



**City and County of Swansea**

**Minutes of the Audit Committee**

**Committee Room 5, Guildhall, Swansea**

**Tuesday, 13 August 2019 at 2.00 pm**

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

**Councillor(s)**

C Anderson  
O G James  
E T Kirchner

**Councillor(s)**

D W Helliwell  
P K Jones  
L V Walton

**Councillor(s)**

P R Hood-Williams  
J W Jones  
T M White

**Officer(s)**

Simon Cockings  
Jeffrey Dong

Kate Jones  
Tracey Meredith  
Richard Rowlands  
Ben Smith  
Amanda Thomas

Chief Auditor  
Interim Deputy Chief Finance Officer and Deputy S151 Officer.  
Democratic Services Officer  
Chief Legal Officer / Monitoring Officer  
Strategic Delivery & Performance Manager.  
Chief Finance Officer / Section 151 Officer  
Chief Accountant / Interim Deputy Section 151 Officer

**Also Present**

Anthony Veale  
David Williams

Wales Audit Office  
Wales Audit Office

**Apologies for Absence**

Councillors(s): P M Black, M B Lewis and S Pritchard

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**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 P R Hood-Williams – Minute Nos 21 & 22 - Internal Audit Annual Report 2018/19 & Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 April 2019 to 30 June 2019 – School Governor at Crwys & Cila Primary Schools – 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.

Councillor T M White – Minute No.16 - Draft Statement of Accounts 2018/19 – City and County of Swansea - Member of the Local Pension Board, Member of Local

Authority Waste Disposal Company (LAWDC) and Member of Swansea Bay Port Health Authority – Personal.

**15 Minutes.**

**Resolved** that the Minutes of the Audit Committee held on 11 June 2019 be approved and signed as a correct record.

**16 Draft Statement of Accounts 2018/19 - City and County of Swansea.**

Ben Smith, Chief Finance Officer, presented the Draft Statement of Accounts 2018/19.

The Draft Accounts for 2018/19 had been prepared and signed on 20 May 2019. A copy was provided at Appendix A of the report. The Chief Finance Officer expressed his thanks to his team for their excellent work.

It was highlighted that there would be minor revisions to the report to reflect the continuing developments on Brexit, City Deal and McCloud pension judgement.

The Chief Finance Officer highlighted the following from the Statement of Accounts: -

- There was a net overspend on services again and this was not sustainable long term
- Council had approved a change in the Minimum Revenue Provision (MRP) Policy, which helped lower repayment charges in the short to medium term
- Capital Spending in 2018/2019
- At the end of the year, the Authority's revenue reserve balances amounted to £83.178m
- Financial outlook for the Authority – continued need for further savings
- Expenditure and funding analysis – setting out all activities and the cost of services
- Movement in reserves statement – the total amount of reserves had reduced mainly due to the technical pension negative reserve and it was anticipated that this would deteriorate further. Usable reserved had increased
- Short Term Investments – There was an increase in short term investment from £25,500 (k) in 2018 to £121,772 (k) in 2019
- £100 Million was being held in advance of spending n the Capital Programme
- Cash Flow Statement
- Movements in earmarked reserves
- Officers' Remuneration and departure costs through the voluntary redundancy scheme
- Grant Income
- Contingent Liabilities – specifically those with unknown effect
- Housing Revenue Account

The Committee asked questions in relation to European Regional Development Fund; expenditure / overspend; capital repayment, MRP Policy and additional borrowing

The Chair congratulated the Chief Finance Officer and his team for the comprehensive accounts.

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

**17 Reports of the Wales Audit Office: -**

**a City and County of Swansea - Audit Enquiries to Those Charged with Governance and Management.**

David Williams and Anthony Veale, Wales Audit Office, presented correspondence in respect of audit enquires to those charges with governance and management.

**b Draft ISA 260 Report.**

David Williams and Anthony Veale, Wales Audit Office, presented a report on 'Audit of Financial Statements Report – City and County of Swansea 2018/19' in which the following was highlighted: -

- The report provided a positive opinion overall
- Approach to the Audit
- Materiality set at £8.6 Million for the City and County of Swansea
- International Standard on Auditing (ISA) 260
- A separate report would be provided in respect of the Pension Fund and that would be reported to the Pension Fund Committee
- Status of Audit – some issues remained outstanding and there was also continuing correspondence from an elector. The report could not be signed off until that correspondence had concluded
- The Letter of Representation was set out at Appendix 1 – it was anticipated that this would be signed following Council on 29 August 2019
- Appendix 3 of the report outlined a summary of matters which needed correction
- Additional Pension Liability – impact of the McCloud judgement on public service pension schemes
- Appendix 4 of the report outlined the recommendations arising from the 2018/19 financial audit – three recommendations were made and responses had been received

The final report would be presented to Council on 29 August 2019.

The Chair stated that she was content with the ISA 260 and requested that the recommendations made in the report be transferred to an external tracker report for the Committee.

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

**18 Overview of the Overall Status of Risk - Quarter 1 2019/20. (For Information)**

Richard Rowlands, Strategic Delivery & Performance Manager, presented a report on 'Overview of the Overall Status of Risk – Quarter 1 2019/20'. The summary of the overall status of risk within the Council – Quarter 1 2019/20 was attached at Appendix A.

It was reported that 97.4% of risks that were in place as at Quarter 4 2018/19 were recorded as having been reviewed in Quarter 1 2019/20. That was an improvement on the position at Quarter 4 2018/19 where 85.6% of risks had been reviewed since Quarter 3 2018/19.

25 out of 28 risks (89.3%) that were closed had reasons / comments for doing so recorded, compared to 18% in Quarter 4 2018/19.

