



City and County of Swansea

Minutes of the Audit Committee

Committee Room 5, Guildhall, Swansea

Tuesday, 10 March 2020 at 2.00 pm

Present: P O'Connor (Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
E T Kirchner

Councillor(s)

P M Black
P K Jones
M B Lewis

Councillor(s)

D W Helliwell
J W Jones
T M White

Officer(s)

Jonathan Atter
Mark Barrow
Adrian Chard

Simon Cockings
Stuart Davies
Rob Myerscough
Jeremy Parkhouse
Ben Smith
Debbie Smith
Gethin Sutton
Nigel Williams

Headteacher - Gwyrasydd Primary School
Fleet Manager
Strategic Human Resources and Organisational
Development Manager
Chief Auditor
Head of Highways & Transportation
Area Support Manager
Democratic Services Officer
Chief Finance Officer / Section 151 Officer
Deputy Chief Legal Officer
Headteacher - Ysgol Pen y Bryn
Head of Building Services

Also Present

Viv Dodd Chair of Governors - Gwyrasydd Primary School

Apologies for Absence

L Walton

82 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 M Black – Minutes No. 89 – Draft Internal Audit Annual Plan 2020/21 – School Governor at Pentrehafof Comprehensive School – personal.

Councillor P R Hood-Williams – Minute No.83 – Internal Audit Annual Plan 2019/20 – Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019 – Governor of Crwys and Cila Primary Schools – personal.

Councillor J W Jones - Minute No.83 – Internal Audit Annual Plan 2019/20 – Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019 – Governor of Olchfa Comprehensive School – personal.

Councillor M B Lewis – Minute No.89 – Draft Internal Audit Annual Plan 2020/21 – Member of the Port Health Authority – personal.

Councillor T M White – Minute No. 89 – Draft Internal Audit Annual Plan 2020/21 – Member of the Port Health Authority, School Governor at Pentrehafod Comprehensive School and Councillors Expenses & Allowances – personal.

83 Internal Audit Annual Plan 2019/20 - Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019. (Simon Cockings)

Simon Cockings, Chief Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2019 to 31 December 2019.

A total of 39 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. Appendix 2 provided a summary of the scope of the reviews finalised during the period.

A total of 482 audit recommendations were made and management agreed to implement 480 recommendations, i.e. 99% of the recommendations made were accepted against a target of 95%. Details of those recommendations that were not accepted were provided at Appendix 3. Details of the grants certified in the quarter were also provided.

Appendix 3 also showed that by the end of December 2019, 59% of the planned reviews had been completed to at least draft report stage, with an additional 33% of the planned audits in progress. As a result approximately 92% of the Audit Plan was either completed or in progress.

It was added that five moderate reports were issued in the quarter and brief details of the significant issues which led to the moderate ratings were provided. These were for the following service areas and progress updates were provided at the meeting: -

- Gwyrosydd Primary School;
- Ysgol Pen-y-Bryn;
- Fleet Maintenance;
- Building Services Plant (Heol y Gors);
- Employment of Agency Staff.

Information regarding the follow-ups completed between 1 October 2019 to 31 December 2019 were provided, including the second follow up of the Young People's Services audit in November 2019, which concluded that significant progress had been made in implementing the outstanding recommendations. Follow up work was also undertaken in relation to the Swansea Bay City Deal.

The Chair and Chief Finance Officer expressed concern regarding the common themes of procurement, purchasing, lack of control, lack of compliance, lack of resources, lack of management control and the lack of IT progress. The Chair added that she would like to see those responsible to be held to account in order for these issues to be addressed.

Resolved that the contents of the report be noted.

84 Gwrosydd Primary School Audit Report 2019/20. (Jonathan Atter - Headteacher)

Jonathan Atter and Viv Dodd, Headteacher and Chair of Governors at Gwrosydd Primary School presented a report that provided an update on the Gwrosydd Primary School Audit Report 2019/20.

It was outlined that as a result of an internal audit of the school in 2019, a moderate assurance level was given. Following this, an action plan, provided at Appendix A, was developed to address the issues identified and appropriate implementation steps put in place.

The follow up Audit in January 2020 acknowledged that 18 of 21 recommendations were being fully implemented. 3 low risk recommendations had not been fully implemented and would be reviewed at the next Audit review. These had now been implemented from the point of view of the school.

The Action Plan highlighted all the high and medium risk items, progress to date / updated actions in the areas below as follows: -

- Banking procedures
- Unofficial funds
- School meal income
- Expenditure
- Inventory
- Computer security

The Committee asked questions of the Headteacher and Chair of Governors in relation to the report and responses were provided accordingly.

