

DINAS A SIR ABERTAWE

HYSBYSIAD O GYFARFOD

Fe'ch gwahoddir i gyfarfod

PWYLLGOR ARCHWILIO

Lleoliad: Ystafell Bwyllgor 6, Neuadd y Ddinas, Abertawe

Dyddiad: Dydd Mawrth, 30 Awst 2016

Amser: 2.00 pm

Cadeirydd: Y Cyngorydd Alan M Thomas

Aelodaeth:

Cynghorwyr: C Anderson, R A Clay, T J Hennegan, P R Hood-Williams, L James, J W Jones, P M Meara, D Phillips, R V Smith, C Thomas, L V Walton a/ac T M White

AGENDA

Rhif y Dudalen.

- 1 Ymddiheuriadau am absenoldeb.
- 2 Datgeliadau o fuddiannau personol a rhagfarnol.
www.abertawe.gov.uk/DatgeliadauBuddiannau
- 3 **Cofnodion.** 1 - 9
Cymeradwyo a llofnodi cofnodion y cyfarfod(ydd) blaenorol fel cofnodion cywir.
- 4 **Adroddiad Archwilio Mewnol Blynyddol 2015/16.**
- 5 **Adroddiad Diweddaraf Swyddfa Archwilio Cymru.** 10 - 14
- 6 **Adroddiad Monitro Archwilio Mewnol Ch1 2016/17.** 15 - 26
- 7 **Adroddiad Blynyddol y Tîm Twyll Corfforaethol 2015/16.**
- 8 **Cynllun y Tîm Twyll Cenedlaethol 2016/17.**
- 9 **Adroddiad Orlhain Gweithredu'r Pwyllgor Archwilio.** 27 - 32
- 10 **Llythyrau'r Cadeirydd. (Er Gwybodaeth)** 33 - 42
- 11 **Cynllun Gwaith y Pwyllgor Archwilio. (Er Gwybodaeth)** 43 - 45

Cyfarfod nesaf: Dydd Mawrth, 20 Medi 2016 ar 2.00 pm

Huw Evans

Huw Evans
Pennaeth Gwasanaethau Democrataidd
Dydd Mawrth, 23 Awst 2016

Cyswllt: Gwasanaethau Democrataidd

Agenda Item 3

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 3A, GUILDHALL, SWANSEA ON
TUESDAY, 28 JUNE 2016 AT 2.00 PM

PRESENT: Mr A M Thomas (Chair) Presided

Councillor(s)

C Anderson
J W Jones
R V Smith

Councillor(s)

T J Hennegan
P M Meara
L V Walton

Councillor(s)

P R Hood-Williams
D Phillips
T M White

Officer(s)

Tracey Meredith

Deputy Head of Legal & Democratic Services and
Deputy Monitoring Officer

Ben Smith

Chief Finance Officer / Deputy Section 151 Officer

Simon Cockings

Senior Auditor

Jeremy Parkhouse

Democratic Services Officer

Also Present

David Williams

Wales Audit Office

Apologies for Absence

Councillor(s): R A Clay, L James and C Thomas

6 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 T M White – Minute No.10 – Wales Audit Office Update – I am a recipient of the Pension Fund – Personal.

7 MINUTES.

RESOLVED that the Minutes of the previous meeting of the Audit Committee held on 14 June 2016 were approved as a correct record.

8 CORPORATE GOVERNANCE REVIEW REPORT.

The Deputy Head of Legal and Democratic Services presented an update on the Governance Review. It was explained that the report was drafted following the Welsh Local Government Association (WLGA) Peer Review and the Wales Audit Office Corporate Assessment reports which both looked at governance issues within the Council.

In response, the Head of Legal and Democratic Services undertook an overall governance review and Rod Alcott, WLGA was engaged to act as an external critical

friend. The report prepared by Rod Alcott, which had been seen by both Executive Board and the Leader, whose comments were inserted into the report. A copy of the Report was provided at Annex A and the recommendations / comments of the Leader and Chief Executive were highlighted.

The Committee asked questions of the Officer, who responded accordingly. The following was discussed: -

- Understanding the differences between the work of Members / Officers;
- Roles of Cabinet Advisory Committees and the work and monitoring of the Co-ordinating Allocation Group;
- The work and priorities of the Audit Committee and regular monitoring of the Annual Governance Report;
- Ensuring that the recommendations within the report are completed and monitored.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) The recommendations contained within the report be regularly monitored and where appropriate feedback be provided by the Deputy Head of Legal and Democratic Services.

9 **CERTIFICATION OF GRANTS AND RETURNS 2013/14 AND 2014/15.**

David Williams, Wales Audit Office presented the Certification of Grants and Returns 2013/14 and 2014/15. It was noted that these were the recommendations of the Council's former external auditors, the external audit work having now rotated directly to WAO. It was summarised that the Authority had generally adequate arrangements in place for the production and submission of both its 2013/14 and 2014/15 grant claims. It was added that there was scope for improvement based on the following: -

- The Authority worked closely with the auditors to ensure that an accurate and up to date schedule of grants was in place for both financial years; and
- There was scope to further improve the Authority's arrangements for production of its grant claims.

The Authority submitted 80% of its claims on time in 2013/14. One claim did not have a specified deadline date. The Authority submitted 82% of its claims on time in 2014/15. The auditors certified all of the claims, at a total audit cost of £106,615 (2013/14) and £87,411 (2014/15). Overall, the audits resulted in reduction in the grants and returns claimed of £535,221 by the Authority in respect of 2013/14 and a lower reduction of £468,642 in respect of 2014/15.

The recommendations, which had been given a risk rating, had agreed actions for management.

The Committee asked a number of questions of the Wales Audit Office representative and the Chief Finance / Deputy Section 151 Officer who responded accordingly. Discussions centred around the following: -

- The importance of ensuring that lessons had been learned and progress regarding recommendations is monitored very closely;
- That overall the direction of travel was positive in terms of fewer adjustments and lower value adjustments
- The risk of future loss of grant funding to the Authority;
- The majority of grant adjustments being lower level claims;
- Grants and returns, particularly in relation to NNDR in 2013/14; Swansea Joint Venture – Felindre in 2014/15; School effectiveness and pupil deprivation grant; and recommendations R1 to R4;
- Lack of maintained records in some instances by the Authority in relation to grants which could be reclaimed as a result of the lack of information retained;
- General record keeping by the Authority in relation to grants;
- The High standards applied by external auditors in relation to examining the certification of grants and returns and the large amount of money being dealt with by the Council overall in relation to the value of items highlighted in the report;
- Grant procedures undertaken by schools, how schools can prove what grants were used for e.g. pupil deprivation grant; and checking procedures on schools undertaken by Internal Audit;
- The system of reporting audit findings to Executive Board / Heads of Service.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) All Responsible Officers be advised and reminded of the external auditors findings and the obligation to maintain at all times adequate and complete records to support future grant certification claims
- 3) A letter be circulated to schools highlighting the need to retain relevant paperwork in relation to grants claimed in order to prove if the funding was used appropriately.

10 **WALES AUDIT OFFICE - UPDATE REPORT.**

David Williams, Wales Audit Office presented the City and County of Swansea Update Report – July 2016.

The report contained updates regarding the following areas: -

- Financial audit work 2015-16 – City & County of Swansea Pension Fund;
- Financial audit work 2015-16 – City & County of Swansea;
- Performance work 2015-2016 – City & County of Swansea.

RESOLVED that the contents of the report be noted.

11 **YGG LON LAS DRAFT RESPONSE TO CABINET.**

The Chair presented the report which provided the draft response to Cabinet following the review of the YGG Lon Las New Build project following its referral by Cabinet so that lessons may be learned and adopted within future projects. The

report allowed the Audit Committee to discuss, review and contribute to the Audit Committee response.

The Committee commented on the following: -

- The last sentence of paragraph 3.7.1 be deleted;
- Implementing best practice into future projects and learning from previous experiences;
- Obtaining more accurate information at the start of projects by initially spending more;
- The importance of budget planning and effective, realistic financial planning at the outset of projects;
- The importance of keeping local councillors informed of projects within their wards.

The Chair requested that any further comments be forwarded to him or the Chief Auditor.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) Additional comments be forwarded to the Chair / Chief Auditor;
- 3) The updated report be forwarded to Cabinet.

12 **FINAL AUDIT COMMITTEE ANNUAL REPORT 2015/16.**

The Chair presented the Audit Committee Annual Report 2015/16 for approval, prior to being presented to Council.

RESOLVED that the Audit Committee Annual Report 2015/16 be approved and be presented to Council in July / August 2016.

13 **AUDIT COMMITTEE WORK PLAN. (FOR INFORMATION)**

The Audit Committee Work Plan was reported for information.

The meeting ended at 3.51 pm

CHAIR

CITY AND COUNTY OF SWANSEA

MINUTES OF THE SPECIAL AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
THURSDAY, 21 JULY 2016 AT 2.00 PM

PRESENT: Mr A M Thomas (Independent Chair) Presided

Councillor(s)

C Anderson
P R Hood-Williams
D Phillips

Councillor(s)

R A Clay
L James
R V Smith

Councillor(s)

T J Hennegan
P M Meara
L V Walton

Also Present

Councillor R C Stewart Leader / Cabinet Member for Finance & Delivery

Officer(s)

Mike Hawes	Director Resources / Section 151 Officer
Ryan Thomas	Planning Control Manager
Paul Beynon	Chief Auditor
Debbie Smith	Directorate Lawyer
Jeremy Parkhouse	Democratic Services Officer

Also Present

Geraint Norman Wales Audit Office

Apologies for Absence

Councillor(s): T M White

14 **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.**

In accordance with the Code of Conduct adopted by the City and County of Swansea, no interests were declared.

15 **SECTION 106 PLANNING OBLIGATIONS - UPDATE. (VERBAL)**

The Planning Control Manager provided an update report regarding Section 106 obligations and commented that there had been good progress made.

He stated that since the Internal Audit report in March 2016 gave a limited assurance, an Action Plan was developed to focus on the business process. This was being monitored and reviewed, but this process would be slow because of the relatively small number of agreements and contributions currently being received, particularly after the downturn in the market since 2007. The process of negotiating and monitoring Section 106 contributions had been mapped and there was a system in place that was available to Members. A training session had also been organised for Members and approximately 20 attended.

An Officer Group had also been set up to negotiate and manage Section 106 agreements and it was emphasised that regulations had been significantly tightened since the CIL Regulations were introduced in 2010, resulting in any requests for contributions having to meet clear tests to address the detrimental impacts of a specific development.

The Committee asked a number of questions of the Officer, which were responded to accordingly. Discussions centred around the following: -

- Details included in the Section 106 Register;
- The number of planning approvals that specifically included affordable housing as a condition and the number of houses;
- The process of offsite contributions;
- Tracking Section 106 agreements and monitoring payments;
- Audit process undertaken by Planning Services;
- Number of Section 106 agreements since May 2008;
- Process developed to negotiate and monitor Section 106 agreements following discussions at the Development Cabinet Advisory Committee and the involvement of Members in the process;
- Annual checks undertaken on all sites involving Welsh Government and developers and the regular checking undertaken by Planning Services;
- As the issue had been discussed at Audit Committee and Development Cabinet Advisory Committee, the Committee questioned the need for Scrutiny to undertake an investigation.

The Chair noted the comments of the Committee regarding verbal reports being provided at Committee and that a further internal Audit was to be made of the Planning Service shortly.

RESOLVED that the contents of the report be noted.

16 **DRAFT STATEMENT OF ACCOUNTS 2015/16.**

The Section 151 Officer presented the Draft Statement of Accounts for 2015/16 to the Committee 'for information' and review.

It was outlined that legislation required the Council to produce an annual Statement of Accounts in respect of each Financial year as follows:-

- By 30 June following the year to which the Accounts relate – Accounts to be drafted and signed by the Section 151 Officer;
- By 30 September following the year to which the Accounts relate the Accounts are required to be audited and approved by Council.

The Draft Accounts for 2015/16 had been prepared and were signed by the Section 151 Officer on 24 June 2016. A copy was provided at Appendix A. The Accounts had been formally presented to the Council's auditors – Wales Audit Office – who had commenced the audit of the Accounts. As part of the audit process, the

Accounts would be made available for inspection by the public for a four week period during August / early September 2016.

The form and content of the report was largely set out in the CIPFA code of practice which formed the basis of best practice in accordance with legislation.

The Committee asked a number of questions of the Section 151 Officer who responded accordingly. The Committee discussed the following: -

- Local Authority Housing (HRA) gross expenditure / income;
- Unusable Reserves being purely an accounting measure;
- Use of earmarked / usable reserves;
- Funding to improve infrastructure to reduce claims against the Authority;
- Funding to cover the cost of pay and grading claims and the number of claims outstanding;
- Use of General Reserves;
- Potential effect of Brexit upon valuations;
- New class of assets being introduced.

The Wales Audit Office representative confirmed that the external auditors would be looking for anything that is materially incorrect. However, the Authority had not had a qualified opinion for quite some time.

RESOLVED that the contents of the report be noted.

17 **DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16.**

The Chief Auditor provided the draft Annual Governance Statement 2015/16. The Council was required by the Accounts and Audit (Wales) Regulations 2014 to undertake a review of its governance arrangements, at least annually. The review was intended to show how the Council had complied with its Code of Corporate Governance.

