



## Report of the Chair of the Audit Committee

Audit Committee – 30 June 2020

### Draft Audit Committee Annual Report 2019/20

<b>Purpose:</b>	This report provides the draft Audit Committee Annual Report 2019/20 Municipal year.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation:</b>	It is recommended that the Audit Committee review and discuss the Audit Committee Annual Report 2019/20 so that any suggested amendments can be made prior to the final version being presented to Council.
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<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar



# **Draft Audit Committee Annual Report 2019/20**

**City & County of Swansea**

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## **1. Foreword by Mrs Paula O'Connor, Chair of the Audit Committee**

- 1.1 At the time of writing this report the Council is facing unprecedented and challenging times as a result of the Covid-19 virus. As a result some Audit Committee meetings have been cancelled to enable valuable staff resource to be deployed to areas of greatest need. The Chair acknowledges that Council are endeavouring to maintain continuity of governance arrangements through this challenging time.
- 1.2 The Chair pays tribute to all staff and officers of the Council as well as the Council Partners' for their commitment and work being achieved to maintain services and support in such challenging circumstances.
- 1.3 This report provides an overview of the Audit Committee's work in the municipal year 2019/20. On 11th June 2019 the Audit Committee considered the election of Chair for 2019-20 Municipal Year where it was resolved that Paula O'Connor be elected Chair. At the same meeting Councillor P R Hood-Williams was elected Vice-Chair for the 2019-20 Municipal Year.
- 1.4 I am pleased to present this report prepared by the Chief Auditor and Democratic Services that reflects on the work of the Audit Committee. It also contains progress made by the Audit Committee in addressing the Wales Audit Office recommendations following their review of the Committee's performance against best practice CIPFA framework in September 2019.
- 1.5 In the 2018/19 Annual Report the Audit Committee gave an ongoing commitment to progressing the necessary action to address the Wales Audit Office recommendations. The Committee at every meeting reviewed progress against those recommendations with the aim of developing and strengthening the Committee's effectiveness in fulfilling the Committee's terms of reference.
- 1.6 The presentation on the Assurance Framework and the reporting on the Council's Risks was a significant step forward in 2018/19 in improving the Committee's ability to reflect on the effectiveness of governance, risk management and control that supports and informs the Council's Annual Governance Statement. However, the development and roll out of a new electronic risk management system was delayed during the year and the Chair and Audit Committee members have expressed concern that in the absence of a robust system that this will need to be highlighted in the Council's Annual Governance Statement at the year end.
- 1.7 We have reviewed the work programme at each Committee meeting, taking account of risk and priorities.
- 1.8 The Chair and Chief Internal Auditor attended the All Wales Audit Committee Chairs network in October 2019. The Network was established across all local Authorities in Wales, to bring together Chairs in an environment where there is opportunity to network, share ideas and problem solve with peers performing similar roles. The WGLA sponsored the event, and agenda items were delivered by WAO and CIPFA, with contributions from Heads of Internal Audit and Chairs. Within the governance item the Network received a particularly informative overview of the proposed changes to the role of the Audit Committee through the Draft Local Government and Elections (Wales) Bill. The Bill proposes to expand the remit of the Committee, through a renaming of the

Committee as Governance and Audit Committee, and expanding its responsibilities into areas of performance management. The Bill also proposes changes to the composition of the Committee, with minimum proportions of lay members (1/3 of Committee) and the requirement for a lay chairperson. The Committee will be keen to understand how its responsibilities may increase through the Bill, and to ensure it effectively responds and continues to discharge its role comprehensively. The Wales Audit Office will be asked to deliver a session of practical guidance and support to our next Chairs' Network, scheduled for July 2020. The Network will meet again in July 2020.

