



City and County of Swansea

Minutes of the Adjourned **Audit Committee**

Remotely via Microsoft Teams

Monday, 1 June 2020 at 10.00 am

Present: P O'Connor (Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
L V Walton

Councillor(s)

P M Black
O G James
T M White

Councillor(s)

D W Helliwell
S Pritchard

Officer(s)

Simon Cockings
Huw Evans
Jeff Fish
Adam Hill
Tracey Meredith
Jeremy Parkhouse
Richard Rowlands
Ben Smith

Chief Auditor
Head of Democratic Services
Corporate Fraud Team Investigator
Deputy Chief Executive / Director of Resources
Chief Legal Officer / Monitoring Officer
Democratic Services Officer
Strategic Delivery & Performance Manager
Chief Finance Officer / Section 151 Officer

Also Present

Jason Garcia Wales Audit Office

Apologies for Absence

None.

93 **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: -

Councillors P M Black, P R Hood-Williams, J W Jones and T M White declared personal interests as school governors in Minute No.95 – Internal Audit Strategy and Annual Plan 2020/21.

Councillors C Anderson, M B Lewis and T M White declared personal interests as members of the Port Health Authority in Minute No.95 – Internal Audit Strategy and Annual Plan 2020/21.

94 Internal Audit Charter 2020/21. (Simon Cockings)

Simon Cockings, Chief Auditor presented a report which sought to approve the Internal Audit Charter 2020/21. 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 Committee queried that in light of proposed legislative changes, how the relationship between the Audit Committee and Scrutiny would be managed and emphasised the need to avoid duplication.

Resolved that the Internal Audit Charter 2020/21 be approved.

95 Internal Audit Strategy & Annual Plan 2020/21. (For Information) (Simon Cockings)

The Chief Auditor presented a report that sought approval of the Internal Audit Plan and Internal Audit Strategy for 2020/21.

The Internal Audit Strategy was provided at Appendix 1, a summary of the Internal Audit Plan 2020/21 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 2020/21, the Internal Audit Section comprised of 9.1 full time equivalents plus the Chief Auditor, the same level of resources as 2019/20. 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: -

- The effect of Covid 19 on the Audit Plan going forward, how staff had worked during lockdown and the expectation that the Plan results would be effected;
- Audit of grants received and monitoring these going forward;
- Managing the workload contained in the Audit Plan, prioritising areas of highest risk.

The Chair stated that the Audit Plan was very ambitious but it would be impacted by Covid 19. It was noted that some area had a limited number of days for review and

may require in-year adjustment. She added that it was important to review the Plan throughout the year and proposed that quarterly updates be provided to the Audit Committee. She concluded that the Plan was a high risk for the Authority and sufficient coverage was needed to provide assurance at the end of the year.

Resolved that: -

- 1) the Internal Audit Plan and Strategy for 2020-21 be approved;
- 2) Quarterly updates be provided throughout 2020-21.

96 Draft Audit Committee Annual Report 2019/2020. (Simon Cockings)

The Chief Auditor presented the Draft Audit Committee Annual Report 2019-2020.

The Chair stated that there were amendments required to the report and proposed that the report be deferred until the next Audit Committee meeting.

Resolved that the report be deferred to the next Audit Committee meeting.

97 Internal Audit Annual Report 2019/2020. (Simon Cockings)

The Chief Auditor presented a report which reviewed the work of the Internal Audit Section during 2019-20 and included the Chief Auditor's required opinion on the internal control environment for 2019-20 based on the audit testing completed in the year.

A summary of the time spent in 2019-20 on the different categories of Internal Audit work was provided at Appendix 1. He made reference to 93% of the audit assignments on the Annual Plan 2019-20 being completed or in progress as at 31 March 2020.

A complete list of each audit finalised during 2019-20, along with the level of assurance, the number of recommendations made and accepted were outlined in Appendix 2 and the performance indicators 2019-20 were detailed in Appendix 3.

