The financial audit risks, which included significant risks were provided at Exhibit 2. The estimated fee was provided at Exhibit 3.

The aim of the Auditors was to identify material misstatements and also to issue an audit statement confirming the consistency of the financial statements included in the annual report with the audited Pension Fund financial statements. The timetable of works was provided at Exhibit 5.

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

**88 Social Care Contracts Audit Update.**

Peter Field, Principal Officer, Prevention, Wellbeing and Commissioning presented a 'for information' update report on Adult Services Social Care compliance with Corporate Procedure Rules (CPR's) and Public Contracts Regulations 2015.

The Committee were provided with updates regarding progress to April 2019. Also provided were the details of the number of non-compliant Social Care Contracts at December 2018.

It was outlined that 21 contracts were non-compliant and details of these contracts were provided for Residential Care, Domiciliary Care, Supported Living, Third Sector and other non-compliant contracts.

The Committee asked questions regarding the following: -

- The ongoing risk being low;
- Re-commissioning of services to ensure legally compliant procurement processes having the likely increase of approximately £1.6m in 2019/20 and the focus upon making all contracts compliant.

**Resolved** that the contents of the update be noted.

**89 Revenue and Capital Budget Monitoring 3rd Quarter 2018/19.**

Ben Smith, Section 151 Officer presented a 'for information' report on financial monitoring of the 2018/19 revenue and capital budgets, including the delivery of budget savings.

The Revenue and Capital Budget Monitoring 3<sup>rd</sup> Quarter Monitoring report that was presented to Cabinet on 14 February 2019 was provided at Appendix 1.

He stated that the report was provided to give assurance to the Committee that the Section 151 Officer and Corporate Management Team were fully aware of the financial position and the Authority was working towards reducing the overspend and to provide a balanced budget.

He added that the additional Social Services care costs were unavoidable and had resulted in the Authority not managing to adhere to its savings targets.

The Committee discussed the following: -

- budget overspend, the sustainability of the budget and the difficulty being faced by local authorities in Wales regarding Social Services care costs;
- Revenue outturn forecast based on third quarter position, particularly the net directorate expenditure and managing the position going forward;
- Housing Revenue Account current repairs forecast and no other material budget issues to highlight at present;
- The Authority lobbying Welsh Government for additional funds;
- MRP review outcome and policy going forward.

**Resolved** that Revenue and Capital budget monitoring be a regular item on future Committee agendas.

**90 Internal Audit Section - Fraud Function Anti-Fraud Plan for 2019/2020.**

The Corporate Fraud Team Investigator presented the report on the Anti-Fraud Plan for 2019/2020. He noted that the Anti-Fraud Plan for 2019/2020 remained very similar to 2018/19, the work of the Team was largely reactive and there had been an increase in procurement fraud.

The Committee discussed the following: -

- Good results being achieved and partnership working with DWP;
- Reminding staff regarding fraud awareness;
- Capacity of the Corporate Fraud Team going forward.

**Resolved** that the Anti-Fraud Plan for 2019/20 be approved subject to an ongoing review of adequacy of resource.

**91 Internal Audit Charter 2019/20.**

The Chief Auditor presented a report which sought to approve the Internal Audit Charter 2019/20. He specifically highlighted the Charter outlined in Appendix 1 of the report, which included the following: -

- Definition of Internal Audit;
- Role and Function of Internal Audit;
- Scope of Internal Audit;
- Independence of Internal Audit;
- Consultancy Role of Internal Audit;
- Fraud, Bribery and Corruption Role of Internal Audit;
- Internal Audit Resources; and
- Quality Assurance and Improvement Programme

The Chief Auditor confirmed that he had no other management responsibility which restricted the independence of the Internal Audit.

The Chair queried whether the Chief Auditor had any other management responsibilities. He confirmed that he had no other management responsibilities which restricted the independence of the Internal Audit.

The Chair also queried aspects of Quality Assurance and Improvement programme and suggested that this be discussed outside of the meeting.

**Resolved** that the Internal Audit Charter 2019/20 be approved.

## **92 Internal Audit Strategy & Annual Plan 2019/20.**

The Chief Auditor presented a report that sought approval of the Internal Audit Plan and Internal Audit Strategy for 2019/20.

The Internal Audit Strategy was provided at Appendix 1, a summary of the Internal Audit Plan 2019/20 at Appendix 2 and a list of audits planned for the year at Appendix 3, along with the planned days for each audit and the perceived risk.

He added that for 2019/20, the Internal Audit Section comprised of 9.1 full time equivalents plus the Chief Auditor, the same level of resources as 2018/19. This gave a total number of available days of 2,366. It was highlighted that the plan provided sufficient coverage across departments.

A discussion ensued and centred around the following: -

- Days covering Corporate Priorities and possibly amending the way in which figures are presented;
- Direct mapping / data assurance;
- Emphasis on Level 1 – Cross cutting reviews – Council governance and control and increasing level of assurance;
- Pensions administration being at Level 2, medium / high risk due to the amount of funds being outsourced and assurance being provided by Wales Audit Office checks on the Wales Pension Partnership.

**Resolved** that the Internal Audit Plan and Strategy for 2019/20 be approved.

## **93 DBS Process Update.**

The Chief Auditor presented a 'for information' report which gave an overview of the DBS verification process. Appendix 1 outlined the Council's verification process.

He added that all DBS verifications were up to date and the delay highlighted in the previous audit was because of staff sickness. Procedures had been amended to ensure that the previous situation was not repeated. However, schools followed a different procedure.

The Chair stated that the update had provided the Committee with assurance that the DBS verification process was up to date and correctly administered.

**94 Progress Towards Meeting the Welsh Housing Quality Standard. (For Information)**

The Progress Towards Meeting the Welsh Housing Quality Standard report was provided 'for information'.

**95 Monthly Corporate Risk Tracking - March 2019. (For Information)**

Richard Rowlands, Strategic Delivery & Performance Manager presented a 'for information' report which provided the Monthly Corporate Risk Tracking for March 2019.

It was added that the following Corporate Risks were tracked monthly by the Committee: -

- CR80 - Financial Control and Sustainable Swansea
- CR81 – City centre
- CR90 (and supplementary risk CR102) - Decision to leave the European Union (BREXIT)

Appendix A described the status of each risk at 28 March 2019.

The Committee queried fewer generic savings at CR80 – Financial Control and Sustainable Swansea and a response was provided.

The Chair confirmed that she was due to meet with the Strategic Delivery & Performance Manager to observe the new Risk Management software. She also highlighted that requests for improvements to the risk management information presented to Audit Committee would be seen once the new system was implemented.

**96 Audit Committee Action Tracker. (For Information)**

The Chief Auditor presented the Audit Committee Action Tracker report 'for information'.

The Chair queried the action taken regarding Minute No.80 – Audit Committee Action Tracker Report update of 12 February 2019 and would discuss further with the Chief Auditor following the meeting.

**97 Audit Committee Work Plan 2018/19. (For Information)**

The Audit Committee Work Plan was reported 'for information'.

The Chief Auditor stated that a new Work Plan would be presented to the Committee in June. The Chair requested sight of the draft work plan prior to the next Committee meeting.

The Chair added that that since the Audit Committee performance review in March 2018 good progress had been made against the key findings highlighted by the

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Wales Audit Office at Appendix 2. She also asked that the Wales Audit Office undertake a further performance review in the new Municipal year.

The meeting ended at 4.00 pm

**Chair**