- 1.9 The Audit Committees progress in addressing the Wales Audit Office recommendations is appended to this report at Appendix 3.
- 1.10 The Audit Committee terms of reference states that the Committee “oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.”
- 1.11 The Committee received the 2019/20 Internal Audit Plan and Charter on 9th April 2019 and has received reports regularly during the year from the Chief Internal Auditor. The Chair has expressed her gratitude to the Chief Auditor in responding to a request to enhance the detail in the reports to provide further understanding of the work undertaken and the risks identified. During 2019/20 the Chief Auditor reported a number of Moderate Assurance audit reports that resulted in those responsible attending Audit Committee to give assurance that appropriate action was being taken where significant weaknesses in control were identified.
- 1.12 The Wales Audit Office presented their 2019 Audit Plan to the Audit Committee on 9th April 2019, and has provided the Committee with regular updates to their work. In 2017/18 the Chair suggested that consideration be given to developing a tracker to give focus to improved completion of external audit recommendations. This work is yet to be completed but the Chair acknowledges that Scrutiny Committee has the opportunity to challenge non implementation of recommendations as well as the Audit Committee.
- 1.13 The Chair has met during the period with the Deputy Chief Executive, S151 Officer, Monitoring Officer, Chief Internal Auditor and the Wales Audit Office. A meeting is being arranged with the Chief Executive to communicate Audit Committee concerns in a number of key risk areas that include, robustness of Directorates saving plans, workforce pressures, risk management arrangements and reporting of risk to Audit Committee, production of annual governance statement and the role of the Governance Group.
- 1.14 At the meeting on 9th April 2019 the Committee received the Corporate Fraud Team's Anti-Fraud Plan for 2019/20 that was similar to the plan in 2018/19. The Corporate Fraud Team informed the Committee that the work of the Team was largely reactive due to the limited resource. The Committee endorsed the plan subject to ongoing review of the resource position by the Council's Corporate Management Team and referral to Council for approval.
- 1.15 The Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer) presented the draft Annual Governance Statement 2018/19 at the meeting in August 2019. A final version was received at the Audit Committee on 16<sup>th</sup> September 2019 and the Audit Committee agreed that the Statement

be endorsed and referred to Council for Approval. The draft Annual Governance Statement for 2019/20 was presented to the Audit Committee in June 2020, prior to being reported to Council for approval.

- 1.16 The Chair attended the Scrutiny Panel Conference 10th June 2019 and also Scrutiny Panel on 8th July 2019.
- 1.17 The Committee discussed the concern regarding the cost of the capital programme, the level of reserves, the risk to the Authority and the need to scrutinise the risk. Also, it was noted that a recovery plan should be developed on how the Council plans to deal with overspends and that the Audit Committee should be provided with regular budget variation reports. The Chief Finance Officer / Section 151 Officer agreed to provide this information to future meetings.
- 1.18 Looking forward to 2020/21, the unprecedented challenges that are ongoing with the Covid-19 virus will clearly have an impact on the Council's governance and finance arrangements during the early to mid-part of the year. The April 2020 meeting of the Audit Committee was cancelled. However, it is clear that maintaining performance and managing the financial challenges the Council faces will continue as will the need to address the demands emerging from Covid-19. Within this context, the importance of an effective Audit Committee remains critical and the Committee is committed to enhancing its effectiveness through an ongoing training programme, delivering against the Wales Audit Office efficiency improvements and liaising with Officers to enhance the information that the Committee receives. The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the critical challenges that the Council faces.

## **2. Role of Audit Committee**

- 2.1 The Council is required, under the Local Government (Wales) Measure 2011 to have an Audit Committee which among other things must include at least one lay member.
- 2.2 The Measure requires the Audit Committee to:
  - Review and scrutinise the Council's financial affairs.
  - Make reports and recommendations in relation to the Authority's financial affairs.
  - Review and assess the risk management, internal control and corporate governance arrangements of the Authority.
  - Make reports and recommendations to the Authority on the adequacy and effectiveness of those arrangements.
  - Oversee the Council's internal and external audit arrangements and review the financial statements prepared by the Authority.
- 2.3 The Measure also requires Councils to have Lay Member in their Audit Committee. Currently, the Chair of Audit is the only Lay Member of the Audit Committee. It should be noted that the Committee is currently in the process of discussing proposals to increase the number of Lay Members on the

committee in anticipation of the introduction of new legislative requirements set out in the Local Government and Elections (Wales) Bill.

- 2.4 The work of the Audit Committee is structured so that the Committee can gain assurance over the areas identified above and to comply with its terms of reference as show in Appendix 1.
- 2.5 This draft report describes the assurance that has been gained by the Audit Committee from various sources during 2019/20 and also outlines a number of other areas where briefings have been provided to the Committee.
- 2.6 The draft Audit Committee Annual Report 2019/20 is reported to the Committee to provide members with the opportunity to give their views on the assurances received and to identify the key messages arising from the work of the Committee during the year which should be reported to Council.
- 2.7 The draft report will be amended for any comments made at this meeting with the final report being presented to the Audit Committee for formal approval. The Chair will then present the Annual Report to Council later in the year.