Details of the following were provided: -

- Follow up work completed;
- Performance indicators;
- Quality assurance and improvement programme and statement of conformance with the Public Sector Internal Audit Standards (PSIAS);
- Statement of organisational independence;
- The Chief Auditor's opinion on the work completed in 2019-20.

The Section 151 Officer referred to substantial and moderate levels of assurance within his service and informed the Committee of his intention to strengthen these areas.

The Committee discussed the following: -

- The report being very positive, particularly before Covid 19 and the good job being done by the Chief Auditor and his Internal Audit team;
- The excellent progress made in relation to work completed throughout the year by Internal Audit;
- Additional resources being provided to Accounts Receivable.

The Chair thanked and congratulated the Chief Auditor and Internal Audit staff for completing a huge programme of work.

Resolved that the Internal Audit Annual Report 2019-20 be approved.

98 Internal Audit Recommendation Tracking Quarter 4 Report 2019/2020. (Simon Cockings)

The Chief Auditor presented a 'for information' report which provided the Committee with the status of the recommendations made in those audits where the follow-up's had been undertaken in Quarter 4, 2019-20. The report allowed the Audit Committee to monitor the implementation of recommendations made by Internal Audit.

99 Internal Audit Section - Fraud Function Anti-Fraud Plan for 2020/2021. (Jeff Fish / Jonathan Rogers)

Jeff Fish, Corporate Fraud Team Investigator presented the report on the Anti-Fraud Plan for 2020/2021. He noted that the Anti-Fraud Plan for 2020/2021 remained very similar to 2019/20 and outlined its aims. He added that the work of the Team was largely reactive and highlighted the impact of Covid 19 upon the work of the team, including the different types of fraud being encountered during the lockdown and the continued large amount of routine work.

Appendix 1 provided the Anti-Fraud Risk Assessment Checklist 2020/21, Appendix 2 provided the Anti-Fraud Statement 2020/21 and Appendix 3 provided the Anti-Fraud Plan 2020/21.

The Committee discussed the following: -

- The balanced approach being undertaken by the Team and ensuring that employees of the Authority were claiming all benefits they were entitled to claim;
- The different types of scams being encountered;
- How the lockdown had affected the working practices of the Team

The Chair commented on the lack of proactive work being undertaken and added that the absence of this work was a risk for the Council.

Resolved that the Anti-Fraud Plan for 2020-21 be approved.

100 Draft Annual Governance Statement. (Richard Rowlands)

Richard Rowlands, Strategic Delivery & Performance Manager provided the Draft Annual Governance Statement 2019-20 report for review by the Audit Committee, prior to the report being forwarded to Council as part of the Statement of Accounts.

He referred to the Annual Governance Statement provided at Appendix A, how the Authority had complied with the 'Framework for Good Governance in Local Government', the establishment of the Annual Governance Group, internal sources of assurance, the work of the Audit Committee and the list of proposed actions to be undertaken in 2020-21.

Councillor L V Walton, the Audit Committee representative on the Annual Governance Group commented on the background work undertaken by the Group, the significant governance issues linked to the Framework which were contained in the report and the numbers contained in the risk register.

The Committee queried why there was no reference to Policy Development Committees in the report and the Chair highlighted minor typographical errors at paragraphs 9.12 and 9.13 of the report, which would be amended.

Resolved that the Annual Governance Statement 2019-20, subject to the typographical changes and the reference to Policy Development Committees highlighted above, be endorsed and referred to Council for approval.

101 Performance Management Framework. (For Information) (Richard Rowlands)

The Strategic Delivery & Performance Manager provided a 'for information' report on the Council's Performance Management Framework.

The report provided an introduction to the Framework and outlined how it fitted into the Council's overall governance arrangements. It was highlighted that the Council's Framework provided a key element of the governance arrangements and the principles of good governance based on the 'Delivering Governance in Local Government' framework published by CIPFA and SOLACE in 2016.

The main elements of the Performance Management Framework were provided and included:

- Corporate Plan
- Service Plans
- Appraisals
- Performance Monitoring

The Chair referred to the performance management diagram and highlighted the recurring theme of the inability to achieve savings and how officers / staff were held to account.