The 6 core principles of the Framework for Delivering Good Governance in Local Government established by CIPFA and SOLACE, were outlined.

The Corporate Governance Review Report produced by the WLGA which was reported to the last Committee meeting made the following recommendations regarding the Annual Governance Statement (AGS):

- a) Consider broadening the contribution to the AGS by convening a representative group from across the organisation to meet quarterly to keep the AGS under review;
- b) Produce a more succinct document that contained hyperlinks to relevant evidential documents.

Action would be taken during 2016/17 to implement the recommendations and it was also intended that the newly convened group would produce a quarterly report for the Committee in order to provide further assurance regarding corporate governance as required by the Local Government (Wales) Measure 2011.

The draft AGS 2015/16 was attached at Appendix 1 and had been subject to consultation with the Corporate Management Team prior to reporting to the Audit Committee. The final version of the AGS would be reported to Cabinet in September for approval prior to being signed by the Chief Executive and Leader and published with the audited Statement of Accounts 2015/16.

RESOLVED that the contents of the report be noted.

18 **INTERNAL AUDIT MONITORING REPORT QUARTER 4 2015/16.**

The Chief Auditor presented a report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2016 to 31 March 2016.

A total of 25 audits were finalised during Quarter 4. 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.

A total of 212 audit recommendations were made and management agreed to implement 206 recommendations i.e. 97.2% against a target of 98%. The recommendations which were not agreed were either low risk or good practice and it was shown by management that compensating controls were in place.

Appendix 2 showed each audit included in the Plan approved by Committee in April 2015 and identifies the position as at 31 March 2016 for each audit. Appendix 3 showed brief details of the significant issues which led to the 4 audits finalised in Quarter 4 being considered to be moderate.

A Management Action Plan which included a series of recommendations to address the issues arising from each audit receiving a negative level of assurance had been agreed with management. Any audit which received a moderate or limited level of assurance was also reported to the relevant Directorate PFM meeting and actions were monitored by the relevant Director/Head of Service.

Details of the work of the Internal Audit Section during Quarter 4 and information regarding the high sickness levels in the section were provided. In addition, the follow ups completed between 1 January to 31 March 2016 were outlined.

The Committee discussed the information contained in the report.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) In future, any delays in receiving a response from a service to a draft Internal Audit report be reported to the Committee
- 3) The Chief Auditor contacts the Head of Human Resources and Organisational Development in order to discuss the procedure regarding de-activating flexi-cards when an employee ends employment with the Authority.
- 4) The Chair writes to the Head of Service where an audit has received a moderate level of assurance for a second audit to express the Committee's concern that there has been no improvement in the controls in operation.

19 **AUDIT COMMITTEE ACTION TRACKER.**

The Chief Auditor provided a 'for information' report which detailed the actions recorded by the Audit Committee and the responses to the actions.

20 **AUDIT COMMITTEE WORK PLAN. (FOR INFORMATION)**

The Audit Committee Work Plan was reported for information.

The meeting ended at 4.08 pm

CHAIR

Agenda Item 4

Report of the Chief Auditor

Audit Committee – 30 August 2016

INTERNAL AUDIT ANNUAL REPORT 2015/16

Purpose:	This report reviews the work of the Internal Audit Section during 2015/16 and includes the Chief Auditor's required opinion on the internal control environment for 2015/16 based on the audit testing completed in the year
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and review the progress against the Internal Audit Annual Plan 2015/16 and to consider the Chief Auditor's opinion on internal control.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that Committee: 1. Review and discuss the work of the Internal Audit Section during 2015/16. 2. Consider the Chief Auditor's opinion on the internal control environment
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Public Sector Internal Audit Standards defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 This report reviews the work of the Internal Audit Section in 2015/16 and compares its performance against the Internal Audit Annual Plan

for the year which was approved by the Audit Committee on 9 April 2015.

- 1.3 A series of Performance Indicators are used to measure the performance of the Internal Audit Section against agreed targets set at the start of the year and also in comparison with other Welsh Authorities. A review of the Performance Indicators in 2015/16 is included in this report.
- 1.4 This report also contains the Chief Auditor's required opinion on the overall standards of the control environment in operation in the Council based on the testing performed during 2015/16.
- 1.5 This report and the annual opinion on internal control are key elements of assurance that are used in the Council's Annual Governance Statement.

2. Review of 2015/16

- 2.1 A summary of time spent in 2015/16 on the different categories of Internal Audit work is shown in Appendix 1. Overall there was an increase in total days available of 53 days, this is due to a 53rd week being recorded in 2015/16 on the Galileo Audit Management System although the original Audit Plan was based on 52 weeks.
- 2.2 Although the total number of days has increased there has been a minor reduction of 24 days (1.9%) in the actual productive audit days achieved against the planned number of productive days.
- 2.3 The loss of productive days was mainly due to the increased level of sickness (+177 days) and a vacant post which was held vacant for longer than originally planned (+46 days). Both issues have been reported to the Audit Committee in the quarterly Internal Audit monitoring reports. The overall loss in productive days has been reduced by the use of the contingency (115 days) and reduced staff training (52 days).
- 2.4 Appendix 1 also shows the impact of the loss of productive days across directorates and other types of audit work such as systems and computer audits.
- 2.5 The original Internal Audit Annual Plan 2015/16 contained 155 audit jobs, of which 78 (50%) were completed to at least draft report stage during the year while a further 26 audits were in progress as at 31/03/16. A number of audits planned 2015/16 could not be started due to operational issues in the service area therefore 9 audits due in 2016/17 were brought forward and added to the 2015/16 Audit Plan.
- 2.6 An audit report was produced for each audit which was discussed and agreed with the client. The reports included recommendations to

improve any weaknesses or areas of concern identified during the audit in relation to systems, procedures and controls. During the year 98.9% of recommendations made were accepted by clients.

- 2.7 A list of the audits finalised each quarter has been included in the Quarterly Monitoring Reports presented to the Audit Committee during the year. A complete list of each audit finalised during 2015/16 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 2.
- 2.8 The amount of time spent on special investigations reduced from 110 days in 2014/15 to 40 days in 2015/16 as the responsibility for investigating any fraud allegations transferred to the Corporate Fraud Team on 01/06/15. An annual report for the Corporate Fraud Team appears elsewhere on the agenda for this meeting.
- 2.9 A summary of the main investigations undertaken by Internal Audit is shown in the following table.

Investigation	Outcome
Payroll	A review of the increase in manual payroll payments was completed at the request of the Head of Finance and Delivery. It was found that teething problems experienced following the introduction of a new Universal Timesheet had led to an increase in the number of payroll errors which required manual payments to staff. The teething problems have now largely been overcome.
Payroll – anonymous allegations	An anonymous letter was received making a number of allegations against Payroll management. The allegations were investigated and were unfounded.
Pupil Referral Unit	A review of the financial controls in place at one of the Pupil Referral Units was completed at the request of the Department. Recommendations to improve control were made as a result of the review.
Community Safety	A review of the system for recording staff attendance and absences was completed at the request of the Head of Service. A number of recommendations were made to improve control following the review.

- 2.10 As well as the planned audit work and special investigations, a number of other areas of work were undertaken during the year which are shown below
 - The Annual Governance Statement 2014/15 was written in consultation with other officers. The Annual Governance

Statement reviews whether the Council has complied with its Code of Corporate Governance. The draft Statement was reported to the Audit Committee in August 2015 and to Cabinet for approval in September 2015 before being signed by the Chief Executive and Deputy Leader and published with the Statement of Accounts 2014/15.

- Additional unplanned time was spent auditing a number of grant claims at the request of ERW. The Annual Plan included 13 days for Education grant audits but the actual number of days spent was 60. The following grants were audited and certified in 2015/16 although for 2016/17 only the grants highlighted in bold require auditing.
 - School Effectiveness Grant 2014/15
 - Welsh in Education Grant 2014/15
 - 14 – 19 Learning Pathways Grant 2014/15
 - **Pupil Deprivation Grant 2014/15**
 - **Education Improvement Grant 2015/16**
- In addition, a grant audit has been undertaken on behalf of Neath Port Talbot CBC for which a fee was charged.
- A total of 47 unplanned days was spent in 2015/16 carrying out sample checks on Equal Pay schedules prior to the payments being made to staff. A number of errors were identified and corrected which led to savings of almost £5,000 from this work.
- A sample review commenced of back pay calculations in 2015/16 prior to payments being made to staff. This work was unplanned and took 13 days to complete. An error was identified in one of the sample tested which led to a saving of £6,500.
- A financial appraisal of a prospective partner to develop an integrated purpose built Primary Care and Family Centre in Mayhill was completed during 2015/16
- A monthly review of P Card purchases was undertaken to confirm the appropriateness and authorisation of a sample of transactions.
- Participation in a number of specialist groups established by the South Wales Chief Auditors Group including ICT, Education, Social Services and Contracts/Procurement. The Groups share best practice and are a source of expertise.

3. Follow Ups

3.1 It is important that action is taken to ensure that management have implemented the recommendations agreed following each audit. The Internal Audit Section uses a risk based approach to follow up audits as shown below

- Fundamental audits are subject to a Recommendations Tracker exercise mid way through the year to confirm that the agreed recommendations have been implemented. The results of the Recommendation Tracker exercise are reported to the Audit Committee.

- Non Fundamental audits which receive a 'moderate' or 'limited' level of assurance receive a follow up visit usually within 6 months to test whether the 'high' and 'medium' risks recommendations have been implemented. The results of any follow up visits for non fundamental audits are included in the quarterly monitoring reports presented to the Audit Committee.
- 3.2 Any audits that receive a 'moderate' or 'limited' level of assurance are also reported to the relevant Directorate Performance and Financial Monitoring (PFM) meeting to allow senior management to monitor the implementation of the recommendations arising from the audit.
- 3.3 The Recommendations Tracker exercise carried out in 2015/16 was reported to the Audit Committee in February 2016 where the conclusion was positive with 79% of agreed recommendations implemented by the end of December 2015.
- 3.4 During 2014/15, 4 follow up visits were made and it was found that in all cases substantial progress had been made in implementing the agreed recommendations.

4. Performance Indicators

- 4.1 A series of 12 Performance Indicators (PI's) are used to measure the work of the Internal Audit Section. The PI's measure output, quality and cost and are also measured by other local authority Internal Audit Sections across Wales to provide comparable statistics.
- 4.2 The PI's are shown in detail in Appendix 3 which shows that in 2015/16, the Internal Audit Section met or exceeded the target set at the start of the year for 9 out of the 12 PI's. This is an improvement on 2014/15 where only 6 of the 12 PI's were met or exceeded by the Section.
- 4.3 The PI's where the target was not met were
- PI 1 – audit assignments achieved against planned
 - PI 4 – audits completed within planned time
 - PI 6 – average period from management response to final report
- 4.4 The increased level of sickness has contributed to the failure to achieve PI 1 although it should also be recognised that a further 26 audits were in progress as at the end of March 2016 but had not reached the draft report stage.
- 4.5 The Section also employed a number of new staff during 2015/16 which meant that there is a period of time where training and support is required to get staff to the required level in terms of quality and delivery of work. This has also impacted on the achievement of some PI targets.

4.6 The Comparator PI's show Swansea's PI results against the average results for 5 comparable authorities in Wales by population. However, at the time of writing this report the results from 3 comparator authorities have not been received so this information is not currently available.

4.7 Unfortunately, the comparison with other Internal Audit Sections across Wales is becoming less meaningful over time as a number of authorities no longer collect the data or are only able to provide results for some of the PI's.

5. Internal Control Opinion

5.1 The system of internal control is designed to help the Council to manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.

5.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.

5.3 Prior to 01/04/12, the Internal Audit Section gave an opinion rating at the end of each audit assignment however opinion ratings were replaced by levels of assurance at the start of 2012/13. The basis used for each opinion rating and level of assurance is shown in Appendix 4

5.4 This means that at the moment there is a mix of audits some of which have opinions ratings and some which have levels of assurance. Although the basis for the opinion ratings and levels of assurance are different, they have been combined in the following table for comparative purposes

Opinion / Level of Assurance	As at 31/03/15		As at 31/03/16		Variation	
	No.	%	No.	%	No.	%
Good/High	68	17.7	76	20.3	8	2.6
Satisfactory/Substantial	279	72.4	258	69.0	-21	-3.4
Adequate/Moderate	33	8.6	35	9.4	2	0.8
Unsatisfactory/Limited	5	1.6	5	1.3	0	0.0
Total	385	100.0	374	100.0	-11	0.0

5.5 The table shows a small reduction in the overall number of audits included in Internal Audit Plan due to 16 audits being deleted as no longer required which was partially offset by 5 new audits being added to the Plan.

5.6 A pleasing trend which was identified last year for an increase in the number of audits receiving a high level of assurance has continued this year. There has also been a small increase in the number of audits with

a moderate level of assurance but this increase is not something to cause concern at this time.

5.7 There are 14 audits which are classed as fundamental which are undertaken on either an annual or bi-annual basis. Following the audits completed in 2015/16, for the first time, all fundamental audits now have either a high or substantial level of assurance as a result of the Payroll and Accounts Receivable audits moving from a moderate to substantial level of assurance.