### **3 Work of the Audit Committee in 2019/20**

- 3.1 The Audit Committee has received regular reports in relation to standard agenda themes and receives reports of interest based on risk, governance and internal control measures. Each aspect is reported on below.

#### **Standard Items**

##### Internal Audit Assurance

- 3.2 The Audit Committee approved the Internal Audit Charter 2019/20 and 2020/21 as required by the Public Sector Internal Audit Standards.
- 3.3 The Audit Committee also approved the Internal Audit Annual Plan 2020/21 and has received quarterly monitoring reports from the Chief Auditor showing progress against the 2019/20 Audit Plan.
- 3.4 The quarterly monitoring reports identified any audits that received a moderate or limited level of assurance along with an outline of the issues which led to the audit receiving the negative assurance level. A second quarterly report was also introduced in year to allow the Committee to review and monitor the implementation of the recommendations made in the internal audit reports that had been issued.
- 3.5 From April 2018 the relevant Head of Service and Service Manager (or Headteacher and Chair of Governors) have been required to attend Audit Committee following a moderate or limited audit report being issued in order to provide an update to members as to what action is being taken to address the issues that have been highlighted by the audit.

- 3.6 The Internal Audit Annual Report for 2018/19 was reported to the Audit Committee in August 2019 and the Internal Audit Annual Report for 2019/20 was reported to the Audit Committee in May 2020. Both reports included a review of actual work completed compared to the Annual Plan.
- 3.7 The Internal Audit Annual Reports for both 2018/19 and 2019/20 also included the Chief Auditor's opinion on the internal control environment which in both cases, stated that based on the audit testing carried out reasonable assurance could be given that the systems of internal control were operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.
- 3.8 However, it should be noted that the Audit Committee has raised concern with risk management arrangements across the Council. In addition, the Committee has also commented upon the weaknesses in internal control that are emerging as a result of staff resource pressures and reductions.
- 3.9 The Internal Audit Annual Report of School Audits 2018/19 was presented to the Audit Committee. This report summarised the school audits undertaken during the year and identified some common themes identified across school audits.

#### Annual Governance Statement 2018/19 & 2019/20

- 3.10 The draft Annual Governance Statement for 2018/19 was presented to the Audit Committee in August 2019 and the final version was presented in September 2019. The draft Annual Governance Statement for 2019/20 was presented to the Audit Committee in June 2020, prior to being reported to Council for approval.
- 3.11 A Governance Group was established by the Council in 2018/19 comprising of the Deputy Chief Executive, Chief Finance Officer, Monitoring Officer and Strategic Delivery and Performance Manager. A member of the Audit Committee was also appointed to the Group in 2019/20. The Group is tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective across the Council. However, it should be noted that there have been very few meetings of the Governance Group throughout 2019/20 and as a result there has been little focus on the Annual Governance Statement throughout the year.
- 3.12 This presentation of the draft Annual Governance Statements gave the Committee the opportunity to review and comment upon the Statements to ensure that they properly reflected the assurances provided to the Committee.

#### Annual Statement of Accounts 2018/19 & 2019/20

- 3.13 The Chief Finance and Section 151 Officer presented the draft Statement of Accounts 2018/19 for the Council in August 2019. Officers answered a number of queries raised by members of the Committee. Due to the Covid-



19 pandemic, the draft Statement of Accounts for 2019/20 are due to be presented to the Committee in quarter two 2020.

- 3.14 Following completion of the audit of the Statement of Accounts 2018/19, the Wales Audit Office presented its ISA 260 reports on the audit of financial statements of the Council to the Audit Committee prior to the report going to Council. The report presented the detailed findings of the audit and stated that the Wales Audit Office view was that the accounts gave a true and fair view of the financial position of the Council.

#### External Audit Assurance

- 3.15 As well as the Audit of the Statement of Accounts reports mentioned above, the Wales Audit Office also provided an update report to the majority of scheduled meetings. The reports outlined the progress being made in financial and performance audit work to the Committee.

- 3.16 The Wales Audit Office also provided assurance to the Audit Committee by presenting the following reports:

- Audit Enquiries to Those Charged with Governance and Management
- ISA 260 Report 2018/19
- Progress addressing Wales Audit Office Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities.
- Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales.
- Local Government Services to Rural Communities.
- Wales Audit Office Audit Plan 2020

- 3.17 The Wales Audit Office Annual Audit Summary 2019 Report was presented to the Audit Committee on 26/05/20. The report praised the achievements of the Council in delivering the draft Annual Statement of Accounts for 2018/19 in May 2019 well ahead of the June deadline, which were noted as being good quality. The auditors gave an unqualified opinion on the Council's financial statements on 30 August 2019, 16 days ahead of the statutory deadline.