It was explained that performance management was reviewed by both the Corporate Management Team and Scrutiny, which provided a level of accountability and challenge.

102 Wales Audit Office - Annual Audit Summary 2019. (Jason Garcia)

Jason Garcia, Wales Audit Office (WAO) presented the Annual Audit Summary 2019 report. It was outlined that WAO completed work each year to meet the following duties:

- Audit of Accounts
- Value for Money
- Continuous Improvement
- Sustainable Development Principle

It was added that in order to meet their duties, WAO completed specific projects but also relied upon other audit work including the work of other regulators such as Care Inspectorate Wales and Estyn.

The findings of the audit work completed in respect of the audit of City & County of Swansea 2018-19 Accounts, value for money, continuous improvement, well-being of future generations examinations and other inspectorates was provided.

103 Wales Audit Office - Financial Sustainability Assessment 2019-20. (Jason Garcia)

Jason Garcia, Wales Audit Office (WAO) presented the Financial Sustainability Assessment 2019-20 report for the City & County of Swansea.

It was outlined that WAO assessed the sustainability of all Welsh councils' short to medium-term financial position, which included a focus upon the financial strategy of each council as well as reviewing financial indicators of each council's financial position regarding performance against the budget; delivery of savings plans; use of reserves; Council Tax; and borrowing.

Exhibit 1 provided background information regarding the Council and Exhibit 2 provided the sources of revenue of the Council.

WAO concluded that overall, the Council continued to face a significant financial challenge and needed to deliver its savings plans at the pace and scale required, whilst controlling service spending within budgets. This would remove the reliance upon one-off central financing measures to otherwise successfully balance the overall budget.

The reasons for arriving at the above conclusion and a detailed analysis of each area of investigation were outlined in the report.

Exhibit 4 provided the projected funding gap the Council had identified for the period 2020-21 to 2023-24 and Exhibit 5 provided the amount of overspend / underspend relative to the total net revenue budget. Exhibits 7, 8 and 9 contained the amount of

reserves against the annual budget, Council Tax collection rates and details of Council borrowing.

Ben Smith, Section 151 Officer stated that the report focussed upon money being withdrawn from reserves in order to cover budget overspends and highlighted that the Council had also deposited funds into the reserves, particularly capital funds. This had allowed the Authority to finance projects such as the Field Hospital built on Fabian Way.

Councillor R C Stewart, Leader of the Council commented that the report was balanced and added that the Authority had achieved a balanced budget this year and had introduced strict directorate rules whereby any budget overspends had to be financed by the directorate concerned.

He also highlighted that these savings had to be met in the context of the austerity cuts, which required over £70m of savings, he also paid tribute to the Section 151 Officer and his staff for their work and focussed upon the very positive outturn position this year.

The Committee discussed the following: -

- Use of reserves to cover budget overspends and the relatively low amounts of money involved;
- Utilising earmarking reserves for specific purposes and not using reserves to fund budget overspends;
- Councillors having the opportunity to compare the report with other Welsh authorities;
- The Authority using reserves and not delivering on identifying and achieving revenue budget savings;
- The Council's poor track record in delivering savings;
- The positive results achieved in the 2019/20 financial year;
- The adequate level of reserves highlighted by WAO.

The Chair added that the report was fair, balanced and did not contain any surprises due to Committee being kept well informed regarding progress.

104 Wales Audit Office Proposals for Improvement: Six-month Status Update - July 2019 - December 2019. (For Information) (Richard Rowlands)

The Wales Audit Office Proposals for Improvement Six-month Update July – December 2019 report was provided 'for information'.

It was confirmed that Scrutiny would challenge and follow-up the progress made.

105 Revenue and Capital Budget Monitoring 3rd Quarter 2019/20. (For Information) (Ben Smith)

The Revenue and Capital Budget Monitoring 3rd Quarter 2019/20 report was provided 'for information'.

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

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

The Chief Auditor confirmed that a check of the DBS system had been added to the Internal Audit workplan.

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

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

The meeting ended at 12.06 pm

Chair