5.8 **Overall, based on the audit testing completed in 2015/16, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2015/16 which would have a material impact on the Council's financial affairs or the achievement of its objectives.**

6. Equality and Engagement Implications

6.1 There are no Equality and Engagement implications associated with this report.

7. Financial Implications

7.1 There are no financial implications associated with this report.

8 Legal Implications

8.1 There are no legal implications associated with this report

Background Papers: Internal Audit Plan 2015/16

Appendices: Appendix 1 Internal Audit Plan 2015/16 – Summary
Appendix 2 Internal Audit Section – Audits Finalised 2015/16
Appendix 3 Internal Audit – Performance Indicators 2015/16
Appendix 4 Audit Opinion Ratings / Levels of Assurance

INTERNAL AUDIT PLAN 2015/16 - SUMMARY

Categories of Audit Work	Actuals 2014/15		Plan 2015/16		Actuals 2015/16		Variation 2015/16	
	Days	%	Days	%	Days	%	Days	%
People	442	16.0	392	14.2	462	16.5	70	2.3
Place	429	15.7	395	14.3	395	14.1	0	-0.2
Corporate Servcies	210	7.6	287	10.4	265	9.5	-22	-0.9
Systems Audits	389	14.1	368	13.4	273	9.7	-95	-3.7
Computer Audits	102	3.7	75	2.7	29	1.0	-46	-1.7
Contract Audits	5	0.2	8	0.3	4	0.1	-4	-0.2
Projects and Special Investigations								
1. Projects	214	7.8	219	7.9	252	9.0	33	1.1
2. Special Investigations	110	4.0	0	0.0	40	1.4	40	1.4
Miscellaneous Audits	0	0.0	0	0.0	0	0.0	0	0.0
Productive Days	1901	69.1	1744	63.2	1720	61.3	-24	-1.9
Other Activities								
1. Staff Training	92	3.3	120	4.4	68	2.4	-52	-2.0
2. Holidays & Public Holidays	425	15.4	420	15.2	423	15.1	3	-0.1
3 Sick and Special Leave	64	2.3	49	1.8	226	8.0	177	6.2
4. Admin, Planning, Control, Clerical Support etc	197	7.1	195	7.1	208	7.4	13	0.3
5. Contingencies	60	2.2	115	4.2	0	0.0	-115	-4.2
6. Secondments	0	0.0	0	0.0	0	0.0	0	0.0
7. Vacancies	0	0.0	78	2.8	124	4.4	46	1.6
8. Voluntary Reduction in Hours	0	0.0	18	0.7	0	0.0	-18	-0.7
9. Maternity Leave	0	0.0	0	0.0	0	0.0	0	0.0
10. Staff Appraisals	17	0.6	17	0.6	31	1.1	14	0.5
11. Non Audit Work					9	0.3	9	0.3
Non Productive Days	855	30.9	1012	36.8	1089	38.7	77	1.9
Total Days	2756	100.0	2756	100.0	2809	100.0	53	0.0

INTERNAL AUDIT - PERFORMANCE INDICATORS 2015/16

APPENDIX 3

Performance Indicator			2014/15			2015/16			2016/17
			Target	Actual	Comparator	Target	Actual	Comparator	Target
1	Audit Assignments achieved against planned	%	75	58	81	75	50		75
2	Clients satisfied with quality of audit service	%	98	99	100	98	99		98
3	Audit recommendations accepted against made	%	95	99	100	95	99		95
4	Audits completed within planned time	%	70	54	72	70	52		70
5	Directly productive time against time available	%	65	62	68	65	66		65
6	Average period - from response to final report	Days	3	1	2	3	6		3
7	Average period - closing meeting to draft report	Days	10	2	11	10	1		10
8	Directly productive time achieved against planned time	%	90	82	82	90	99		90
9	Average cost per directly chargeable day	£	256	266	290	288	272		278
10	Staff turnover rate	%	15	27	7	15	8		15
11	Staff costs per 1,000 population	£	2,024	1,709	2,103	2,070	1,933		2,093
12	Staff costs per £m gross revenue expenditure (inc. HRA)	£	648	543	690	670	607		651

The 'Comparator' figures are based on the average of 5 comparable authorities by population, but to date 3 authorities have yet to provide their results.

AUDIT OPINION RATINGS / LEVELS OF ASSURANCE

Basis of Audit Opinion Ratings – operated until 31/03/12

Opinion Rating	Risks Identified	Report Recommendations
Good	Minimal	Minor
Satisfactory	Some	Some changes in procedures etc needed
Adequate	Many	Some significant changes needed
Unsatisfactory	Major	Fundamental changes needed

Basis of Audit Level of Assurance – operated from 01/04/12

Assurance Level	Basis	Description
High Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High or Medium Risk. Any recommendations are mainly Good Practice with few Low Risk recommendations.	There is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High Risk. Occasional Medium Risk recommendations allowed provided all others are Low Risk or Good Practice	There is generally a sound system of internal control but there is some scope for improvement as the ineffective controls may put the system objectives at risk
Moderate Assurance	Recommendations for ineffective controls affecting the material areas of the service are at least Medium Risk	The ineffective controls represent a significant risk to the achievement of system objectives
Limited Assurance	Recommendations for ineffective controls affecting the material areas of the service are High Risk	The ineffective controls represent unacceptable risk to the achievement of the system objectives

City & County of Swansea Audit Committee Update – August 2016

Financial audit work 2015-16 – City & County of Swansea Pension Fund

Activity	Scope	Status
Audit Plan	Plan of financial audit work for 2015-16.	Audit Committee April 2016.
Financial Statements/Annual Audit Letter	Audit of the Pension Fund's 2015-16 financial statements and Annual Audit Letter.	Audit Committee September 2016.

Financial audit work 2015-16 – City & County of Swansea

Activity	Scope	Status
Audit Plan	Plan of financial audit work for 2015-16.	Audit Committee April 2016.
Financial Statements 2015-16	Audit of the Council's 2015-16 financial statements.	Audit Committee September 2016.
Certification of Grants and Returns 2015-16	Summary of grants and returns certification work 2015-16.	Audit Committee March 2017.
Annual Audit Letter	Report summarising our 2015-16 financial audit work.	Audit Committee December 2016.

Performance Audit work - City & County of Swansea

2015-16 Improvement Assessment	Scope	Status
Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Draft issued August 2016
Corporate Assessment Follow up	Review of the Council's performance Management Arrangements. Key questions: Is the authority's approach to performance management enabling effective decision making and supporting service improvement?	Completed report issued August 2016
2015-16 Local Government Studies	Scope	Status
The strategic approach of councils to income generation and charging for services	Audit of councils' strategic approach to charging	Drafting, publication scheduled for October 2016
Council funding of third-sector services	The study looked at the level of investment in voluntary sector services to benchmark findings against 2009-10 to determine whether the principles of good governance in funding third sector services are being followed.	Drafting, publication scheduled for October 2016
The effectiveness of local community safety partnerships	The study looked at the effectiveness of community safety partnerships and the impact of the work of partnerships in delivering improvement within their communities.	Drafting, publication scheduled for September 2016

2016-17 Improvement Assessment	Scope	Status
Corporate Improvement Plan Audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Completed. Certificate issued June 2016.
Improvement Plan Audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Scheduled for November 2016
Financial Resilience	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.	In progress. Project brief issued.
Governance	This review will provide councils with a baseline from which to plan improvements to governance following the introduction of CIPFA's revised framework and the requirement for councils to adopt the sustainable development principle from April 2016	In progress. Project brief issued. Survey of members and officers scheduled for late August/September 2016.
Transformation	This baseline review will examine how councils are approaching transformation.	Consultation paper under development.
Local study	To be confirmed	To be confirmed
Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Scheduled for August 2017

2016-17 Local Government Studies	Scope	Status
<p>Improving wellbeing through housing adaptations</p>	<p>We will review how adaptations prevent access to and speed up discharge from hospitals. The work will look at how health use adaptations to underpin their activity as well as how efficient and effective organisations are at procuring and delivering adaptations work.</p>	<p>In progress.</p>
<p>Strategic commissioning of learning disability services by local authorities</p>	<p>Fieldwork will focus on both the corporate approach to strategic commissioning but also use findings from the tracer area to understand how effective operational arrangements are. We are working with CSSIW and SSIA and will be building on recent national inspection and support work on learning disabilities.</p>	<p>In progress.</p>
<p>How local government manages demand - Homelessness services</p>	<p>The study will focus on homelessness in local authorities using the recent prevention duties placed on local authorities to judge how demand for services is managed.</p>	<p>In progress.</p>

National Studies update	
Study	Update and link to report
A Picture of Public Services 2015	Published here A Picture of Public Services 2015
The Welsh Government’s Acquisition and Ownership of Cardiff Airport	Published here The Welsh Government’s acquisition and ownership of Cardiff Airport
The Development of Natural Resources Wlaes	Published here The development of Natural Resources Wales
Coastal Flood and Erosion Risk Management	Published 21 July 2016 Coastal Flood and Erosion Risk Management in Wales
Welsh Government Investment in Rail Services and Infrastructure	Drafting in progress
Welsh Government oversight of further education finances and delivery	Fieldwork in progress
Public Procurement	Fieldwork in progress
Regional Educational Consortia	Fieldwork in progress

Agenda Item 6

Report of the Chief Auditor

Audit Committee – 30 August 2016

INTERNAL AUDIT ANNUAL PLAN 2016/17 MONITORING REPORT FOR THE PERIOD 1 APRIL 2016 TO 30 JUNE 2016

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2016 to 30 June 2016.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2016/17
Consultation:	Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the report
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Tracey Meredith
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Internal Audit Annual Plan 2016/17 was approved by the Audit Committee on 19 April 2016 and quarterly monitoring reports will be presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits which were finalised in the period 1 April 2016 to 30 June 2016.

2. Audits Finalised 1 April 2016 to 30 June 2016

- 2.1 The only vacant post currently within the Internal Audit Section is 0.5 of an Auditor post. This post has been advertised and it is expected that the post will be filled in the 2nd Quarter.
- 2.2 The Internal Audit Section has continued to experience unusually high levels of sickness in the 1st Quarter of 2016/17 with a total of 68 days sick leave being recorded against an annual budget of 80 days. One member of staff who had been on long term sick with non-work related stress successfully returned to work during the Quarter but unfortunately another member of staff has gone on long term sick with a serious knee problem which severely restricts mobility.
- 2.3 A total of 19 audits were finalised during Quarter 1. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.
- 2.4 An analysis of the audits finalised during the 1st Quarter is shown in the following table

Assurance Level	High	Substantial	Moderate	Limited
Number	3	15	1	0

- 2.5 A total of 196 audit recommendations were made and management agreed to implement 191 recommendations i.e. 97.4% against a target of 98%. The recommendations which were not agreed were either low risk or good practice and it was shown by management that compensating controls were in place.
- 2.6 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during Quarter 1 is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
0	32	124	34	190

- 2.7 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 2 shows each audit included in the Plan approved by Committee in April and identifies the position of each audit as at 30 June 2016.
- 2.8 The following table shows brief details of the significant issues which led to Seaview Primary School receiving a moderate level of

assurance. There were other less significant findings also included in the final audit report issued to the school.

Audit	Assurance Level	Reasons
Seaview Primary School	Moderate	<ul style="list-style-type: none"> • Dinner money records did not agree with bankings • Dinner money records not completed fully • Invoices not raised for dinner money arrears at end of Year 6 • Reminder letters not sent for dinner money arrears • Official orders not raised for all items purchased • Contract Procedures Rules not followed for supply teacher agency

- 2.9 A Management Action Plan which includes a series of recommendations to address the issues arising from this audit has been agreed with the Headteacher. A follow up audit will be arranged within 6 months of the final report being issued to confirm that the agreed recommendations have been implemented.
- 2.10 Any audit which receives a moderate or limited level of assurance is also reported to the relevant Directorate PFM meeting so that the action taken to implement the agreed recommendations can be monitored by the Director and Head of Service in advance of the follow up audit.
- 2.11 As reported previously, the way primary schools audits are undertaken has been changed to use a self-assessment questionnaire and a much shorter audit visit. It is hoped that using this basis for primary school audits will have benefits both for the Internal Audit Section by reducing the amount of time for each audit and also for schools by reducing the Service Level Agreement recharge for audits and causing less disruption at school during the audit visit.
- 2.12 The self-assessment questionnaire was completed during Quarter 1 and the opportunity was also taken to review the scope of primary school audits to ensure that it remained relevant and fit for purpose.
- 2.13 A self-assessment questionnaire was sent to 28 primary schools due for audit in 2016/17 during Quarter 1 and by the end of the summer term, 12 completed questionnaires had been returned.
- 2.14 The returned questionnaires will be analysed over the summer and a short visit of hopefully not more than one day will be arranged to each school to confirm that controls are in place. A draft report will then be

sent to the Headteacher before being finalised and reported to the School's Governing Body.

2.15 The Internal Audit Section was also involved in the following work during Quarter 1 which was not included in the Audit Plan for 2016/17

- Continued sample testing of Equal Pay calculations prior to offers being made to staff
- Continued sample testing of Back Pay calculations prior to payments being made to staff.
- Review of issues regarding salary payments at the request of the Head of Finance and Delivery
- A review of the accounts of a road surface re-cycling partnership that the Council is part of in order to verify the income and expenditure charged to the partnership.
- The P Card transactions for a number of card holders were reviewed at the request of the Head of Service.

