



City and County of Swansea

Minutes of the **Audit Committee**

Committee Room 5 - Guildhall, Swansea

Tuesday, 11 June 2019 at 2.00 pm

Present:

Councillor(s)

C Anderson
P K Jones
M B Lewis
T M White

Councillor(s)

T J Hennegan
J W Jones
S Pritchard

Councillor(s)

P R Hood-Williams
E T Kirchner
L V Walton

Lay Member:

Paula O'Connor

Officer(s)

Simon Cockings
Michelle Davies
Tracey Meredith
Jeremy Parkhouse
Richard Rowlands
Ben Smith
Sian Williams

Chief Auditor
Cash Management & Accounts Receivable Manager
Chief Legal Officer
Democratic Services Officer
Strategic Delivery & Performance Manager.
Chief Finance Officer / Section 151 Officer
Service Centre Manager

Also Present

Jason Garcia
David Williams

Wales Audit Office
Wales Audit Office

Apologies for Absence

Councillors(s): P M Black, O G James and W G Thomas.

1 Election of the Chair for the 2019-2020 Municipal Year.

Resolved that Paula O'Connor be elected Chair for the 2019-2020 Municipal Year.

(Paula O'Connor (Independent Chair) presided)

2 Election of the Vice-Chair for the 2019-2020 Municipal Year.

Resolved that Councillor P R Hood-Williams be elected Vice-Chair for the 2019-2020 Municipal Year.

3 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 K Jones – Minute No.9 - Internal Audit Annual Plan 2018/19 - Monitoring Report for the Period 1 January 2019 to 31 March 2019 – Governor of Bishop Vaughan Comprehensive School – personal.

Councillor P R Hood-Williams - Minute No.9 - Internal Audit Annual Plan 2018/19 - Monitoring Report for the Period 1 January 2019 to 31 March 2019 – Governor of Cila Primary School – personal.

Councillor T M White - Minute No.9 - Internal Audit Annual Plan 2018/19 - Monitoring Report for the Period 1 January 2019 to 31 March 2019 – Member of Governing Body of School – personal.

Paula O'Connor – Agenda as a whole – Employee of Velindre NHS Trust – Providing Internal Audit Service as Head of Internal Audit to Swansea Bay University Health Board – Personal.

4 Minutes.

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

- Monthly Corporate Risk Tracking – March 2019

The Chair stated that she had met with the Strategic Delivery & Performance Manager and Chief Auditor to observe the new Risk Management software. She added that the software, which was still being developed, would improve quality and enhance the review and monitoring of risks.

5 Service Centre - Accounts Receivable - Update at May 2019. (For Information)

Ben Smith, Chief Finance Officer, Sian Williams, Service Centre Manager and Michelle Davies, Cash Management & Accounts Receivable Manager provided a report which provided an update on the Service Centre, Accounts Receivable function.

It was outlined that as a result of an internal audit on the Accounts Receivable function carried out in December 2018, an assurance level of moderate was given. An action plan was developed to address the issues identified and appropriate implementation steps put in place.

Details of the action plan, including the high and medium risks and progress to date were outlined. Appendix A provided the Accounts Receivable Final Audit report.

The Committee discussed the following: -

- Good practice arrangements agreed with Legal Services;
- The connection between the reduction in staff resources and the drop in recovery of invoices from 95% to 85%;
- Comparing the cash loss from the reduction in the recovery of invoices to the cost of staff reduction and the relative small amount of debt involved compared to other areas, e.g. Council Tax / NNDR;
- Recognition of the consequences of staff reduction and the number involved (12 staff reduced to 6);
- The process of debt recovery, including prioritising the recovery of larger debts and the need to provide a legal basis for debts;
- How internal departments of the Authority had responsibility within the debt recovery process;
- How the process seemed confused following reminder letters being issued;
- Write off procedures and how the process of recovering debts are exhausted prior to them being written off;
- Working / negotiating with partner organisations regarding outstanding debts;
- How outstanding debt has little impact upon accounting procedures within the Authority unless debts get written off;

The Chair expressed concern that the debt recovery process was weak and the decentralisation of procedures was prolonging the recovery process. She added that a follow up report was required (and requested that the audit scope cover the decentralised processes), within 6 months to provide the Audit Committee with assurances in the effectiveness of the debt recovery process.

Resolved that: -

- 1) The contents of the report be noted;
- 2) A follow up report on progress be provided within the next 6 months.

6 Corporate Risk Policy & Framework. (For Information)

Richard Rowlands, Strategic Delivery & Performance Manager presented a 'for information' report which provided the Council's Corporate Risk Policy and associated Framework.

It was outlined that the Audit Committee was consulted on the draft Risk Policy on 11 July 2017 before it was subsequently approved at Cabinet in August 2017.

Appendix A provided the Corporate Risk Policy and Appendix B provided the Corporate Risk Framework.

The Chair referred to the Committee's responsibility for challenging and providing independent assurance to Members on the adequacy of the Risk Management Policy and Framework, the development and operation of risk management and monitoring progress in addressing risk related issues. She expressed concern that at present, the Committee were not able to monitor risks and hoped that the new

system would provide the information required, providing the Committee with assurance.

The Committee discussed the following: -

- Improving the quality of risk controls;
- The need for consistency going forward;
- Contingency actions and working with risk owners to improve matters.

7 Overview of the Overall Status of Risk Q4 2018/19. (For Information)

Richard Rowlands, Strategic Delivery & Performance Manager presented a 'for information' report which presented an overview of the status of risk in the Council during Quarter 4, 2018/19 to provide assurance to the Committee on the operation of the risk management policy and framework within the Council.