Discussions centred around the following: -

- Lack of financial procedures undertaken by the school / Governing Body / lack of awareness of financial procedure;
- How larger items (over £5k) were referred to the Governing Body, breaches caused by cumulative spends on providing supply cover / covering utility bills, lack of official orders on SIMS and how no spends of over £5k were made without the knowledge of the Headteacher;
- Auditing of the school fund, how everything was clear and transparent and VAT issues highlighted;

- Lack of procurement advice available to schools and acceptance of oversights made in respect of cumulative spend;
- How all spends made were for the benefit of the School and its pupils;
- How the Headteacher kept the Governing Body informed of spending and had managed to obtain items outside of the formal ordering process, e.g. several whiteboards for £150, saving the School significant expenditure;

The Chair thanked the Headteacher and Chair of Governors for attending the meeting and for providing assurance. She added that the control of cumulative spend was critical and that procurement advice available to schools required strengthening, particularly the lack of official orders which had become a regular theme.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The Chief Auditor notes the regular occurrence of lack of official orders on SIMS in future school audits.

85 Ysgol Pen y Bryn Audit Report Update 2019/20. (Gethin Sutton - Headteacher)

Gethin Sutton, Headteacher of Ysgol Pen Y Bryn presented a report that provided an update on the Ysgol Pen Y Bryn Audit Report 2019/20.

It was outlined that as a result of an internal audit of the school in 2019, a moderate assurance level was given. The report highlighted only five Medium Risk items as there were no High Risk actions to address. All items were listed in the Management Action Plan at Appendix A, which details all recommendations, Medium Risk, Low Risk and recommended Good Practice, as well as the associated actions taken to remove them.

A follow up visit in January noted that good progress had been made although 7 of the 25 recommendations had not been fully implemented, including 2 Medium Risks, 4 Low Risks and 1 Good Practice. The Headteacher provided a progress update regarding the outstanding actions and explained that the delay had been caused by him having to take time off to recover from an operation. He confirmed that only 1 action was not fully implemented.

The Action Plan highlighted all the high and medium risk items, progress to date / updated actions in the areas below as follows: -

- Unofficial funds
- Expenditure
- Management of delegated resources
- Bank reconciliations
- Inventory
- Mini buses
- Computer security

The Committee asked questions of the Headteacher in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Closure of dormant flexible saver account highlighted in the audit;
- Official orders being raised in advance for all expenditure to ensure authorisation / non-order payments being restricted to utilities / teaching supply invoices only;
- Monitoring of the school budget going forward;
- Attendance at a conference in Swansea by school representatives, the significant benefit this had brought to the senior team;
- Concern regarding the cost of attendance / overnight accommodation when teachers worked in Swansea, decision to cease attending future conferences by the school and the Chair's unease with the school's previous attendance / justification of the cost of attendance;
- How all spends made were for the benefit of the School and its pupils.

The Chair thanked the Headteacher for attending the meeting and for providing assurance. She stressed the importance of complying with internal control systems to safeguard the school and its teaching staff.

Resolved that the contents of the report be noted.

86 Fleet Maintenance Audit Report 2019/20. (Mark Barrow)

Stuart Davies, Head of Highways and Transportation and Mark Barrow, Fleet Manager presented a report that provided an update on the Fleet Maintenance Audit Report 2019/20.

It was outlined that as a result of an internal audit of the service area in 2019, a moderate assurance level was given. The report addressed 1 high risk and 1 medium risk within the Final Internal Audit Report provided at Appendix A. All other risks were either low risk or good practice. An Action Plan was developed and was provided at Appendix B.

The Action Plan highlighted all the high risk, medium risk, low risk, good practice and progress to date / updated actions in the areas below as follows: -

- Purchase cards (P-Cards)
- Stores – Oil, tools & tyres
- Expenditure
- Third party recharges / income
- Inventory
- Petty cash

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Compliance with Council's Contract Procedure Rules (CPR), particularly all eligible single or aggregated expenditure being subject to competitive tender or quotations or obtaining a CPR 20 waiver if this was not possible;
- Implementing all the actions within the Action Plan by March 2021;
- Working in partnership with Neath Port Talbot County Borough Council in specialist areas by 2021;
- Inability due to lack of resources to introduce a system of independent review / spot checks to confirm parts / oil requisitioned from the Stores had been fitted to the relevant vehicle, the continued need to trust highly skilled / qualified employees in ensuring all vehicles were road worthy and legal and the option of introducing six monthly checks;
- Materiality risk in respect of consumables and management controls;
- Supervision of work / shop floor procedures undertaken;
- Audit / stock control measures / contracts awarded for tyre provision under appropriate CPR / possibility of introducing bar coding for stock control;
- Significant ongoing work managing the fleet;
- Sub contract / non-contract spend / lack of control with the ordering of supplies / introduction of new stores system.