3. Follow Ups Completed 1 April 2016 to 30 June 2016

3.1 The follow up procedures operated by the Internal Audit Section include visits to any non-fundamental audits which received a moderate or limited level of assurance to confirm and test that action has been taken by management to address the concerns raised during the original audit.

3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Chief Finance and Deputy Section 151 Officer.

3.3 During the 1st Quarter, follow up visits was made to the following services to confirm that the agreed recommendations had been implemented

- Pentrehafod Sports Centre and Pool
- Trading Standards
- Streetworks
- Swansea Children's Centre and Mayhill Family Centre

3.4 The follow up visits to Pentrehafod, Trading Standards and Streetworks showed that all the agreed recommendations had been fully implemented.

3.5 However, the follow up visit to the Swansea Children's Centre and Mayhill Family Centre showed that 7 of the 27 agreed recommendations had not been implemented. It is accepted that

substantial progress has been made by management with 20 recommendations being implemented but of the 7 recommendations not implemented 3 were classed as medium risk. A further follow up visit has been scheduled for later in the year to review the progress in implementing the outstanding recommendations.

4 Equality and Engagement Implications

4.1 There are no equality and engagement implications associated with this report

5. Financial Implications

5.1 There are no financial implications associated with this report.

6. Legal Implications

6.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2016/17

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 1 2016/17
Appendix 2 Internal Audit Plan 2016/17 – Progress to 30/06/16

INTERNAL AUDIT - MONITORING REPORT QUARTER 1 2016/17

Head of Service	Audit	Date	Assurance Level	Recommendations		
				Finalised	Made	Agreed
Education Planning & Resources	Pen-y-Fro Primary School	20/04/2016	High	4	4	0
Education Learner Support Services	Lifelong Learning	20/05/2016	High	5	5	0
Education Planning & Resources	Grange Primary School	27/05/2016	High	3	3	0
Education Planning & Resources	Pennard Primary School	01/04/2016	Substantial	8	8	0
Adult Services	Social Services Establishments	05/04/2016	Substantial	7	7	0
Education Planning & Resources	Crwys Primary School	12/04/2016	Substantial	16	15	1
Communications & Customer Engagement	DesignPrint	12/04/2016	Substantial	25	25	0
Cultural Services	Plantasia	13/04/2016	Substantial	11	11	0
Poverty & Prevention	Info-Nation	18/04/2016	Substantial	10	10	0
Education Planning & Resources	Cadle Primary School	19/04/2016	Substantial	10	10	0
Information & Business Change	Information Management	25/04/2016	Substantial	10	10	0
Education Planning & Resources	Pontarddulais Primary School	28/04/2016	Substantial	14	14	0
Education Planning & Resources	Gwyrosydd Primary School	04/05/2016	Substantial	13	13	0
Education Planning & Resources	Cwmglas Primary School	17/05/2016	Substantial	12	8	4
Waste Management & Parks Operations	Domestic Refuse Collection	20/05/2016	Substantial	8	8	0
Human Resources & Organisational Development	Payroll	24/05/2016	Substantial	11	11	0
Poverty & Prevention	Community Safety	20/06/2016	Substantial	4	4	0
Education Planning & Resources	Ysgol Gyfun Gwyr	30/06/2016	Substantial	9	9	0
Education Planning & Resources	Seaview Primary School	11/05/2016	Moderate	16	16	0
Total				196	191	5

INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS TO 30/06/16

Head of Service	Risk Rating	Progress
Head of Education Planning & Resources		
Birchgrove Primary School	Medium	In Progress
Bishopston Primary School	Medium	In Progress
Brynmill Primary School	Medium	In Progress
Casllwchwr Primary School	Medium	In Progress
Clase Primary School	Medium	In Progress
Clwyd Primary School	Medium	In Progress
Clydach Primary School	Medium	In Progress
Craigcefnparc Primary School	Medium	In Progress
Gendros Primary School	Medium	In Progress
Glais Primary School	Medium	In Progress
Glyncollen Primary School	Medium	In Progress
Hafod Primary School	Medium	In Progress
Llangyfelach Primary School	Medium	In Progress
Morrison Primary School	Medium	In Progress
Pengelli Primary School	Medium	In Progress
Pentrechwyth Primary School	Medium	In Progress
Plasmarl Primary School	Medium	In Progress
Pontybrenin Primary School	Medium	Draft Issued
St Thomas Community Primary School	Medium	In Progress
Waunarwydd Primary School	Medium	In Progress
YGG Felindre	Medium	In Progress
YGG Gellionen	Medium	In Progress
St David's RC Primary School	Medium	In Progress
St Illtyd's RC Primary School	Medium	In Progress
St Joseph's Cathedral Primary School	Medium	In Progress
St Joseph's Catholic Primary School	Medium	In Progress
Bishopston Comprehensive School	Medium	Planned
Morrison Comprehensive School	Medium	Planned
Olchfa Comprehensive School	Medium	Planned
Pentrehafod Comprehensive School	Medium	Planned
Ysgol Gyfun Gwyr	Medium	Final Issued
Ysgol Crug Glas	Medium	In Progress
Ysgol Penybryn	Medium	In Progress
School Funding & Information	Medium/High	Planned
Capital Planning & Delivery Unit	Medium/High	Planned
Head of Education Improvement		
Welsh Centre	Medium/Low	Planned
Education Library Resource Service	Medium/Low	Planned

INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS TO 30/06/16

Head of Service	Risk Rating	Progress
Head of Education Learner Support Service		
Access to Learning - Management & Admin	Medium	Draft Issued
Psychology Service	Medium	Draft Issued
Recoupment	Medium	Draft Issued
SEN Statementing & Support	Medium	Draft Issued
Arfryn Education Centre	Medium	Planned
Key Stage 4 Education Centre	Medium	Planned
Stepahead Education Centre	Medium	Planned
LAC Co-ordinator	New	Planned
School Kitchens	Medium	In Progress
Education - Other		
School Uniform Grant	N/A	Planned
Education Improvement Grant	N/A	In Progress
Pupil Deprivation Grant	N/A	Planned
Schools Annual Report	N/A	In Progress
Head of Child and Family Services		
Youth Offending Service	Medium/High	Planned
Emergency Duty Team	Low	Planned
Community Childcare	Medium/Low	Planned
Leaving Care Act	Medium	Planned
Discretionary Payments (incl. S17)	Medium/High	Planned
Head of Adult Services		
Supporting People Grant	N/A	Planned
Cyrenians - Lessons Learned	New	Planned
Deprivation of Liberty Safeguards	New	Planned
Emergency Payments	New	Planned
Live Kilometre Support Grant	N/A	In Progress
Directorate Services		
Business Support Team - Child and Family	New	Planned
Head of Poverty & Prevention		
Partnerships, Performance & Commissioning	New	Planned
Residential & Outdoor Centres	Medium	In Progress
Community Safety & CCTV	Medium	Final Issued
Early Intervention Services	New	Planned
Child Poverty Projects	New	Planned

INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS TO 30/06/16

Head of Service	Risk Rating	Progress
Head of Corporate Building & Property Services		
Heol y Gors - Stores	Medium	In Progress
Heol y Gors - Estimating	Medium	Planned
Heol y Gors - Plant	Medium	Planned
Day to Day Repairs - Maintenance Section	Medium/High	Planned
Quadrant Rents	Medium	Draft Issued
Estates Management	Medium	In Progress
Emergency Planning & Civil Contingencies	Medium	Planned
Head of Waste Management & Parks Operations		
Waste Management	Medium	Draft Issued
Waste Enforcement	New	Planned
Trade Refuse	Medium	In Progress
Street Cleaning	Medium	Final Issued
Head of Highways & Transportation		
Concessionary Bus Fares	N/A	In Progress
Civil Parking Enforcement	Medium	In Progress
Taxi Framework Contract	Medium	Planned
Advance Payments Code	Medium	Planned
Clydach Depot - Stores	Medium	Planned
Central Transport Unit - Fleet Maintenance	Medium/High	Planned
Central Transport Unit - Stores	Medium	Planned
Highways Trading Account	New	Draft Issued
Head of Housing & Public Protection		
Housing Options	Medium	Draft Issued
Town Centre District Housing Office	Medium	In Progress
Rent & Arrears Team	Medium	In Progress
Renewal Areas	Medium	Planned
National Home Improvement Loan Scheme	New	In Progress
Taxi Licensing	New	In Progress
Housing Division	Medium/Low	In Progress
Head of Cultural Services		
Foreshore & Lettings	Medium	Draft Issued
Spot Checks	N/A	Planned
Sports Development	Medium	In Progress
Gymnastics Development	Medium	Planned
Branch Libraries	Medium/Low	In Progress
Records Management	New	Planned

INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS TO 30/06/16

Head of Service	Risk Rating	Progress
Head of Planning & City Regeneration		
Planning Services - Administration & Fees	Medium	Planned
Section 106 Agreements	High	Planned
Planning & Enforcement	New	Planned
Planning - AONB	New	Planned
Head of Communications & Consultation		
Corporate Marketing	Low	Planned
DesignPrint	Medium	Final Issued
E-Commerce Controls	Medium	Planned
Web Development	New	Planned
Corporate Complaints	Medium/Low	Planned
Contact Centre	Medium	Planned
Head of Legal & Democratic Services		
Electoral Services	Medium	Planned
Councillors Expenses & Allowances	Medium	In Progress
Election Expenses	N/A	Planned
Councillors Code of Conduct	New	Planned
Head of Human Resources		
Employee Vetting	High	Planned
Employment of Agency Staff	New	Draft Issued
Head of Information & Business Change		
Project Management Methodology	New	Planned
Strategic Projects - Administration	Medium	Planned
Head of Finance & Delivery		
Cashiers Office	Medium/High	Planned
Write-off Requests by Departments	N/A	In Progress
Cashiers Write Offs	N/A	Planned
Pension Fund Other	New	In Progress
Trusts & Charities	New	Draft Issued
Risk Management	High	Planned
Budget Strategy & Setting Process	New	Planned
Direct Payments - Adult & Family Services	Medium	Planned
Social Services Debt Recovery	High	Planned
Learning Disability Recharges	New	Planned
Adult Family Placements	New	Planned
Head of Commercial Services		
P Cards	Medium	Planned

INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS TO 30/06/16

Head of Service	Risk Rating	Progress
Fundamental Systems		
Payroll	High	Planned
Pensions Administration	High	Planned
Teachers Pensions	Medium	Planned
Accounts Receivable	High	Planned
Business Rates	Medium	Planned
Treasury Management - Borrowing & Investments	Medium	Planned
Accounts Payable	Medium	Planned
Housing & Council Tax Benefit	Medium	Planned
Cash	Medium	Planned
Council Tax	Medium	Planned
Main Accounting	Medium	Planned
Contract Audits - Systems		
Legal		
Liquidations	Medium/High	Planned
Housing & Public Protection		
Contracts - Renewal Areas	Medium	Planned
Highways & Transportation		
Business Case, Tendering & Evaluation	Medium	Planned
Control of Contracts	Medium	Planned
Corporate Building Services		
Tendering	Medium	Planned
Housing Systems Overview	Medium	Planned
Adult Services		
Tendering, Letting & Monitoring of Contracts	New	Planned
Finance/Legal		
Insurance Cover & Performance Bonds	New	Planned
Computer Audits		
Corporate Network Controls	Medium	Planned
Education Network Controls	Medium	Planned
Social Services Clients - Internet Controls	Medium	Planned
Payment Card Industry - Data Security Standard	Medium	Planned
Computer Operations	Medium/High	Planned
Disaster Recovery	Medium/High	In Progress
Flare System - Application Controls	Medium	Planned
Fostercare System - Application Controls	Medium	Planned
Change Control	Medium	Planned
Change Control - ISiS	High	Planned
Procurement of ICT	New	Planned
Procurement of Telephones	Medium/High	Planned

INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS TO 30/06/16

Head of Service	Risk Rating	Progress
Cross Cutting Audits		
Corporate Governance Review	New	Planned
Review of Corporate Risks	New	In Progress
Added Value Work	New	Planned
Delegated Decision Making	New	Planned
Ethics & Values	New	Planned
Projects and Special Investigations		
P Card Review of Purchases	N/A	In Progress
Data Matching Exercise - NFI 2016	N/A	Planned

Agenda Item 7

Report of the Chief Auditor

Audit Committee – 30 August 2016

CORPORATE FRAUD TEAM - END OF YEAR REPORT - 2015/16

Purpose:	To report on the activities and achievements of the Corporate Fraud Team during 2015/16.
Policy Framework:	Anti-Fraud and Corruption Strategy.
Reason for Decision:	To allow the Audit Committee to review and discuss the work of the Corporate Fraud Team during 2015/16.
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that the report is noted.
Report Author:	Talfryn Davies
Finance Officer:	Paul Beynon
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. SUMMARY

1.1 *Corporate Fraud Team created 1 June 2015.*

1.2 *Strategic and operational framework introduced:*

- Anti-Fraud Risk Assessment Checklist.
- Anti-Fraud Statement.
- Anti-Fraud Plan for 2015/16.
- Enforcement, Sanction and Prosecution Policy.
- Memorandum of Understanding and Expectations between the Corporate Fraud Team (CFT) and Human Resources.