Appendix A provided the Quarter 4, 2018/19 period and compared an overview of the position to Quarter 3, 2018/19. The Corporate Risk Register was provided at Appendix B and the Directorate Risk Register at Appendix C.

The Committee discussed the following: -

- Retention of data after closing risks;
- The prevention of slippage by ensuring risks are monitored / reviewed monthly;
- Inclusion of bio diversity matters in the risk register;
- Ability of Audit Committee Members to monitor and comment upon risks with the introduction of the new system;
- Risk associated with the City Deal not being signed;
- Timescale for rolling out the new system;
- The Authority being pro-active in respect of risks.

The Chair commented that the new risk system would improve the quality of detail provided in the Risk Register. She added that the owners of high level risks would be invited to the Committee to report on their risk.

8 Audit Committee Training Programme 2019/20.

Simon Cockings, Chief Auditor presented the Audit Committee Training Programme for 2019/20, which was provided at Appendix 1.

It was added that Updated guidance issued by Cipfa in 2018 recommended the following Core Areas of Knowledge for Audit Committee Members:

- Audit Committee Role and Functions
- Risk Management
- Financial Management and Accounting
- Governance & Values of Good Governance
- External Audit

- Internal Audit
- Counter Fraud

The Chair stated that future training should be focussed upon any changes in specific areas.

The Committee discussed the following: -

- Training being provided prior to meetings in order for Members to have a better understanding of subjects;
- The training programme being updated and reported to the next meeting;
- Only Financial Management and Accounting training being provided at the next scheduled meeting;
- Whether future training on governance was needed in light of the Deputy Chief Executive's recent presentation to the committee
- Terminology / acronyms be explained in future presentations;
- The ownership of the Committee Training Programme and the arrangement that all subsequent training would in future be the responsibility of Democratic Services and would no longer be the responsibility of the Chief Auditor going forward.

Resolved that: -

- 1) The Audit Committee Training Programme be noted;
- 2) The Chair / Democratic Services report an amended Training Programme to the next scheduled meeting;
- 3) All future Committee training requirements / arrangements be the responsibility of Democratic Services.

9 Internal Audit Annual Plan 2018/19 - Monitoring Report for the Period 1 January 2019 to 31 March 2019.

The Chief Auditor presented a report which presented the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2019 to 31 March 2019.

A total of 27 audits were finalised during the quarter. 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. A total of 213 audit recommendations were made and management agreed to implement 209, i.e. 98% of the recommendations made were accepted against a target of 95%.

Appendix 2 showed that by the end of March 2019, 87% of the planned reviews had been completed to at least draft report stage, with an additional 3% of the planned audits in progress. As a result, approximately 90% of the Audit Plan was either completed or in progress. It was noted that the remaining 10% of the planned jobs have been carried forward to the 2019/20 plan.

The Internal Audit Section had seen a significant increase in the levels of sickness absence in quarter 2 and quarter 3 of 2018/19. A cumulative total of 142 days sickness as at the 31/03/19, against an annual budget of 66 days were recorded. As noted previously, the vast majority of this absence was in relation to three members of staff being off work long term as a result of non-work related issues / illness during the year.

The Committee were also provided with details of grants certified and significant issues which led to a moderate rating issued in the quarter.

Information regarding additional work and details of follow-ups completed between 1 January 2019 to 31 March 2019 were specified, including Bishop Gore Comprehensive School, Portmead Primary School and Cleaning Services audits. In all cases, the follow up review confirmed that significant progress had been made in implementing the recommendations made, with all of the High and Medium Risk recommendations being fully implemented.

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

- Reasons for deferrals and deferred audits being dealt with in quarter 1 of the new financial year;
- The process of adding new audits onto the annual plan with the assistance of heads of service;
- The debt recovery audit being deferred and included in the Accounts Receivable follow-up audit scheduled for September/October 2019 with the results being reported to Committee as part of the standard Fundamental Audit Recommendation Tracker Report, as in previous years.

The Chair added that she would be meeting the Chief Finance Officer and Chief Auditor following the meeting to discuss some audit reports in order to understand the risks and to seek assurance. She would report back to the Committee in August 2019.

Resolved that the contents of the report be noted.

10 Audit Committee - Action Tracker. (For Information)

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

He added that some actions had been closed and that an updated version of the Contract Procedure Rules were due to be reported to Council for approval.

11 Audit Committee - Work Plan 2019-20. (For Information)

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

The Chair stated that the Committee needed to agree a manageable workload. She added that Corporate Directors would be attending future meetings to provide

assurance on governance, risk and internal control within their areas of responsibility.

The Chief Auditor stated that control of the Audit Committee Work Plan would now be the responsibility of Democratic Services with immediate effect.

12 Wales Audit Office Recommendations Following Review of Audit Committee Effectiveness. (Verbal)

The Chair commented that good progress had been made against the Wales Audit Office (WAO) recommendations following the review of the Audit Committee effectiveness. She added that WAO would build the progress into the facilitated session.

Jason Garcia, Wales Audit Office stated that there had been a lot of debate surrounding risk and that potentially, the Committee could concentrate upon Corporate Risks and seek assurances from Officers regarding those risks. He added that the work of the Committee was about balance.

13 Audit Committee Terms of Reference.

The Audit Committee terms of reference were provided 'for information'.

The meeting ended at 3.25 pm

Chair