



City and County of Swansea

Minutes of the **Governance & Audit Committee**

Multi-Location Meeting - Gloucester Room, Guildhall / MS

Teams

Wednesday, 6 December 2023 at 2.00 pm

Present: Paula O'Connor (Chair) Presided

Councillor(s)

P R Hood-Williams
M W Locke
T M White

Councillor(s)

J W Jones
S Pritchard

Councillor(s)

M B Lewis
L V Walton

Lay Member(s)

Gordon Anderson
David Roberts

Officer(s)

Ness Young
Ben Smith
Stephen Holland
Simon Cockings
Richard Rowlands
Jonathon Rogers
Jeremy Parkhouse

Director of Corporate Services
Director of Finance / Section 151 Officer
Principal Solicitor
Chief Auditor
Strategic Delivery & Performance Manager
Corporate Fraud Team Manager
Democratic Services Officer

Also Present

Bethan Roberts Audit Wales

Apologies for Absence

Councillor A Davis, Julie Davies and Gillian Gillet

51 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 R Hood-Williams, M B Lewis and T M White declared personal interests in Minute No.55 – Internal Audit Monitoring Report – Quarter 2 – 2023/24.

52 Minutes.

Resolved that the Minutes of the previous meeting(s) of the Governance & Audit Committee be approved as a correct record.

53 Draft Statement of Accounts 2022/23.

Ben Smith, Director of Finance presented the Draft Statement of Accounts for 2022/23 'for information' and review.

The Draft Accounts for 2022/23 had been prepared and were signed by the Section 151 Officer on 27 October 2023. A copy was appended at Appendix A of the report.

It was confirmed that the Accounts had been formally presented to the Council's auditors – Audit Wales, who had commenced the audit of the Accounts. It was explained that as part of the audit process, the Accounts would be made available for inspection by the public for a four week period from 4 January to 31 January 2024.

Finance Department staff were thanked by the Director for their work on the accounts, which was echoed by the Chair and the Committee.

The Committee asked a number of technical questions of the Director of Finance / Section 151 Officer, which were responded to accordingly. The proposal to adopt a risk based approach to valuations was noted. The Chair asked about financial shifts, particularly the drop in gross income.

Responses would be circulated in respect of the drop in gross income in specific areas and the increase in the balance of long term debtors at Note 17.

54 Finance Directorate: Internal Control Environment 2023/2024.

The Director of Finance provided a 'for information' report which presented the Finance Directorate control environment, including risk management, in place to ensure functions were exercised effectively; there was economic, efficient and effective use of resources, and; effective governance to secure these arrangements.

It was outlined that the Directorate and the associated Director of Finance role, was created following decision of Council in November 2021, followed by appointment at the end of January 2022. In practice, it was separated formally with effect from 1 April 2022 at the start of the new financial year. As such, it was still the newest directorate and a relatively small one (in net budget terms), having previously been part of the former Resources directorate.

It was added that the directorate's initial approach to its own operations was based on how it operated as the major part of the former Resources Directorate. As the directorate had a bearing on whole Council activity and finances it also led on as well as participates in many of the common control processes. Details of these areas were listed.

The assurance framework including the key elements and key aspects of the Finance Directorate's arrangements were outlined. It was noted that the wider operational reach of the Directorate meant that its activities were highly geared and often complex.

It was noted that media reporting on councils which got into difficulty were currently most often associated by being undone by finances unravelling relatively quickly, with the risks and implications of decisions being taken proven not to be widely fully understood by stakeholders and members. Across the UK, council accounts were being delayed in draft production and in finalisation of audit as matter of routine and the Authority was no different. This was in tandem with a growing general concern about the overall state of funding for all councils.

The scale of gross and net operations directly managed by the Directorate and balance sheet items in direct control were listed.

Details of risk management, business continuity, Performance management / KPI's, planning, decision making, budget, fraud and impropriety, compliance with policies, rules and regulatory requirements and resources management were provided.

The Committee discussed the following: -

- Changing the month the report is provided in future years.
- The capacity / demand for services and associated risks, especially when services are rationalised in future.
- Lack of capacity and resilience within the Directorate and the actions taken to address the issues faced.

The Director of Finance was thanked for a detailed and comprehensive review.

55 Internal Audit Monitoring Report - Quarter 2 - 2023/24.

Simon Cockings, Chief Auditor presented a detailed 'for information' report which showed the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July to 30 September 2023.

A total of 16 audits were finalised during the quarter. The audits finalised were listed in 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. Appendix 3 showed each audit included in the Plan approved by Committee on the 12 April 2023 and identified the position of each audit on 30 September 2023.