1.3 *Suggestions made to amend / update relevant Corporate Polices:*

- Anti-Fraud and Corruption
- Disciplinary.
- Whistleblowing

1.4 *Fraud Awareness and Reporting:*

- Presentations to members and staff.
- New CFT Web pages devised.
- Internal and external media releases devised / published.

- 1.5 **Data Matching:**
- The examination and investigation of matches relating to NFI 2014.
 - The examination of a comparison between Council Tax Single Persons Discount (SPD) and Residents Parking Permits.
- 1.6 **Council Housing Tenancy Fraud:**
- A proposal to deliver a Key Amnesty exercise has been agreed.
 - A method to tackle unlawful sub-letting which is discovered by investigation is under construction.
- 1.7 **Participation in a joint working pilot with DWP's SFIS.**
- 1.8 **Headline figures 1 June 2015 to 31 March 2016:**
- Caseload = 125.
 - Cases to be evaluated or allocated to an investigator = 7.
 - Cases considered or investigated and closed = 90.
 - Cases under investigations = 28.
 - Savings achieved = £121,994.61.
- 1.9 **A glossary of terms and abbreviations can be found at Appendix 1.**

2. CORPORATE FRAUD TEAM CREATED 1 JUNE 2015

- 2.1 The Single Fraud Investigation Service (SFIS) was implemented in Swansea on 1 June 2015.
- 2.2 SFIS, is part of the Department for Work and Pensions (DWP) and became solely responsible for investigating all welfare benefit frauds, including Housing Benefit (HB) and Council Tax Benefit (CTB). However, the responsibility for investigating Council Tax Reduction (CTR) fraud remained with the Council.
- 2.3 As a consequence, 5 members of the Council's Benefits Investigation Team transferred to SFIS.
- 2.4 In order to retain the skills and expertise gained by the Benefits Investigation Team but to utilise them in a much broader remit, the 3 remaining members were retained by the Council as a new Corporate Fraud Team (CFT) within the Internal Audit Section.

3. STRATEGIC AND OPERATIONAL FRAMEWORK

- 3.1 In accordance with Section 151 of the Local Government Act 1972, every local authority has a statutory duty to ensure that all aspects of their financial affairs are properly administered i.e. to safeguard public funds and assets.
- 3.2 As a consequence, the following CFT documents / policies were devised and introduced:
- Anti-Fraud Risk Assessment Checklist:
This details the broad areas that should be considered to enable fraud and error to be minimised, effectively identified and tackled.

- Anti-Fraud Statement:
This details CFT's aim of tackling allegations of all fraud, irregularity or wrongdoing committed against the Council, by focusing on three key themes:
 - **Acknowledge:**
 - Acknowledging that as an organisation we are at risk of fraud and will seek to understand our fraud risks.
 - **Prevent:**
 - Promoting a zero tolerance anti-fraud culture across the community by publicising the impact of fraud on the community.
 - Publicising counter fraud work to the widest possible audience and report appropriate successful prosecutions to the media.
 - Participating in and undertaking Data Matching.
 - **Pursue:**
 - Taking a strong approach to recovering fraud losses.
 - In cases where fraud is discovered take criminal, civil or disciplinary action or a combination of these.
- Anti-Fraud Plan:
 - This represents the broad areas that will be covered during the year and sets out to provide a balance between proactive and reactive counter fraud activity.
- Enforcement, Sanction and Prosecution Policy (ESAPP):
 - To demonstrate the Council's ongoing commitment to safeguard public funds / assets.
 - To ensure that the decision making process in respect of further action is stringent, robust and transparent.
 - To ensure that sanctions are applied in a cost effective manner.
 - To seek to utilise the Council's own Legal Section to conduct / facilitate prosecutions.
 - To refer matters to other law enforcement agencies or regulators where appropriate and support those agencies in bringing proceedings.
- Memorandum of Understanding and Expectations between Human Resources (HR) and the Corporate Fraud Team (CFT):
 - To address the potential overlap between disciplinary and criminal investigations / offences.
 - To clarify the roles of HR and CFT, in particular the meaning, remit and purpose of the HR Investigating Officer and the Corporate Fraud Team Investigation Officer.

4. CORPORATE POLICIES

- 4.1 In order to address the role of CFT, amendments have been agreed with Human Resources in respect of the following Policies:
- Disciplinary
 - Whistle blowing
 - Anti-Fraud and Corruption
- 4.2 The amendments have been forwarded to the Trade Unions for comment.

5. FRAUD AWARENESS

- 5.1 Presentations to members and staff. For example:
- Audit Committee: 18.08.15, 17.11.15 and 19.04.16.
 - Communities Cabinet Advisory Committee: 10.12.15.
 - Housing Department's Senior Managers and Housing Officers: various dates.
- 5.2 Staff and public web pages devised and implemented on 01.04.16.
- <http://www.swansea.gov.uk/staffnet/fraud>
 - <http://www.swansea.gov.uk/fraud>
 - These pages:
 - Offer a one stop shop overview of all fraud types.
 - Provide advice and guidance on reporting fraud: how and who to.
 - Contain specific on-line forms to report fraud.
- 5.3 Internal and external media releases devised and published:
- South Wales Evening Post
 - 09.05.16: Online:
<http://www.southwales-eveningpost.co.uk/new-team-swansea-council-dedicated-tackling-fraud/story-29249175-detail/story.html#comments>
 - 13.05.16: Newspaper:
See Appendix 2.
 - Staffnet
 - 31.03.16 - Tenancy Fraud article.
 - 14.04.16 - Overview of the Corporate Fraud Team article.
 - May 2016 - Top Brief Newsletter.

6. DATA MATCHING - NATIONAL FRAUD INITIATIVE (NFI)

- 6.1 NFI 2014
- Historically, the Benefits Investigation Team only dealt with matches that involved HB, whereas the Internal Audit Section dealt with the non-HB matches.
 - Following the introduction of SFIS, CFT and a Fraud and Error Reduction Incentive Scheme (Feris) Officer in the Revenues and Benefits Section, towards the tail end of NFI 2014, it became clear that the approach to subsequent exercises would need to change.

6.2 NFI 2016

- The Chief Auditor remains the Key Contact responsible for overseeing the exercise on behalf of the Council.
- Data sets will be sent securely to the Cabinet Office in October 2016.
- Following the matching process, the matched records will be made available on the Cabinet Office's secure web-site in late January 2017.
- The Feris Officer will have a significant role in dealing with matches in respect of HB. They will look to minimise ongoing overpayments and make potential fraud referrals to SFIS.
- CFT will mainly deal with non-benefit related matches, for example:
 - Housing Tenants to Housing Tenants,
 - Pensions to DWP deceased data,
 - Private Residential Care Homes to DWP deceased data.

7. **DATA MATCHING – INTERACTIVE DATA EXTRACTION and ANALYSIS (IDEA)**

7.1 IDEA has been utilised by CFT to compare SPD records to Residential Parking Permit records.

7.2 This identified the following categories which are subject to ongoing examination to determine if there are any effects on SPD and / or benefit entitlements:

- 53 matches where there is a parking permit in a different name to the person receiving SPD.
- 98 matches where there are two permits awarded to the same person who is also liable for SPD.
- 3 matches where there are three permits awarded to the same person who is also liable for SPD.

7.3 In 2016/17, the intention is to explore the capabilities and wider use of IDEA in data matching.

8. **COUNCIL HOUSING TENANCY FRAUD**

8.1 Estimates suggest that each unlawfully sub-let property has a notional cost to the Council of between £83,000 and £101,000. This is based on:

- The cost to build a replacement property in Wales – ranging from £65,000-£83,000, added to
- The recognised 'industry standard' cost of £18,000 for keeping a family in temporary accommodation for 1 year.

- 8.2 Based solely on the £18,000 'industry standard' figure, the potential total loss to the Council and its householders is estimated to be as follows:
- 13,500 council properties in Swansea.
 - The European Institute for Combatting Corruption and Fraud (TEICCAF) estimates in their publication Protecting the English Public Purse 2015 that 2% of housing stock (outside London) are at risk from potential tenancy fraud. In Swansea this equates to 270 properties.
 - 270 x £18,000 equates to a potential loss of £4,860,000.
- 8.3 A proposal devised by CFT and then taken up by Senior Housing Managers to deliver a Key Amnesty exercise has been agreed by the Head of Housing and Public Protection and the Cabinet Member for Next Generation Services.
- 8.4 The purpose of the Key Amnesty is to:
- To encourage those misusing Council properties to surrender their tenancies 'no questions asked' without the Council having to take expensive legal proceedings to gain possession of the property.
 - Reduce the number of properties being unlawfully sub-let.
 - Recover properties that have been unlawfully sublet.
 - Increase the available housing stock available.
 - Reduce waiting lists.
 - Negate the need to place people / families in temporary accommodation.
 - Raise awareness of the problem of Tenancy Fraud and the damage that it does.
 - Act as a deterrent to those who may be thinking about committing tenancy fraud.
 - Show that the Council is taking all possible steps to tackle the problem of the lack of affordable housing in Swansea.
 - Reduce anti-social behaviour and illegal activity which often increases when a property's sub-let.
- 8.5 Once the amnesty has ended any allegations of sub-letting will be fully investigated with a view to:
- Taking criminal proceedings against the tenant,
 - Taking civil action to recover the property,
 - Seeking to recover any profits the tenant has made from the illegal sub-letting of the property.
- 8.6 A method to tackle unlawful sub-letting which is discovered by investigation is under construction via 3-way discussions between CFT, Housing Department and Legal Section. The aim is to ensure that a streamlined eviction process can be put into place immediately an investigation demonstrates that an unlawful tenancy exists.

9. PARTICIPATION IN A JOINT WORKING PILOT WITH DWP'S SFIS

- 9.1 As mentioned earlier, on 01.06.15, SFIS became solely responsible for investigating all welfare benefit frauds, including Housing Benefit and Council Tax Benefit.

- 9.2 However, due to concerns (raised mainly by LA's) regarding potential loss of local knowledge, reduced information sharing and CTR offences either not being investigated or LA's undertaking a separate investigation alongside SFIS investigations, the Government commissioned a feasibility study into joint working between LA's and SFIS.
- 9.3 Following the production of feasibility report, the Department for Communities and Local Government (DCLG) and Department for Work and Pensions (DWP) were asked to test the joint working of fraud allegations concerning both DWP Welfare benefit fraud and LA administered CTR.
- 9.4 Five LA's (in England, Scotland and Wales) were invited to participate in a joint working pilot, including the City and County of Swansea as the only Welsh participant.
- 9.5 The aim of the pilot was to bring together the combined expertise of the Welfare Benefit Fraud investigation services undertaken by DWP's SFIS and LA CTR fraud investigators.
- 9.6 The pilot ran from November 2015 to May 2016 and aimed to test two strands of fraud work between DWP and LA's:
- Sharing of information to support each organisation's fraud detection work.
 - The joint investigations of fraud cases with a view to a single outcome / prosecution.
- 9.7 This approach was adopted in order to determine if the pilot could support the vision to minimise fraud and error across government.
- 9.8 Due to the initial success of the pilot, it has been extended for a further 6 months (May to October 2016) in order to fully test the processes involved in prosecutions:
- File preparation,
 - Referral to and action by the Crown Prosecution Service,
 - Issues raised and outcomes achieved in the Magistrate and Crown Courts.
- 9.9 The pilot sites have increased from 5 to 7, with City & County of Swansea remaining as the sole Welsh participant.
- 9.10 The general view of Government and stakeholders in the pilot is that joint working protects the integrity of the Welfare Benefit, Tax Credits, and Local Government systems. It also aims to contribute positively to the achievement of fraud performance measures across Government.
- 9.11 Therefore, if the extended pilot is successful, the Government intends to roll-out joint working nationally.

10. CASELOAD AND SAVINGS: 01.06.15-31.03.16

- 10.1 The CFT's caseload and savings are shown in the following tables

Analysis of Caseload Status			
Status	CFT Only Cases	Joint Working Cases	Total
To be Evaluated / Allocated	7	0	7
Live	17	11	28
Closed	87	3	90
Total	111	14	125

Savings Achieved				
Type	Actual		Theoretical £	Total £
	LA £	DWP £		
CFT only	49,046	N/a	763	49,809
Joint working with SFIS	29,372	42,814	N/a	72,186
Sub Total	78,418	42,814	763	121,995
Total	121,232		763	121,995

10.2 Appendix 3 provides a detailed analysis of the caseload and savings for 2015/16 and Appendix 4 provides details of how savings can be measured.

11. FINANCIAL IMPLICATIONS

11.1 There are no financial implications to those set out in the report.

12. LEGAL IMPLICATIONS

12.1 There are no legal implications to those set out in the report.

13. EQUALITY AND ENGAGEMENT IMPLICATIONS

13.1 An EIA Screening Form has been completed with the agreed outcome that a full EIA report is not required.

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Glossary of terms and abbreviations.

Appendix 2 – South Wales Evening Post report of 13.05.16.

Appendix 3 – Analysis of caseload and savings

Appendix 4 – How savings are measured.

GLOSSARY OF TERMS AND ABBREVIATIONS

Administrative Penalty

A 'fine' that the Council can offer to claimants who receive Council Tax Reduction where they have caused an excess reduction (an overpayment of CTR). The person must sign a declaration confirming that they have committed a criminal offence.