- 3.18 The report stated that the Wales Audit Office was satisfied that the Council has put in place proper arrangements to secure value for money from the resources it uses. However, it noted that significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position.

- 3.19 During 2019/20 the Wales Audit Office undertook a review of financial sustainability across all 22 Welsh Councils to assess the sustainability of councils' short to medium-term financial position. The report concluded that the Council continues to face a significant financial challenge and highlighted the fact that it needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets, thus removing

reliance on one off central financing measures to otherwise successfully balance the overall budget.

- 3.20 Through additional work with the Council, the Wales Audit Office report states that they have gained increased assurance that, through its Reshaping Board, senior management is providing a focused strategic input to support the transformation agenda and the delivery of associated financial savings. The report also noted that the better than anticipated Welsh Government funding settlement will to some extent ease, but not address the financial pressure facing the Council in the 2020-21 financial year.
- 3.21 The report concluded that the Council recognises the extent of the continuing financial challenge and the transformation required to its service delivery over the immediate and longer term. Accordingly, the Council is undertaking a fundamental review and refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace. The Wales Audit Office will be further reviewing these new transformation arrangements as part of their 2020 Audit Programme.

#### Implementation of Audit Recommendations

- 3.22 An important role undertaken by the Audit Committee is monitoring the implementation of agreed audit recommendations arising from both internal and external audit.
- 3.23 The implementation of any Internal Audit recommendations arising from the fundamental audits is reported to the Audit Committee in the Recommendations Tracker report. For 2018/19, the results of the tracker exercise showed that 76% of agreed recommendations had been implemented by 30<sup>th</sup> September 2019.
- 3.24 The implementation of any high or medium risk recommendations arising from non-fundamental audits that received a moderate or limited level of assurance are subject to follow up visits by Internal Audit to confirm they have been implemented. The results of the follow up audits are reported to the Audit Committee in the quarterly Internal Audit Monitoring Reports.
- 3.25 The Internal Controls Report presented to the Audit Committee by the external auditors includes any recommendations made as a result of their work and the action taken by management to implement the recommendations.

#### Governance and Risk Management

- 3.26 The Local Government (Wales) Measure 2011 makes the overview of risk management a function of the Audit Committee
- 3.27 A training presentation was made to the Committee on Risk Management during the year.

- 3.28 The Strategic Delivery & Performance Manager also provided regular updates to the Committee in relation to Risk Management throughout the year via the quarterly Overall Status of Risk Reports.
- 3.29 During the year, the Chair has not had access to the Corporate and Directorate Risk Registers, but members have had access to the Corporate and Directorate Risk Registers. The Corporate and Directorate Risk Registers were also presented to committee periodically throughout the year. However, it should be noted that a new Risk Management System was introduced in December 2019.
- 3.30 Following the introduction of the new electronic risk management system, work is ongoing to ensure the new system is embedded in the risk management processes of the Council. The committee members have access to the new system but are awaiting training. In addition, the committee has highlighted the fact that at present the reports available from the new system are not sufficient in providing an appropriate level of detail and assurance. The Strategic Delivery and Performance Manager is working to enhance the reports that are available from the system. Members have also highlighted concerns in relation to risks being 'closed' without the reason for closure being recorded on the system.
- 3.31 It should be noted that the Authority's external auditors highlighted some concerns in relation to the risk management controls across the Authority in the year. The committee also highlighted some concerns in relation to the time taken to roll out the new Risk Management System during the year. This remains one of the key areas of focus for the Audit Committee in 2020/21.
- 3.32 The Committee also received a presentation from the Deputy Chief Executive which outlined the Council's Governance Framework and has received one update from the Governance Group during the year. A member of the Audit Committee was also appointed to the Governance Group in the year.
- 3.33 In addition, all Directors attended Audit Committee to provide an update on the internal control environment and risk management within each of their directorates.

#### Relationship with Scrutiny Function

- 3.34 The Audit Committee has continued to develop a relationship with the Scrutiny function. The relationship is intended to ensure the following:
- Mutual awareness and understanding of the work of Scrutiny and the Audit Committee.
  - Respective workplans are coordinated to avoid duplication / gaps.
  - Clear mechanism for referral of issues if necessary.
- 3.35 The Chair of the Scrutiny Programme Committee has attended the Audit Committee to provide an update on the work of Scrutiny.