The Chair thanked the Officers for providing the update and assurance. She highlighted the lack of control, particularly in respect of stores / ordering and added that based on materiality of expenditure that consideration be given to retrospective checks on usage / costs. The Chair suggested that Officers seek further advice from the Chief Auditor to introduce appropriate level of controls.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The Officers liaise with the Chief Auditor regarding the retrospective nature of checking.

**87 Building Services Plant - Findings Update - Internal Audit Report 2019/20.
(Robert Myerscough)**

Nigel Williams, Head of Building Services and Rob Myerscough, Area Support Manager – Transport provided an update on the Building Services Plant – Findings Update Internal Audit 2019/20.

As a result of an internal audit on the Building Services Plant function carried out in 2019, an assurance level of moderate was given. Following this, an action plan, provided at Appendix A, was developed to address the issues identified and appropriate implementation steps put in place. Appendix B provided a graph of plant items out.

The Action Plan provided at Appendix A highlighted all the high, medium and low risk items, progress to date / updated actions in the areas below as follows: -

- Plant records
- Movement of Plant

- Orders and payment of invoices
- Recharges
- Red diesel

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Regular sample testing of stock to confirm that records maintained were accurate, progress made and bi-annual testing;
- Management / coding of plant / store items;
- The Service challenging itself to make improvements / provide assurance;
- Significant improvements made by the service;
- Testing of all electrical items on a quarterly basis and maintaining a register of the stock;
- Possibility of introducing bar reader for plant items.

The Chair thanked the Officers for presenting the update report and for providing assurance through the significant improvements made, particularly in respect of stock / plant management.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The service area further investigates the introduction of a bar reader in respect of stock management.

88 Employment of Agency Staff - Audit Report 2019/20. (Adrian Chard)

Adrian Chard, Strategic HR & OD Manager and Ben Smith, Chief Finance Officer, presented a report which outlined the actions arising from the Employment of Agency Staff Audit Report 2019/20.

As a result of an internal audit on the Employment of Agency Staff carried out in 2019, an assurance level of moderate was given. Actions had been taken to address the issues identified and appropriate implementation steps put in place.

An Action Plan provided highlighted all the medium risk items only (there were no high-risk actions), progress to date / updated actions. The current Agency Workers Policy was provided at Appendix A.

The Committee asked questions of the Officer in relation to the report and responses were provided accordingly. Discussions centred around the following: -

- Concern regarding that the period April to November 2018 was reviewed and not a more up to date period,
- Non-compliance with policies and procedures throughout the Authority, potentially during the last 12 months;
- The delay in obtaining relevant information from departments;
- Lack of up to date information available regarding non-compliance and spend;

- Agency workers being employed in certain sections for over 12 months / vacancies not being filled and Agency workers still being employed in those areas;
- There were approximately 150 agency workers posts currently in the Authority which cost a significant amount;
- Lack of internal control and introducing triggers to ensure procedural compliance;
- Detailed testing due to occur during the Quarter 1 follow-up audit.

The Chair thanked the Officers for presenting the report and expressed concern regarding the lack of accountability and control throughout the Authority with regard to the employment of agency workers.

Resolved that: -

- 1) The content of the report be noted;
- 2) The Strategic HR & OD Manager provides up to date agency worker numbers, levels of non-compliance and cost to the Authority and this detail be reported to the next meeting in the Audit Committee Tracker report.

89 Draft Internal Audit Annual Plan 2020/21. (Simon Cockings)

The Chief Auditor presented the Draft Internal Audit Annual Plan for 2020/21 for consideration, prior to the final plan coming to Committee in April 2020 for approval.

Appendix 1 provided the draft Internal Audit Annual Plan 2020/21(Summary) and Appendix 2 provided the Draft Internal Audit Annual Plan 2020/21.

The Chair commented that following discussions with the Chief Auditor, critical issues like governance, risk management, partnerships and delegated decision-making were included in the plan. She also reiterated that she had concerns regarding procedures and wide scale non-compliance. The Committee also commented upon a pattern of non-compliance and silo working.

Resolved that: -

- 1) The contents of the report be noted;
- 2) Any potential additional items be highlighted to the Chief Auditor.

90 Audit Committee Action Tracker Report. (For Information) (Jeremy Parkhouse)

The Audit Committee Action Tracker report was provided 'for information'.

The Chair stated that she was scheduled to meet with the Chief Executive on 16 March 2020 to discuss some outstanding issues.

91 Audit Committee Work Plan. (For Information) (Jeremy Parkhouse)

The Audit Committee Work Plan was reported for information.

Minutes of the Audit Committee (10.03.2020)
Cont'd

The meeting ended at 4.10 pm

Chair