If the person refuses to accept the offer of an Administrative Penalty or accepts the Administrative Penalty only to withdraw the acceptance during the 14 day cooling off period or they fail to attend an interview to discuss the offer, the Authority must consider prosecuting them instead. Therefore, the standard of evidence required in Administrative Penalty cases is the same as Prosecution cases.

CFT - Corporate Fraud Team.

CTB - Council Tax Benefit.

CTR – Council Tax Reduction - the Local Council Tax Reduction Scheme which replaced CTB from 01.04.13.

Data Matching – An electronic comparison of Council records. Comparisons can be to the Council's own records and / or to those of other Council's and participating organisations. The aim is to identify and investigate discrepancies and minimise overpayments due to fraud and error:

- **IDEA** – Interactive Data Extraction and Analysis: Data Matching software used by the Internal Audit Section to identify duplicate or matching records within the Council's own records. For example Council Tax Single Persons Discount (SPD) to Residents Parking Permits, where the permit holder is a different person to the one receiving SPD.
- **NFI** - National Fraud Initiative: A bi-annual exercise coordinated by the Cabinet Office. NFI compares Council records both internally and externally to other Councils and participating organisations. All told, some there are some 1,300 participating organisations from across the public and private sectors.

NFI simply highlights matches rather than actual discrepancies further evaluation is required to determine if the match requires investigation. Records compared include:

- Benefits to: Payroll, Pensions, Housing Rents, Taxi Licenses, Personal Alcohol Licenses, Student Loans, and Immigration.
- Pensions to Payroll; Payroll to Payroll; Pensions to Deceased Persons, etc.

DWP - Department for Work & Pensions.

FERIS - The Fraud and Error Reduction Incentive Scheme (FERIS) offers financial rewards and funding to local authorities who reduce fraud and error in their Housing

Benefit cases. It's been available to local authorities since 2014/15 and has been approved to continue until the end of 2017/18.

HB - Housing Benefit.

IUC - Interview Under Caution

An IUC is a taped interview conducted in accordance with the Police and Criminal Evidence Act 1984 (PACE).

An IUC is undertaken where an Investigator considers there is evidence to suspect a person has committed a criminal offence.

LA - Local Authority.

Prosecution - criminal proceedings in the Magistrates or Crown Courts where the defendant has been summonsed or bailed to attend Court and subsequently found guilty.

SFIS - The DWP's Single Fraud Investigation Service (part of the DWP's Fraud and Error Service - based in Morriston).

SPD - A person liable for Council Tax receives a 25% Single Persons Discount.

TEICCAF - The European Institute for Combatting Corruption and Fraud.

When the Audit Commission closed 31 March 2015, its responsibilities in respect of the NFI were transferred to the Cabinet Office.

The remainder of the Audit Commission's counter-fraud staff and functions, including the Protecting the Public Purse and fraud briefings, were due to transfer to the Counter Fraud Centre run by the Chartered Institute of Public Finance and Accountancy (CIPFA).

However, in November 2014, CIPFA withdrew from an agreement to continue the counter-fraud work of the Audit Commission, including *Protecting the Public Purse (PPP)*. This potentially left a gap in local authorities' knowledge of current and emerging fraud trends.

In response to this and other concerns, a number of stakeholder organisations came together to form, The European Institute for Combatting Corruption and Fraud (TEICCAF). This includes the former counter-fraud team of the Audit Commission. TEICCAF agreed to continue the *PPP* series of reports, now called *Protecting the English Public Purse (PEPP)* and the annual detected fraud and corruption survey.

New team set to take action against fraud

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SWANSEA Council has put together a new team which is dedicated to tackling fraud – both inside and outside the authority.

The new Council Corporate Fraud Team (CFT) will promote a zero tolerance culture to fraud, encouraging reporting of suspicions and taking

action where evidence confirms “wrongdoing” or fraud.

It will be responsible for investigations into areas such as council tax discounts and exemptions, council tax reduction, social housing, blue badges, direct payments for social care, grants and internal fraud in areas such as contracts, procurement, payroll, expenses.

If fraud is uncovered all appropriate action will be taken including disciplinary action, criminal

prosecutions as well as recovery of losses.

The team consists of staff from the former Benefits Investigation Team — whose work was transferred to the Department for Work and Pensions last year.

Phil Roberts, strategic director of regeneration and housing, said: “Every single one of us has a role to play in stopping fraudsters stealing our budgets.

“Fraudsters do not respect

boundaries, rules, or regulations and will take any opportunity to steal money that is intended to help others.

“We must stop them and I am sure that, with the help and support of staff, we will succeed in doing just that.

“The creation of the CFT is another foundation that embeds counter fraud activity into day-to-day running of the Council and demonstrates unequivocally that the City and County of Swansea will not tolerate fraud.” he added.

ANALYSIS OF CASELOAD AND SAVINGS
Appendix 3

No.	Type of Fraud	Service Area	Source of the alleged fraud	Brief Description of the alleged fraud	Saving £
20	Council Tax Reduction	Revenues and Benefits	12 Internal 4 Public 4 Other	Income, Capital, Non-residency, Living Together, Non-dependents	1,805
18	Housing Benefit	Revenues and Benefits	11 Public 6 Internal 1 NFI	Income, Capital, Non-residency, Living Together, Disability	6,329
17	Single Person Discount	Revenues and Benefits	9 Public 8 Internal	False statements in respect of SPD: undeclared partner or non-dependant	273
17	Blue Badge	Customer Services	13 Public 1 Internal 3 Other	12 Misuse 5 Disability	0
14	Benefits	Revenues and Benefits	9 Public 3 Internal 1 Data Matching 1 DWP	Cases considered as part of the joint working pilot with SFIS	72,186
Page 48	Tenancy related	Housing	5 Internal 3 Public 2 NFI	7 non-residency 3 sub-letting	0
9	Staff Related	3 Social Services 2 Cleaning Services 1 Corporate Building 1 Education 1 Housing 1 Waste Management	5 Internal 4 Public	4 False accounting 1 Abuse of position 1 Misuse 3 Other	30,629
2	Residents Parking Permits	Parking Services	1 Internal 1 Public	1 Misuse 1 False statement	0
1	Direct Payments	Social Services	1 Public	1 False statements in respect of a Financial Assessment	0
1	Council Tax Exemption	Revenues and Benefits	1 Public	1 False statements in respect of student occupation	854
1	Procurement	Accounts Receivable	1 Internal	1 Attempt to change a major contractors bank account details	0
15	Other	Various	8 Internal 2 NFI 1 Public 4 Other	3 False accounting; 2 False Identity; 1 Capital; 1 LT 1 Non-residence 1 Non-dependent 6 Other	9,919
125					121,995

HOW SAVINGS ARE MEASURED

Actual:

- Monies received or recovered, e.g. via:
 - Overpayments of HB/CTB/CTRS.
 - CTRS Administrative Penalties.
 - Proceeds of Crime Act 2002.
 - Unlawful Profit Orders - Prevention of Social Housing Fraud Act 2013.
- Assets recovered, e.g. a Council property returned to stock.
- Savings made by undertaking the task in a different way, e.g.:
 - The cost of CFT surveillance compared to an external third party.
 - Saving resulting from the strengthening of internal controls (comparisons on costs could be made year on year to calculate a net saving).
- Extra liability created, e.g. via the removal of Council Tax SPD.
- Overpayments created (available to be recovered / yet to be recovered).

Theoretical:

These savings could be stand alone or claimed in addition to an actual saving:

- Recognised Industry Standards.
- Other justifiable savings, e.g.: an employee on sick leave is due to retire in December. Due to CFT actions they instead retire a few months earlier. A theoretical saving is claimed for salary and on-costs saved for the period between the old and new retirement dates.

Deterrent:

The deterrent value of having a CFT, offering a confidential way to report concerns, acting on the concerns, taking appropriate sanctions and publicising successes is immeasurable.

Procedural:

Some internal investigation may not yield measurable actual or theoretical savings. However, they may and have resulted in changes in policies and procedures which will ultimately reduce the potential for loss. For example:

- Following an allegation received, an investigation highlighted that two members of staff were leaving work some 10 to 15 minutes earlier than the times reflected on their timesheets. Findings were passed to the Client Department. The Client Department took account of the findings of the investigation in their parallel commissioning review, which resulted in the implementation of revised working arrangements in respect of their entire staff. Staff were reminded that they must record their actual start and finish times and not simply their contracted times. An all-staff programme of unannounced spot checks has been introduced to ensure the times entered on the timesheets are correct.

- Following information received from the Council's bankers, an investigation into counterfeit cheques was undertaken. As the fraud was targeted against the Council's bankers by parties external to the Council, no losses were incurred by the Council. A full report on this matter was delivered to the Audit Committee in April 2016. Recommendations included:
 - The Authority should urgently explore all available opportunities to reduce the very high volume of cheques it is still producing in order to make efficiencies and simultaneously reduce the opportunity for similar incidents to occur.
 - The practice of shredding any spoilt cheques should stop with immediate effect. Spoilt or cancelled cheques should be kept on file for any subsequent reconciliation or verification purposes.
 - ICT Services to ensure that the most secure and cost efficient IT hardware is being utilised to produce cheques and minimise the high number of spoilt cheques.
 - All cheque continuity control books should be held in one central location not in separate locations as currently happens. This will ensure adequate controls are in place and are consistent.
 - All schools should be instructed to reconcile all their accounts regularly with a minimum standard as an Audit expectation i.e. monthly reconciliation.
 - All schools should avail themselves of the internet banking facility offered by our bankers to facilitate effective reconciliation of accounts and reduce costs.
 - The Council's bankers should be requested to provide direct access to all Schools Delegated Accounts to the Schools Accounting Service to further assist the effective reconciliation of accounts.

Agenda Item 8

Report of the Chief Auditor

Audit Committee – 30 August 2016

CORPORATE FRAUD TEAM PLAN 2016/17

Purpose:	This report provides details of how the Corporate Fraud Team Plan is compiled and outlines the Plan for 2016/17
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss, review and approve the Corporate Fraud Team Plan 2016/17.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that Committee approve the Corporate Fraud Team Plan 2016/17
Report Author:	Talfryn Davies
Finance Officer:	Paul Beynon
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Corporate Fraud Team (CFT) was established within the Internal Audit Section with effect from 1 June 2015
- 1.2 To ensure that the CFT's limited resources are targeted at the areas of most risk of fraudulent activity, an Anti-Fraud Risk Assessment Checklist has been completed and used to prepare an Anti-Fraud Statement which describes the Council's commitment to ensuring a zero tolerance approach to fraud from both internal and external sources.
- 1.3 The Anti-Fraud Risk Assessment Checklist and Anti-Fraud Statement have been used to compile the Corporate Fraud Team Plan 2016/17.

2. Corporate Fraud Team Plan 2016/17

- 2.1 In preparing the Corporate Fraud Team Plan 2016/17, a fraud risk assessment has been completed using the Audit Commission's *Protecting the Public Purse – Fighting Fraud Checklist* which was published in 2014.
- 2.2 The Checklist includes a series of questions aimed at assessing the Council's exposure to fraud and includes questions covering the Council's policy in relation to fraud, the counter-fraud resources available, the role of the Audit Committee, how fraud awareness is raised and whether links exist with other organisations.
- 2.3 The Checklist also covers specific areas where research has identified fraud could be a significant risk including
- Housing Tenancy
 - Procurement
 - Recruitment
 - Personal Budgets for Social Care
 - Council Tax Discounts and Exemptions
 - Housing Benefit
 - Other
- 2.4 A copy of the completed Fraud Risk Assessment Checklist can be made available to Committee members if they wish.
- 2.5 In addition to the Risk Assessment, the CFT have prepared an Anti-Fraud Statement in line with the *CIPFA Code of Practice on Managing the Risk of Fraud and Corruption* which was published in 2014.
- 2.6 The Code of Practice includes 5 key principles in relation to managing the risk of fraud and corruption
- Acknowledge the responsibility of the governing body for countering fraud and corruption
 - Identify the fraud and corruption risks
 - Develop an appropriate counter fraud and corruption strategy
 - Provide resources to implement the strategy
 - Take action in response to fraud and corruption
- 2.7 The Anti-Fraud Statement defines fraud, corruption, bribery, theft and financial malpractice/irregularity and identifies the following themes which are taken from the *'Fighting Fraud Locally – the Local Government Fraud and Corruption Strategy 2016-2019'* as a method of ensuring that the Council's counter fraud response is comprehensive and effective

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business.
 - **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.
 - **Capacity** – deploying the right level of resources to deal with the level of fraud risk.
 - **Competence** – having the right skills and standards.
 - **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes.
 - **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.
- 2.8 The Anti-Fraud Statement also outlines the responsibilities of the Council, councillors, managers, employees, contractors, Internal Audit, CFT and the general public in relation to fraud and ensuring that a zero tolerance approach to fraud and corruption exists.
- 2.9 The Fraud Risk Assessment and Anti-Fraud Statement have been used to prepare the Corporate Fraud Team Plan 2016/17 which is shown in Appendix 1

3. Equality and Engagement Implications

- 3.1 There are no equality and engagement implications associated with this report

4. Financial Implications

- 4.1 There are no financial implications associated with this report.

5. Legal Implications

- 5.1 There are no legal implications associated with this report.

Background Papers: None

Appendices: Appendix 1 Corporate Fraud Team Plan 2016/17

Corporate Fraud Team Anti-Fraud Plan 2016/17

Introduction

This document sets out the Corporate Fraud Team's Anti-Fraud Plan 2016/17 which covers the principles set out in the '*CIPFA Code of Practice on Managing the Risk of Fraud and Corruption*'.