3.36 The Chair of the Audit Committee has also attended the Scrutiny Programme Committee to provide an update on the work of the Audit Committee.

#### Anti-Fraud

3.37 A Corporate Fraud Function was established during 2015/16 within the Internal Audit Section. The Corporate Fraud Annual Plan 2020/21 was due to be presented to the Committee in April 2020 prior to the meeting being cancelled. This will be presented to the Committee at a later meeting. The Corporate Fraud Function Annual Report 2018/19 was presented to the Audit Committee in October 2019. The Fraud Function Annual Report for 2019/20 is due to be presented later in the 2020/21 Municipal Year.

#### Audit Committee Briefings

3.38 The Audit Committee received a number of briefings during 2019/20 as noted below:

- Corporate Risk Policy & Framework
- Revenue Financial Outturn 2018/19
- Annual Report of School Audits 2018/19
- Revenue and Capital Quarterly Budget Monitoring Reports
- Review of Revenue Reserves
- Update on Trusts and Charities
- Treasury Management Annual Report 2018/19
- Treasury Management Interim Year Report 2019/20
- Scrutiny Work Programme 2019/20
- Internal Audit Annual Plan Methodology 2020/21
- Internal Audit Charter 2020/21
- Internal Audit Strategy & Annual Plan 2020/21

#### Audit Committee Training

3.39 Following discussions with Democratic Services, it was agreed that repeated annual training in core areas was no longer necessary. Instead, Members agreed that specific training should be arranged based on training needs. As a result, training was provided in the follow areas:

- Risk Management
- Financial Management & Accounting
- External Audit

3.40 The training in 2019/20 was delivered in short sessions prior to the start of each committee meeting.

3.41 A listing of all areas that were reviewed by the committee in 2019/20 can be found in Appendix 2.

## **4 Audit Committee Review of Effectiveness 2019/20**

- 4.1 The Audit Committee's annual review of effectiveness was undertaken in September 2019 and was facilitated by the Wales Audit Office.
- 4.2 The Performance Review 2018/19 Action Plan is included at Appendix 3. The Plan was drafted following feedback from the workshop annual self-assessment session held on 16 September 2019. Wales Audit Office also presented a report on their findings at the Committee meeting held on 8 October 2019, which covered regularity and length of Audit Committee meetings; outstanding actions from Audit Committee Performance Review 2017-18; and information provided to Audit Committee Members.

## **5. Looking Ahead**

- 5.1 As the Chair has indicated in her foreword, the financial challenges facing the Council will continue as will the need to increase performance. Within this context, the importance of an effective Audit Committee remains critical and the Committee is committed to enhancing its effectiveness through an ongoing training programme, delivering against the Wales Audit Office efficiency improvements and liaising with Officers to enhance the information that the Committee receives. The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the critical challenges that the Council faces.
- 5.2 Following the Chair's attendance at the all Wales Chair of Audit Committee Network event on 11th October 2019, good practice or lessons to share/learn will be discussed at Audit Committee. The group are due to meet again at some point in the summer subject to the Covid-19 situation. However, the group continues to share best practice and advice outside of the arranged meetings.

## **6. Committee Membership & Attendance**

- 6.1 The membership of the Audit Committee during 2019/20 consisted of one Lay Member and 13 Non Executive Councillors elected by Council. Independent Members are appointed for no more than two administrative terms with Council Members reappointed annually.
- 6.2 The Committee is serviced by Council Officers, principally the Chief Finance Officer/Section 151 Officer, Chief Legal Officer, Strategic Delivery & Performance Officer, Chief Auditor and Democratic Services. Representatives from the WAO also attend Audit Committee meetings.
- 6.3 During 2019/20 the Committee has followed a structured workplan which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee

includes a lay member as required by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee.

6.4 The Audit Committee met on 8 occasions throughout the municipal period 2019/20 on the following dates: 11<sup>th</sup> June, 13<sup>th</sup> August, 16<sup>th</sup> September, 8<sup>th</sup> October, 10<sup>th</sup> December, 29<sup>th</sup> January, 11<sup>th</sup> February, 10<sup>th</sup> March. Note that meeting scheduled for the 14<sup>th</sup> April was cancelled due to Covid-19. Over the course of the year, attendance at the meetings was 76%.