The annual review of Corporate Risks took place in May 2019 and a new strategic risk was identified for the Corporate Risk Register on the capacity of the highways and transport infrastructure to meet future demand.

The Corporate Risk Register Report 11/07/19 was attached at Appendix B. Corporate Risk 81: City Centre and Corporate Risk 90: Decision to leave the European Union (BREXIT) were highlighted.

The Corporate Services Risk Register Report 11/07/19 was attached at Appendix C.

It was reported that work was ongoing in respect of developing a new Risk Register Application.

The Chair noted that she had some concerns over the content of the Risk Register. The Committee asked questions regarding the risks which had not been reviewed in Quarter 1 and the meaning of 'Risk Replaced'. They also noted the jargon / abbreviations used in the report as well as those risks closed without a recorded reason.

The Chair thanked the Strategic Delivery & Performance Manager and his team for their hard work and effort in delivering this work.

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

**19 Revenue Financial Outturn 2018/19. (For Information)**

Ben Smith, Chief Finance Officer, provided a report on 'Revenue Financial Outturn 2018/19'.

He specifically highlighted another overspend in respect of services, which could not be sustained in the long term.

The Committee discussed the position / possible action regarding continued service overspends. Directors were specifically tasked with providing the Committee with

sight of their full action plans detailing how they intended to deliver credible savings to rebalance the budget as a matter of urgency.

Questions were asked on Capitalisation, Contingency Fund and Reserves.

**Resolved** that the Chair of the Audit Committee, notify Council of the concerns on overspend and the need for Directors to evidence full delivery plans in respect of savings.

## 20 **Draft Annual Governance Statement.**

Tracey Meredith, Chief Legal Officer, presented a report on 'Draft Governance Statement 2018/19' and highlighted the principles of 'Delivering Good Governance in Local Government Framework 2016' established by CIPFA and SOLACE.

The Annual Governance Statement was based on a number of sources of Assurance both internal and external.

- **Internal Sources of Assurance**

There had been amendments to the Senior Management Assurance Statements. The assurance statements showed an overall 'strong application' of good governance across the assurance areas.

The greatest maturity in was reported in budget monitoring, whilst the weakest maturity assessment was reported in Performance Measurement and Management. Assurance was also provided from Core Evidence received from Council, Cabinet and Committees, the Monitoring Officer, Section 151 Officer and Chief Internal Auditor with the opinion of the Audit Committee to be provided.

- **External Sources of Assurance** – External Auditors (Wales Audit Office), External Regulation / Inspections and Statutory Inspections.

The Chief Legal Officer also highlighted the significant governance issues set out in the Annual Governance Statement which were identified during the review of effectiveness along with the action taken.

The Committee asked questions around Principles B & F, Senior Management Assurance Statements and representation from the Audit Committee on the Annual Governance Statement including the scope of that representation as an observer.

The Chair drew Committee's attention to the potential disconnect between those areas reported as scoring highly in the self-assessment by Senior Management and the Committee's own concerns expressed throughout the year especially around service overspending (and thus lack of evidenced budgetary control) and the maturity and rigour of the approach to risk management.

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

**21 Internal Audit Annual Report 2018/19.**

Simon Cockings, Chief Auditor, presented a report which outlines and reviews the work of the Internal Audit Section during 2018/19 and includes the Chief Auditor's required opinion on the internal control environment for 2018/19 based on the audit testing completed in the year.

He outlined and detailed the contents of the report, including the following key areas:

- Staffing issues;
- 87% of audits were completed to at least draft report stage during the year, whilst a further 5 audits were in progress
- Time spent per area was outlined in Appendix 1
- The audits finalised during 2018/19 were outlined fully at Appendix 2
- During the year 99% of recommendations made had been accepted by clients.
- Grants certified and audited in 2018/19
- Follow up audits undertaken
- Performance Indicators – 10 out of 11 Performance Indicators had been met, which was an improvement on 2017/18. These were outlined fully in Appendix 3
- Quality Assurance & Improvement Programme & Statement of Conformance with PSIAS
- Statement of Organisational Independence
- Internal Control Opinion

He placed on record his thanks to the team for their excellent work during the past year.

The Committee raised questions around issues of training, setting achievable targets, comparable performance indicators particularly with those Authorities that do not set / use performance indicators.

**Resolved** that the report be noted and approved.

**22 Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 April 2019 to 30 June 2019.**

This item was deferred as outlined in Minute 26

**23 Internal Audit Moderate Rating Follow Up Report - Young People's Services 2019/20. (Verbal)**

This item was deferred as outlined in Minute 26.

**24 Internal Audit Recommendation Follow-up Report Q1 2019/20.**

This item was deferred as outlined in Minute 26.

**25 Audit Committee Action Tracker Report. (For Information)**

This item was deferred as outlined in Minute 26.

**26 Audit Committee Work Plan. (For Information)**

This item was deferred save for a discussion regarding the Committees concerns over the size of the Agenda. The Committee discussed deferring items that were not time critical (Agenda Items 10-15 inclusive) until September and meeting more frequently in order to avoid such large agenda's in the future.

**Resolved** that items 10-15 inclusive be deferred.

**27 Scrutiny / Wales Audit Office Reports (For Information):**

This item was deferred as outlined in Minute 26.

**a Progress addressing Wales Audit Office Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities. (For Information)**

This item was deferred as outlined in Minute 26.

**b Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales Report. (For Information)**

This item was deferred as outlined in Minute 26.

**c Wales Audit Office Report - Local Government Services to Rural Communities. (For Information)**

This item was deferred as outlined in Minute 26.

**d Local Government Services to Rural Communities. (For Information)**

This item was deferred as outlined in Minute 26.

The meeting ended at 4.00 pm

**Chair**