The Plan is based on the three key themes of:

- Acknowledge
- Prevent
- Pursue

We know that fraud will be attempted against the Council during the coming year and as a result, we will maintain a team dedicated to investigating allegations of fraud, seeking to punish those who have committed fraudulent acts against the Council, identifying losses to be recovered and, where appropriate, taking appropriate recovery action.

Estimates published in the '*Annual Fraud Indicator 2016*' and '*Fighting Fraud Locally – the Local Government Fraud and Corruption Strategy 2016-2019*', suggests that fraud is committed in all organisations to varying degrees. Some areas that are considered to more at risk than others are:

- Council Tax Discounts
- Council Tax Reduction
- Grants
- Housing Tenancy
- Procurement

The Corporate Fraud Team intends to target these areas along with Social Care Direct Payments, which have been identified as 'at risk' in other Local Authorities, but which up to now the City and County of Swansea has not been in a position to tackle in a strategically effective way.

Controls are in place to mitigate internal fraud, but any allegations will be fully considered and where appropriate investigated which may lead to further action being taken, including disciplinary and criminal prosecutions. Sources of allegations may arise from pro-active measures or being re-active to referrals from the public/staff/members or via a 'whistle blower'.

The Corporate Fraud Team resources will be directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.

Cases of suspected fraud or financial irregularity should be referred to the Chief Auditor or Corporate Fraud Team for assessment and appropriate action.

'Fighting Fraud Locally – the Local Government Fraud and Corruption Strategy 2016-2019' suggests that Local Authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against the following six themes. It is Corporate Fraud Team's intention to adhere to the themes

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

Corporate Fraud Team Anti-Fraud Plan 2016/17

Activity	Detail	Target Outcomes
Consider new areas of activity: <ul style="list-style-type: none"> • Planning • Preparation • Procedures 	To explore new areas with a view to undertaking proactive activity <ul style="list-style-type: none"> • Business Rates. • Grants. • Personal budgets for social care. • Procurement. 	'Fact finding' in order to establish an understanding of relevant legislation and best practices. Devise and implement proactive 'pilot' exercises to <ul style="list-style-type: none"> • Assist in ensuring that funds are used for the intended purposes. • Maximise income from Business Rates • Identify fraud and error. • Seek to recover losses. • Take criminal action in appropriate cases.
Tackle social housing tenancy fraud	Continue to work in partnership the Housing Department and Legal Section to combat tenancy fraud from unlawful subletting to bogus succession claims.	Raise awareness of the problem of social housing fraud and the damage that it does. Prevent the unlawful succession to social housing properties by people that do not have a right to succeed the tenancy Detect properties purchased via fraudulent right to buy applications. Reduce the number of properties being unlawfully sub-let. Develop an effective process that expedites the recovery of properties where tenancy fraud has been identified. In accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006, where appropriate: <ul style="list-style-type: none"> • Undertake criminal prosecutions. • Utilise Unlawful Profit Orders to recover any profit made by offenders. Deliver a Key Amnesty campaign.

Activity	Detail	Target Outcomes
Tackle Council Tax fraud	Utilise internal and external data matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards and exemptions.	Recover single person discounts 'incorrectly' claimed. Recover other disregards and discounts 'incorrectly' claimed.
Tackle Council Tax Reduction fraud	<p>Prior to the introduction of SFIS, Council Tax Reduction fraud was investigated by the HB Investigation Team. CFT will continue to investigate Council Tax Reduction fraud where no other welfare benefit is in payment.</p> <p>To continue to participate in the joint working pilot with SFIS.</p> <p>The initial pilot was for 6 months: November 15 to May 16. It has since been extended to October 16.</p>	<p>Sharing information and expertise</p> <ul style="list-style-type: none"> • To ensure that the totality of welfare benefit and CTRS frauds is tackled in the most efficient and effective manner. • To identify overpayments and excess reductions. • To take sanction action in appropriate cases. Administrative Penalties and prosecutions.
National Fraud Initiative (NFI)	<p>Continue to participate in the National Fraud Initiative.</p> <p>Since SFIS became responsible for investigating HB and CTB fraud and a Fraud and Error Reduction Incentive Scheme (Feris) Officer was appointed in the Revenues and Benefits Section, towards the tail end of NFI 2014, it became clear that the approach to subsequent exercises would need to change.</p> <p>So, for NFI 2016, due to be published in January 17, the Feris Officer will have a significant role in dealing with matches in respect of HB. Whereas, CFT will mainly deal with non-benefit related matches.</p>	<p>Liaise with the Feris Officer and SFIS to ensure that all relevant NFI Reports are examined/considered so that:</p> <ul style="list-style-type: none"> • Fraud, error, overpayments and excess reductions are identified. • To take appropriate action against offenders.

Activity	Detail	Target Outcomes
<p>Tackle other internal and external fraud, examples include</p> <ul style="list-style-type: none"> • Abuse of Position • Blue badge • Flexi time • Income collection and banking • Payroll • Pensions • Travel and subsistence 	<p>During 2016/17, CFT will continue to investigate various anomalies and referrals.</p> <p>CFT will continue to work with internal departments and external organisations in order to undertake risk assessments, and gather intelligence and evidence to point towards or away from fraud and error.</p> <p>Subject to available resources, CFT will consider and investigate any other frauds if it is in the best interests of the Council and the general public it serves.</p>	<p>Retain public confidence.</p> <p>Maintain the Council's good reputation.</p> <p>Identify fraud, error and over payments.</p> <p>Instigate criminal proceedings as appropriate.</p> <p>Recover losses.</p>
<p>Raising Fraud Awareness</p>	<p>Continue to raise awareness of the role of CFT both inside and outside the Council.</p> <p>The aim is to maintain reputation and to encourage the reporting of potential fraud in the belief that action will be taken.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> • New - Develop a guide to Corporate Fraud for inclusion in HR Induction Training. • Existing - Develop and deliver training as and when required. • All - In partnership with HR, deliver amendments to relevant Policies including Ant-Fraud and Corruption, Disciplinary, Whistleblowing. <p><u>Members:</u></p> <ul style="list-style-type: none"> • Continue to deliver reports to the Audit Committee. • When scheduled, deliver a Counter Fraud presentation at the Audit Committee's Training Event. <p><u>Contractors:</u> Develop a guide that highlights their role in combatting fraud.</p> <p><u>Public:</u> Continue to publicise activities, successes, and prosecutions.</p>

Agenda Item 9

Report of the Chief Auditor

Audit Committee – 30 August 2016

AUDIT COMMITTEE – ACTION TRACKER

Purpose:	This report details the actions recorded by the Audit Committee and response to the actions.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Tracey Meredith
Access to Services Officer:	Sherill Hopkins

FOR INFORMATION

1. Introduction

- 1.1 During the course of Audit Committee meetings various actions may be decided which are recorded on the minutes of the meetings.
- 1.2 Until now, the Committee has had no transparency over the outcomes of the actions minuted by the Committee.
- 1.3 Therefore, an Action Tracker has been created which records the decisions taken by the Audit Committee and provides an outcome for each action.
- 1.4 The Action Tracker for the 2015/16 and 2016/17 municipal years are attached in Appendix 1 and 2.
- 1.5 The Action Tracker will be regularly updated and any completed actions will be marked 'CLOSED' and coloured in grey.
- 1.6 The Action Tracker will be reported to each Audit Committee meeting for information.

2. Equality and Engagement Implications

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

3. Financial Implications

- 3.1 There are no financial implications associated with this report.

4. Legal Implications

4.1 There are no legal implications associated with this report

Background Papers: None

Appendix 1 – Action Tracker 2016/17

Appendix 2 – Action Tracker 2015/16

AUDIT COMMITTEE ACTION TRACKER 2016/17	
Action	Outcome
14/06/16 Min 5 – Audit Committee Training	
The training presentations regarding risk management and counter fraud be deferred to a future Audit Committee meeting	On Workplan for special meeting to be held in December 2016
28/06/16 Min 8 – Corporate Governance Review Report	
The recommendations contained within the report be regularly monitored and where appropriate feedback be provided by the Deputy Head of Legal and Democratic Services	
28/06/16 Min 9 - Certification of Grants and Returns 2013/14 and 2014/15	
All Responsible Officers be advised and reminded of the external auditors findings and the obligation to maintain at all times adequate and complete records to support future grant certification claims	E-mail sent to all Heads of Service by Chief Finance and Deputy Section 151 Officer on 30/06/16. The e-mail; highlighted the relevant issues and the external auditor's grants report was attached - CLOSED
28/06/16 Min 9 - Certification of Grants and Returns 2013/14 and 2014/15	
A letter be circulated to schools highlighting the need to retain relevant paperwork in relation to grants claimed in order to prove if the funding was used appropriately.	The Chair wrote to Chief Education Officer on 05/08/16 asking for the issues to be brought to the attention of schools. Awaiting confirmation that letter has been sent to schools following the summer holidays.
28/06/16 Min 11 – YGG Lon Las Draft Response to Cabinet	
Additional comments be forwarded to the Chair/Chief Auditor	No further comments were received - CLOSED
28/06/16 Min 11 – YGG Lon Las Draft Response to Cabinet	
The updated report be forwarded to Cabinet	
28/06/16 Min 12 – Final Audit Committee Annual Report 2015/16	
The Audit Committee Annual Report 2015/16 be approved and be presented to Council in July/August 2016	

AUDIT COMMITTEE ACTION TRACKER 2015/16	
Action	Outcome
16/06/15 Min 9 - Internal Audit Monitoring Report Quarter 4 2014/15	
An update report regarding Section 106 Agreements be provided at the next scheduled meeting	Head of Economic Regeneration and Planning provided a report on 18/08/15 – CLOSED
18/08/15 Min 17 - Presentation Corporate Fraud Team	
The Corporate Fraud Team Manager provides a future update report to the Committee	Corporate Fraud Team Annual report 2015/16 on Workplan for meeting on 30/08/16
18/08/15 Min 20 - WAO Audit of Financial Statements Progress Report	
A Special Audit Committee be scheduled between 17 and 24 September 2015 in order to discuss the Final Audit Report	Special meeting held on 21/09/15 - CLOSED
20/10/15 Min 37 – Chair of Scrutiny Programme Committee	
The Chair of the Scrutiny Programme Committee be invited to the Audit Committee meeting scheduled for 15 December 2015	The Chair of the Scrutiny Programme Committee attended the Audit Committee meeting on 15 December 2015 - CLOSED
20/10/15 Min 38 – Corporate Governance Review – Update	
Rod Alcott be invited to attend the Special Audit Committee on 17 November 2015 in order to present the draft report	Report presented to Committee on 28/06/16 - CLOSED
20/10/15 Min 39 – Annual Report of School Audits 2014/15	
A review be undertaken to ensure that school audit reports are placed upon school governor meeting agendas	To be included in Annual Report of School Audits 2015/16 to be presented to the meeting on 25/10/16
20/10/15 Min 40 – Audit Committee Annual Report 2014/15 Follow Up	
The Chief Auditor circulates the Audit Committee Knowledge and Skills Framework questionnaire to the Committee.	Framework circulated 19/11/15 - CLOSED
17/11/15 Min 47 – Housing Benefit Investigation Team Annual Report 2014/15	
An interim report be provided in 6 months	Corporate Fraud Team Annual Report on Workplan for 30/08/16
17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16	
The Chair writes to the Chief Social Services Officer regarding the 4 moderate audit ratings in Adult Services	Letter sent 30/11/15 and Chair met Head of Adult Services on 16/12/15 - CLOSED

Action	Outcome
17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16	
The Chair writes to the Head of Transportation and Highways regarding the Streetworks audit which received a moderate level of assurance	Letter sent 30/11/15 and Chair met Head of transportation and highways on 22/12/15 - CLOSED
17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16	
The Chief Auditor circulates the details of the Section 106 Agreements follow up audit to the Committee	Details circulated 19/11/15 - CLOSED
17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16	
The Chief Auditor circulates the link to the Section 106 Agreements database to the Committee	Link circulated 22/12/15 - CLOSED
15/12/15 Min 52 – Briefing Cabinet Advisory Committee	
The Leader be invited to a future meeting in order to provide an update report	Update scheduled for October 2016 meeting of Committee
15/12/15 Min 53 – Chair Scrutiny Programme Committee	
The Chair of the Scrutiny Programme Committee be invited to a future meeting in order to provide an update report	Included in Workplan for meeting on 25/10/16
15/12/15 Min 56 – Risk Management Update	
A more detailed report be presented to a future meeting	The Head of Finance and Delivery provided a more detailed report to the meeting on 16/02/16 - CLOSED
15/12/15 Min 56 – Risk Management Update	
The Chief Auditor circulates the link to access the risk procedure details on the Council website	See 16/02/16 Min 63 Risk Management Update below - CLOSED
16/02/16 Min 63 - Risk Management Update	
The Chair and Head of Finance and Delivery draft a response to the Welsh Government regarding the late announcement of funding	Not pursued as the impact of the late announcement had been strongly made to the Welsh Government by the WLGA - CLOSED
16/02/16 Min 63 - Risk Management Update	
The Head of Legal and Democratic Services be requested to consider Councillor access to the risk register in the forthcoming Governance Review Report	Corporate Director (Resources) to prepare report on Councillor access to risk register for consideration by Corporate Management Team.
16/02/16 Min 64 – Recommendations Tracker Report 2014/15	
An update report on the level of write offs be added to the Workplan	Included in Workplan for meeting on 25/10/16