An analysis of the assurance levels of the audits finalised was given and a total of 95 audit recommendations were made and management agreed to implement all of the recommendations.

It was added that staff sickness in the Internal Audit Team continued to be significant during the second quarter, with a total of 71 days absence recorded and cumulative sickness absence to the end of quarter two totalled 104 days. The Committee were also updated regarding staff appointments.

It was noted that at 30 September 2023, 36 audits (31%) out of 116 activities had been completed in the Internal Audit Annual Plan. In addition, 1 activity had been

substantially completed, resulting in 37 audit activities being completed to at least draft report stage (32%), with 30 in progress by the end of the quarter. This meant 58% of audit activities within the plan were completed or in progress.

The Committee were also provided with details of the follow-ups with moderate, high and substantial assurance levels completed during the period.

The Committee discussed the following: -

- The escalation process for non-action, which included being forwarded to the appropriate director / head of service / Corporate Management Team.
- Timelines of between 3 and 6 months for follow-up timelines.
- Audits being regarded as stand-alone and resulting actions.
- Moderate assurance follow-ups during the quarter and procedures follow, especially in relation to Freedom of Information.
- Review of corporate governance and the high level of risks involved.
- Audit reports circulated.

The Chair queried whether the effectiveness of the control measures on the risk register had been audited as part of the Corporate Governance audit.

The Chief Auditor confirmed that he would respond regarding the review of corporate governance and would circulate all audit reports not forwarded to the Chair.

56 Internal Audit Section - Corporate Fraud Function Mid-Year Update Report for 2023/2024.

Jonathan Rogers, Corporate Fraud Team Manager presented a 'for information' report which provided a mid-year update on the work undertaken by the Corporate Fraud Function in 2023/24 and reviewed progress against the outcomes contained in the Fraud Function Anti-Fraud Plan 2023/2024.

It was explained that a Fraud Team Manager was appointed in May 2023. The post was ring-fenced to the current three investigation officers, and now the team structure contains a Fraud Manager and two Fraud Investigators.

It was highlighted that good progress had been made against all eight planned activities contained within the Corporate Fraud Function Plan and the team were on target to complete all activities by year end. Details were provided at Appendix 1.

It was added that within the first half year, the team had recorded total savings of £150,483.94 and issued a civil penalty of £100. In addition, the team had assisted in the recovery of the return of two properties back to housing stock and undertaken a proactive exercise of stock potentially being used as short-term serviced holiday accommodation.

A brief overview of urgent employee investigations, Human Resources support, alleged fraud, data requests, inter-agency work and data exchange was provided.

The Chair congratulated the team on the progress made to date.

The Committee discussed the following: -

- Additional team members allowing the team to be proactive.
- Patterns of fraud cases and how the team dealt with matters on a day to day basis.
- Inter-agency work completed and the importance of pooling resources.

57 Corporate Risk Overview 2023/24 - Quarter 2.

Richard Rowlands, Strategic Delivery & Performance Manager presented 'for information' an overview of the status of the Council's corporate risks to provide assurance to the Committee that they were being managed in accordance with the Council's risk management policy and framework.

The following summarised the status of risks recorded in the Corporate Risk Register at the end of Quarter 2 2023/24: -

There were 5 Red status risks in the Corporate Risk Register as at the end of Q2 2023/24: -

- Risk ID 153: Safeguarding.
- Risk ID 159: Financial Control: Medium Term Financial Plan delivery
- Risk ID 222: Digital, Data and Cybersecurity.
- Risk ID 334: Cost of living crisis.
- Risk ID 338. Net Zero 2030 target.

It was outlined that during Quarter 2 all of the corporate risks were recorded as having been reviewed at least once; no new risks were added to the Corporate Risk Register; no corporate risks were deactivated; no risks were escalated to the Corporate Risk Register; no corporate risks were de-escalated from the Corporate Risk Register; two Corporate risks changed their RAG status; and four corporate risks changed their residual risk score.

Appendix A presented the risks recorded on the Council's Corporate Risk Register as at 30 September 2023. The reports for each risk included general explanatory information relating to their classification.

Discussions followed regarding the following: -

- The Committee being aware of the level and likelihood of risk.
- The introduction of a five-score matrix which would outline the likelihood and impact of risk.
- The number of aspects used to determine the level of risk.
- Reviewing how other local authorities measure risk.
- Ensuring the Committee receive appropriate training on risk.
- Omissions on the register which would be updated prior to the next quarterly report.
- Omission of information relating to the Mandatory training risk.