6.5 Committee Member attendance in 2019/20 is shown in the following table:

<b>Attendance 2019/20</b>	<b>Possible</b>	<b>Actual</b>
<b>Independent Lay Members</b>		
Mrs Paula O'Connor (Chairperson)	8	8
<b>Non-Executive Councillors</b>		
Councillor Paxton Hood-Williams (Vice Chairperson)	8	8
Councillor Cyril Anderson	8	7
Councillor Terry Hennegan	8	5
Councillor Erika Kirchner	8	6
Councillor Oliver James	8	4
Councillor Jeff Jones	8	8
Councillor Peter K Jones	8	5
Councillor Mike Lewis	8	7
Councillor Lesley Walton	8	7
Councillor Mike White	8	7
Councillor Sam Pritchard	8	3
Councillor Peter Black	8	3
Councillor Will Thomas	1	1
Councillor David Helliwell	7	7

6.6 There was one change to the membership of the Audit Committee during 2019/20. Cllr. David Helliwell joined the Committee in June 2019 replacing Cllr. Will Thomas.

6.7 The Committee moved to a schedule of 2-monthly meetings in 2015/16 however it was recognised that the agenda for the 2-monthly meetings were

becoming excessively long so a number of special meetings were arranged to help smooth out the Committee’s work programme.

## 7. Future Audit Committee Meetings

- 7.1 Historically Audit Committee meetings had been arranged on a 2 monthly basis. However, as agreed by the Head of Democratic Services, the Council Diary for the current municipal year includes Audit Committee meetings on a monthly basis.
- 7.2 Additional/special meetings may need to be held at certain times of the year to ensure the smooth delivery of the Committee’s work programme. The Committee also has the ability to call further additional meetings when required.

## 8. Audit Committee Contact Details

<b>Paula O’Connor</b> Chair of Audit Committee	<a href="mailto:Chair.Audit@swansea.gov.uk">Chair.Audit@swansea.gov.uk</a>
<b>Councillor Paxton Hood-Williams</b> Vice Chair of Audit Committee	<a href="mailto:Cllr.Paxton.Hood-Williams@swansea.gov.uk">Cllr.Paxton.Hood-Williams@swansea.gov.uk</a> 01792 872038
<b>Ben Smith</b> Section 151 & Chief Finance Officer	<a href="mailto:Ben.Smith@swansea.gov.uk">Ben.Smith@swansea.gov.uk</a> 01792 636409
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<b>Richard Rowlands</b> Strategic Delivery & Performance Manager	<a href="mailto:Richard.Rowlands@swansea.gov.uk">Richard.Rowlands@swansea.gov.uk</a> 01792 637570

## 9. Equality and Engagement Implications

- 9.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

9.2 There are no equality and engagement implications associated with this report.

## **10. Financial Implications**

10.1 There are no financial implications associated with this report.

## **11. Legal Implications**

11.1 Part of the role of the Audit Committee as set out by the Local Government (Wales) Measure 2011 is to make reports and recommendations in relation to the authority's financial affairs, including an assessment of the risk management and corporate government arrangements and the adequacy and effectiveness of those arrangements.

**Background Papers:** None

**Appendices:** Appendix 1 - Audit Committee Terms of Reference  
 Appendix 2 - Audit Committee Items Reviewed  
 Appendix 3 - Key Findings & Action Plan from the Committee Performance Review 2017&18 and 2018/19



## **Audit Committee Terms of Reference**

### **Audit Committee Statement of Purpose**

1. Our audit committee is a key component of the City and County of Swansea's corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City and County of Swansea's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### **Governance, Risk and Control**

3. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk related issues reported to the committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
11. To monitor the counter fraud strategy, actions and resources.

### **Internal Audit and External Audit**

12. To approve the internal audit charter and resources.
13. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
14. To consider summaries of specific internal audit reports as requested.
15. To consider reports dealing with the management and performance of the providers of internal audit services.

16. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
17. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.
20. To commission work from internal and external audit.

### **Financial Reporting**

21. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
22. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability Arrangements**

23. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

*Note: Audit Committee Statement of Purpose extracted from the Council Constitution (31.01.18).*

Committee Meeting Date	Items Reviewed
11 June 2019	<ul style="list-style-type: none"> <li>• Election of Chair &amp; Vice Chair</li> <li>• Audit Committee Training Programme 2019/20</li> <li>• Audit Committee Terms of Reference</li> <li>• Internal Audit Annual Plan 2018/19 - Monitoring Report for the Period 1 January 2019 to 31 March 2019</li> <li>• Service Centre - Accounts Receivable - Update at May 2019</li> <li>• Overview of the Overall Status of Risk Report Q4 2018/19</li> <li>• Corporate Risk Policy &amp; Framework</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
13 August 2019	<ul style="list-style-type: none"> <li>• Draft Annual Governance Statement</li> <li>• Progress addressing WAO Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities. (For Information)</li> <li>• Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales Report. (For Information)</li> <li>• Wales Audit Office Report - Local Government Services to Rural Communities. (For Information)</li> <li>• Local Government Services to Rural Communities. (For Information)</li> <li>• Internal Audit Annual Report 2018/19</li> <li>• Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 April 2019 to 30 June 2019</li> <li>• Internal Audit Moderate Rating Follow Up Report – Young People’s Services 2019/20</li> <li>• Internal Audit Recommendation Follow-up Report Q1 2019-20</li> <li>• Overview of the Overall Status of Risk Report Q1 2019/20</li> <li>• Wales Audit Office - Draft ISA 260 Report</li> <li>• Wales Audit Office - City and County of Swansea - Audit Enquiries to Those Charged with Governance and Management.</li> <li>• Draft Statement of Accounts 2018/19 – CCS</li> <li>• Revenue Financial Outturn 2018/19</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>

<p>16 September 2019</p>	<ul style="list-style-type: none"> <li>• Presentation – Wales Audit Office – Review of Audit Committee Effectiveness</li> <li>• Annual Governance Statement</li> <li>• Draft Audit Committee Annual Report 2018/19</li> <li>• Progress addressing WAO Recommendations relating to Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities. (For Information)</li> <li>• Progress in implementing the Recommendations of the Wales Audit Office Review of Housing Adaptations in Wales Report. (For Information)</li> <li>• Wales Audit Office Report - Local Government Services to Rural Communities. (For Information)</li> <li>• Local Government Services to Rural Communities. (For Information)</li> <li>• Internal Audit Annual Plan 2019/20 Monitoring Report For the Period 1 April 2019 to 30 June 2019.</li> <li>• Internal Audit Moderate Rating Follow Up Report - Young People's Services 2019/20.</li> <li>• Internal Audit Recommendation Follow-up Report Q1 2019/20</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
<p>8 October 2019</p>	<ul style="list-style-type: none"> <li>• Corporate Fraud Annual Report 2018/19</li> <li>• Annual Report of School Audits 2018/19</li> <li>• Director of Education response to Schools Audit Reports</li> <li>• Presentation - Update on internal Control Environment (Including risk Management)</li> <li>• Revenue and Capital Budget Monitoring 1<sup>st</sup> Quarter 2019/20</li> <li>• Financial Sustainability Self-Assessment for Wales Audit Office</li> <li>• Treasury Management Annual Report 2018/19</li> <li>• Wales Audit Office – Feedback from Audit Committee Effectiveness Questionnaire</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>

<p>10 December 2019</p>	<ul style="list-style-type: none"> <li>• Appointment of Additional Lay Member to Audit Committee.</li> <li>• Audit Committee Action Tracker Report. (For Information)</li> <li>• Audit Committee Workplan 2019-20</li> <li>• Fundamental Audits 2018/19.</li> <li>• Overview of the Overall Status of Risk - Quarter 2 2019/20.</li> <li>• Presentation - Update on Internal Control Environment (Including Risk Management) – Director of Social Services.</li> <li>• Revenue and Capital Budget Monitoring - 2nd Quarter 2019/20.</li> <li>• Review of Revenue Reserves.</li> <li>• Treasury Management - Interim Year Review Report 2019/20.</li> <li>• Wales Audit Office Proposals for Improvement: Six-month Status Update - December 2018 to June 2019.</li> </ul>
<p>29 January 2020</p>	<ul style="list-style-type: none"> <li>• Cleansing Service - Final Internal Audit Report 2019-2020.</li> <li>• Disclosure and Barring Service - Final Internal Audit Report 2019-2020.</li> <li>• Foreshore &amp; Lettings - Final Internal Audit Report 2019-2020.</li> <li>• Internal Audit - Recommendation Follow-Up Report - Quarter 2 2019/20.</li> <li>• Internal Audit Annual Plan 2019/20 - Monitoring Report for the Period 1 July 2019 to 30 September 2019.</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
<p>11 February 2020</p>	<p>Chair of Scrutiny Programme Committee</p> <ul style="list-style-type: none"> <li>• Presentation - Update on Internal Control Environment (Including Risk Management)</li> <li>• Internal Audit Annual Plan Methodology Report 2020/21</li> <li>• Internal Audit Recommendation Implementation Quarter 3 Report</li> <li>• Governance Group Update Report</li> <li>• Overview of the Overall Status of Risk - Quarter 3 2019/20</li> <li>• Trusts &amp; Charities Report 2018/19</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>