The Strategic Delivery & Performance Manager would circulate the omitted information relating to Mandatory training, update the register prior to the next quarterly report and details of training.

58 Audit Wales Recommendations Tracker.

The Strategic Delivery & Performance Manager presented 'for information' a report which presented a tracker providing progress updates meeting Audit Wales recommendations.

It was highlighted that all relevant recommendations from Audit Wales national and local reports were recorded in a tracker and were monitored for progress. The tracker was provided at Appendix A and listed the relevant Audit Wales report, the recommendations, the actions that the Council intended to undertake to implement the recommendations, progress to date and target dates for completion.

The first sheet in the tracker listed all the Audit Wales recommendations that were considered closed and complete as at November 2023. The second sheet in the tracker listed all the Audit Wales recommendations that were considered open, as at November 2023.

The Chair welcomed the introduction of the tracker and highlighted its importance going forward. She queried if the action addressed the recommendation and if it was completed in relation to all Wales recommendations on the Audit Wales report on 'Together we can' – Community resilience and self-reliance. The Strategic Delivery & Performance Manager would review the information in the tracker.

In addition, the Chair requested that the tracker report be provided to every other Committee meeting in future.

59 Audit Wales - Setting of Well-being Objectives - City and County of Swansea Council.

The Strategic Delivery & Performance Manager presented 'for information' the Audit Wales report and the Council's response into the setting of well-being objectives.

It was explained that the Audit Wales report fulfilled the duty on the Auditor General to carry out examinations to assess the extent to which public bodies had acted in accordance with the sustainable development principle when setting their well-being objectives.

The aim of the examination was to:

- explain how Swansea Council (the Council) applied the sustainable development principle throughout in the process of setting its well-being objectives;
- provide assurance on the extent that the Council applied the sustainable development principle when setting its well-being objectives; and
- identify opportunities for the Council to further embed the sustainable development principle when setting well-being objectives in future.

Audit Wales set out to answer the question 'to what extent has the Council acted in accordance with the sustainable development principle when setting its new well-being objectives'. They did this by exploring the following questions: -

- Was the process the Council put in place to set its well-being objectives underpinned by the sustainable development principle?
- Has the Council considered how it will make sure it can deliver its well-being objectives in line with the sustainable development principle?
- Has the Council put in place arrangements to monitor progress and improve how it applies the sustainable development principle when setting its well-being objectives?

Appendix 1 of the Audit Wales report listed the positive indicators Audit Wales used to inform their examination and report.

The Audit Wales findings and Council's response were detailed. It was noted that the Service Improvement, Regeneration and Finance Scrutiny Panel considered the Audit Wales report and the Council's response on 17 October 2023 and the letter from the Panel Convenor to the Cabinet Member for Corporate Service and Performance was provided at Appendix B.

The Committee discussed the following: -

- Feedback from the digital citizens' panel, the potential of expanding it and the Committee being informed of future progress made.
- The progress made by Coproduction Wales.
- Corporate performance and success measures for 2023/24, their review including outcome measures and the results being made available to the Committee.

The Chair requested that the Committee be kept updated regarding progress as listed above.

60 Audit Wales Letter - Review of Council's Transformation Programme.

Ness Young, Director of Corporate Services presented a report which provided an overview of the update letter issued by Audit Wales, regarding the progress Swansea Council was making around its Transformation Programme.

It was explained that the focus of the work was to understand if the Council was effectively planning and monitoring its approach to its organisational transformation programme and the delivery of associated savings. The Audit Wales letter was provided at Appendix A.

The report detailed the Audit Wales findings and the Swansea Council response.

The Committee discussed the following: -

- The importance of Service Transformation Committees in the process and all Councillors being aware of developments.
- The process of identifying savings, clearly identifying and managing these through the Medium Term Financial Plan.
- Recognising the size of the programmes involved and the amount of time it will take to deliver them.
- The variety of performance indicators being used to monitor progress.

The Chair welcomed the very informative report. She noted the huge amount of work involved and stressed the need to avoiding duplication of work, while still being made aware of developments, in order for the Committee to have assurance going forward.

Resolved that: -

- 1) The recommendations made within the report be noted.
- 2) The Committee is updated early in the New Year regarding progress.

61 Governance & Audit Committee Action Tracker Report.

The Governance & Audit Committee Action Tracker was reported 'for information'.

62 Governance & Audit Committee Work Plan.

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

The Chair requested that training session(s) be arranged on the following areas: -

- Performance management framework;
- Risk management;
- Internal audit.

The meeting ended at 3.58 pm

Chair