10 March 2020	<ul style="list-style-type: none"> <li>• Internal Audit Annual Plan 2019/20 - Quarter 3 Monitoring Report for the Period 1 October 2019 to 31 December 2019.</li> <li>• Moderate Report - Employment of Agency Staff.</li> <li>• Moderate Report - Fleet Maintenance.</li> <li>• Moderate Report - Gwyrosydd Primary School.</li> <li>• Moderate Report - Heol y Gors Plant.</li> <li>• Moderate Report - Ysgol Pen y Bryn.</li> <li>• Draft Internal Audit Annual Plan 2020/21</li> <li>• Audit Committee Action Tracker</li> <li>• Audit Committee Workplan 2019-20</li> </ul>
14 April 2020	Cancelled
1 June 2020	<ul style="list-style-type: none"> <li>• Internal Audit Charter 2020/21</li> <li>• Internal Audit Strategy &amp; Annual Plan 2020/21</li> <li>• Draft Audit Committee Annual Report 2019/2020</li> <li>• Internal Audit Annual Report 2019/2020</li> <li>• Internal Audit Recommendation Tracking Quarter 4 Report 2019/2020</li> <li>• Internal Audit Section - Fraud Function Anti-Fraud Plan for 2020/2021</li> <li>• Draft Annual Governance Statement</li> <li>• Performance Management Framework</li> <li>• Wales Audit Office - Annual Audit Summary 2019</li> <li>• Wales Audit Office - Financial Sustainability Assessment 2019-20</li> <li>• Wales Audit Office Proposals for Improvement: Six-month Status Update - July 2019 - December 2019</li> <li>• Revenue and Capital Budget Monitoring 3rd Quarter 2019/20</li> <li>• Audit Committee Action Tracker Report</li> <li>• Audit Committee Work Plan</li> </ul>

**KEY FINDINGS & ACTON PLAN**  
**AUDIT COMMITTEE PERFORMANCE REVIEW 2017/18 & 2018/19**

Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
<b>Regularity and Length of Audit Committee meetings</b>	1) To enable the Audit Committee to discharge its duties meetings should take place every month.	Huw Evans	May 2020	Council Diary to be agreed at the Annual Meeting on 28 May 2020.  All Councillors who responded to a survey were all in favour of the change to monthly meetings.
	2) If changes are made to the calendar of meetings (monthly) it will also be necessary to amend the Committee's work programme so that there is clarity as to exactly what is on the agenda for each committee meeting.	Chair / Huw Evans/ Jeremy Parkhouse	May 2020	Council Diary to be agreed at the Annual Meeting on 28 May 2020 and work programme organised accordingly.  All Councillors who responded to a survey were all in favour of the change to monthly meetings.  Chair / Democratic Services to plan the Committee Work Programme.

<b>Key Finding</b>	<b>Proposed Actions</b>	<b>Lead (s)</b>	<b>Target Date</b>	<b>Progress Update</b>
<b>Outstanding actions from the Audit Committee Performance Review 2017-18</b>	3) Benchmarking – The Corporate Management team will consider how best to use benchmarking information and provide an update to the Audit Committee.	Corporate Management Team	TBC	Ongoing
	4) Partnerships – Review the mechanisms for assessing and scrutinising the risk associated with partnerships. Audit Committee should receive an update on what partnerships the Council are involved in.	Adam Hill	May 2020	Adam Hill, Deputy Chief Executive to provide a report to Audit Committee on 14 April 2020.
	5) Noting the Deputy Chief Executive presentation on the Council's governance framework, the Audit Committee would benefit to receive additional presentations on individual elements of the governance framework.	Adam Hill	May 2020	Adam Hill, Deputy Chief Executive to provide a presentation to Committee on 14 April 2020.



Key Finding	Proposed Actions	Lead (s)	Target Date	Progress Update
	6) Efficiency and Value for Money – Corporate Management Team to consider what information is required for the Audit Committee to enable the Committee to discharge its duties.	Corporate Management Team	TBC	Ongoing