Action	Outcome
16/02/16 Min 65 – Internal Audit Monitoring Report Quarter 3 2015/16	
The impact of high sickness levels for Internal Audit compared to previous years be provided to the Committee	Included in Quarter 4 Monitoring Report to meeting on 21/07/06 - CLOSED
16/02/16 Min 67 – Audit Committee Self-Assessment of Good Practice Questionnaire	
The completed Questionnaire be used as the basis for the Audit Committee Annual Report 2015/16	Questionnaire was used for Annual Report 2015/16 presented to Committee on 28/06/16 - CLOSED
16/02/16 Min 70 – YGG Lon Las Lessons Learned – Referral from Cabinet	
Item be deferred to a Special Meeting of the Audit Committee	Report presented to Special Meeting held on 22 March 2016 - CLOSED
22/03/16 Min 72 – New Build for YGG Lon Las – Referral from Cabinet	
The Chair/Chief Auditor draft a report summarising the key lessons to be learned for consideration by the Audit Committee prior to being submitted to Cabinet	Draft report presented to Committee on 28/06/16 - CLOSED
19/04/16 Min 79 – Internal Audit Charter 2016/17	
The Chief Auditor investigates the success of Housing Benefit prosecutions since the service was transferred to the DWP	Response provided to Committee on 14/06/16 - CLOSED



CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

Mrs Alex Williams
Head of Adult Services
City & County of Swansea
Civic Centre
Swansea
SA1 3SN

5 August 2016

Dear Mrs Williams

Audit Committee – Service User Assessment of Care

At the last meeting of the Audit Committee, the Chief Auditor presented a report showing the audits which had been finalised during the final quarter of 2015/16. The report highlighted any audits which had received a 'moderate' or 'limited' level of assurance and also identified the reasons why the audits received the negative level of assurance.

The Committee noted that the Service User Assessment of Care audit had received a moderate level of assurance

The main issues which led to the audit receiving a moderate level of assurance were

- Not all service users had received the required annual assessment
- Service provided to two users prior to completion of assessment
- Name of officer completing assessment not always recorded
- Assessments not always authorised by senior officer.

The Audit Committee were concerned that the audit had received a moderate level of assurance and asked me to write to you to say that the Committee expected to see a significant improvement in internal control as a result of the recent audit.

I understand that a follow up audit will be undertaken by the Internal Audit Section in the coming months to check that the agreed recommendations have been implemented within the agreed timescale. The results of the follow up audit will be reported to the Audit Committee where it is expected that

CHAIR OF AUDIT COMMITTEE / CADEIRYDD Y PWYLLGOR ARCHWILIO
ALAN THOMAS


C/O MEMBERS SUPPORT, CIVIC CENTRE, OYSTERMOUTH ROAD, SWANSEA, SA1 3SN
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substantial progress will have been made implementing the recommendations.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mr A Thomas". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Mr A Thomas
Chair, Audit Committee.

Cc Mrs L James, Vice Chair, Audit Committee



CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

Mr Lindsay Harvey
Chief Education Officer
City & County of Swansea
Civic Centre
Swansea
SA1 3SN

5 August 2016

Dear Mr Harvey

Audit Committee – Certification of Grant Claims 2013/14 and 2014/15

The Audit Committee recently received a report from our external auditors which highlighted a number of issues they had identified when auditing grant claims across the Council in 2013/14 and 2014/15.

During the discussions, members of the Committee were concerned that a number of the issues raised by the external auditors related to the following grants which are delegated to schools via the Education Department

- School Effectiveness Grant
- Pupil Deprivation Grant
- Welsh in Education Grant
- Learning Pathways 14-19 Grant

The external auditor's findings in relation to the above grants are attached in Appendix 1.

Looking at the issues reported, some appear to relate to the central control of the grant e.g. completion of grant claims and others are directly related to the compliance with the terms and conditions of the grant by schools in particular the retention of supporting documentation as evidence that the grant has been used for the purpose that it was awarded.

The Audit Committee asked me to write to you to ensure the recommendations made by the external auditor are implemented to prevent issues arising with Education grants in the future. The Committee also felt that it was important that schools are made aware of their obligations regarding the grants so that appropriate evidence is retained by schools to support grant

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funded expenditure. Therefore please can you bring the relevant issues raised by the external auditor to the attention of all schools.

The Chief Auditor has informed me that Education grants are no longer subject to audit by the external auditor but are now audited by the Internal Audit Section. Despite this change, it is still important that improvements are made to the controls in place over grant funded expenditure by schools.

I also understand that the Head of Finance and Delivery will shortly be publishing a Grants Manual which will include all relevant system and procedures relating to applying for, monitoring and claiming for grants. Training will also be provided where requested. Please can you also bring the Grants Manual and the training to the attention of schools when it is published.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan M Thomas', with a horizontal line drawn underneath it.

Mr A Thomas
Chair, Audit Committee.

Cc Mrs L James, Vice Chair, Audit Committee
Mr B Roles, Head of Education Planning & Resources



CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

Mr Lindsay Harvey
Chief Education Officer
City & County of Swansea
Civic Centre
Swansea
SA1 3SN

5 August 2016

Dear Mr Harvey

Audit Committee – Portmead Primary School Audit

At the last meeting of the Audit Committee, the Chief Auditor presented a report showing the audits which had been finalised during the final quarter of 2015/16. The report highlighted any audits which had received a 'moderate' or 'limited' level of assurance and also identified the reasons why the audits received the negative level of assurance.

The Committee noted that the Portmead Primary School had received a moderate level of assurance and it was reported that at the previous audit the School had also received a moderate level of assurance.

The main issues which led to the School receiving a moderate level of assurance on this occasion were

- Bank signature list not updated to remove former Head and Clerk
- Errors identified in school meal records and no review by Head
- High levels of school meal income arrears
- Orders not raised for all purchases
- School Fund auditors not independent
- School Fund not audited annually
- No audit of staff savings account
- School not registered with Information Commissioner's Office

The Audit Committee were concerned that there appeared to be no improvement in the controls operating at Portmead Primary School since the previous audit in 2010/11 and asked me to write to you to say that the Committee expected to see a significant improvement in internal control as a result of the recent audit.

CHAIR OF AUDIT COMMITTEE / CADEIRYDD Y PWYLLGOR ARCHWILIO
ALAN THOMAS

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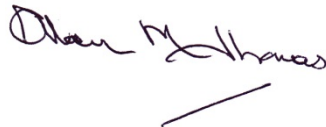
I understand that a follow up audit will be undertaken by the Internal Audit Section in the coming months to check that the agreed recommendations had been implemented within the agreed timescale. The results of the follow up audit will be reported to the Audit Committee where it is expected that substantial progress will have been made implementing the recommendations.

In the meantime, I would appreciate the opportunity to meet with you to discuss the issues arising from the recent audit ahead of the follow up visit.

The Audit Committee has previously been informed of the role of Challenge Advisers in schools and I would appreciate a discussion regarding the input of the Challenge Adviser at Portmead.

Please could you suggest an appropriate time to meet. My e-mail address is shown below or alternatively, please liaise with Paul Beynon (Chief Auditor) who can contact me to agree a date.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mr A Thomas', with a horizontal line underneath it.

Mr A Thomas
Chair, Audit Committee.

Cc Mrs L James, Vice Chair, Audit Committee
Mr B Roles, Head of Education Planning and Resources



CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

Mr Steve Rees
Head of Human Resources and Organisational Development
City & County of Swansea
Guildhall
Swansea
SA1 4PE

5 August 2016

Dear Mr Rees

Audit Committee – Flexitime System Audit

At the last meeting of the Audit Committee, the Chief Auditor presented a report showing the audits which had been finalised during the final quarter of 2015/16. The report highlighted any audits which had received a 'moderate' or 'limited' level of assurance and also identified the reasons why the audits received the negative level of assurance.

The Committee noted that the Flexitime System had received a moderate level of assurance and it was reported that at the previous audit the service had also received a moderate level of assurance.

The main issues which led to the Flexitime System receiving a moderate level of assurance were

- No clear process to re-cover Flexicards from leavers
- No system for recording Flexicards returned, destroyed or re-issued
- No review of staff with restricted access within Civic Centre
- One card still active despite employee leaving in 2013
- List of temporary cards held by Contact Centre out of date

The Audit Committee were concerned that there appeared to be no improvement in the controls operating over the Flexitime System since the previous audit in 2011/12 and asked me to write to you to say that the Committee expected to see a significant improvement in internal control as a result of the recent audit.

I understand that a follow up audit will be undertaken by the Internal Audit Section in the coming months to check that the agreed recommendations had been implemented within the agreed timescale. The results of the follow up audit will be reported to the Audit Committee where it is expected that

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substantial progress will have been made implementing the recommendations.

In the meantime, I would appreciate the opportunity to meet with you to discuss the issues arising from the recent audit ahead of the follow up visit.

Please could you suggest an appropriate time to meet. My e-mail address is shown below or alternatively, please liaise with Paul Beynon (Chief Auditor) who can contact me to agree a date.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mr A Thomas". The signature is written in a cursive style and is positioned above a short horizontal line.

Mr A Thomas
Chair, Audit Committee.

Cc Mrs L James, Vice Chair, Audit Committee



CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

Miss Tracey McNulty
Head of Cultural Services
City & County of Swansea
Guildhall
Swansea
SA1 4PE

5 August 2016

Dear Miss McNulty

Audit Committee – Grand Theatre Audit

At the last meeting of the Audit Committee, the Chief Auditor presented a report showing the audits which had been finalised during the final quarter of 2015/16. The report highlighted any audits which had received a 'moderate' or 'limited' level of assurance and also identified the reasons why the audits received the negative level of assurance.

The Committee noted that the Grand Theatre had received a moderate level of assurance and it was reported that at the previous audit the Theatre had received a substantial level of assurance while the Theatre's Catering Service had received a limited level of assurance.

The main issues which led to the Grand Theatre receiving a moderate level of assurance on this occasion were

- Evidence not provided to support 2 P Card transactions
- P Cards used where correct method of purchase was ISiS Purchase to Pay system
- No explanations provided for corrections or adjustments to catering till reports
- Unexplained deficit and excessive wastage figures in catering stock
- Proof of insurance not provided by one production company

The Audit Committee were concerned with the Theatre's level of assurance and asked me to write to you to say that the Committee expected to see a significant improvement in internal control as a result of the recent audit.

I understand that a follow up audit will be undertaken by the Internal Audit Section in the coming months to check that the agreed recommendations had been implemented within the agreed timescale. The results of the follow up audit will be reported to the Audit Committee where it is expected that

CHAIR OF AUDIT COMMITTEE / CADEIRYDD Y PWYLLGOR ARCHWILIO
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substantial progress will have been made implementing the recommendations.

In the meantime, I would appreciate the opportunity to meet with you to discuss the issues arising from the recent audit ahead of the follow up visit.

Please could you suggest an appropriate time to meet. My e-mail address is shown below or alternatively, please liaise with Paul Beynon (Chief Auditor) who can contact me to agree a date.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mr A Thomas". The signature is written in a cursive style and is positioned above a short horizontal line.

Mr A Thomas
Chair, Audit Committee.

Cc Mrs L James, Vice Chair, Audit Committee

Agenda Item 11

Report of the Head of Finance & Delivery

Special Audit Committee – 30 August 2016

AUDIT COMMITTEE – WORKPLAN

Purpose:	This report details the Audit Committee Workplan to May 2017.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Tracey Meredith
Access to Services Officer:	Sherill Hopkins

FOR INFORMATION

1. Introduction

- 1.1 The Audit Committee's Workplan to May 2017 is attached in Appendix 1 for information

2. Equality and Engagement Implications

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

3. Financial Implications

- 3.1 There are no financial implications associated with this report.

4. Legal Implications

- 4.1 There are no legal implications associated with this report

Background Papers: None

Appendix 1 – Audit Committee Workplan 2016/17

Appendix 1

AUDIT COMMITTEE WORKPLAN 2016/17

Date of Meeting	Reports
30 August 2016	Wales Audit Office Update Report Internal Audit Annual Report 2015/16 Internal Audit Monitoring Report Q1 2016/17 Corporate Fraud Team Annual Report 2015/16 Corporate Fraud Team Plan 2016/17 Audit Committee Action Tracker Report
20 September 2016 – Special Meeting	Audited Statement of Accounts 2015/16 WAO ISA 260 Report 2015/16 – City & County of Swansea WAO ISA 260 Report 2015/16 – Pension Fund WAO Financial Resilience Assessment Report Audit Committee Action Tracker Report
25 October 2016	Cabinet Advisory Committees – Update Report Chair of Scrutiny Programme Committee Wales Audit Office Update Report Annual Report of School Audits 2015/16 Bad Debt Write Offs – Update Audit Committee Action Tracker Report
13 December 2016 – Special Meeting	Audit Committee Training – Risk Management and Counter Fraud Head of Commercial Services – Commercialism Strategy Risk Management Half Yearly Review 2016/17 Wales Audit Office Update Report Audit Committee Action Tracker Report
3 January 2017	Wales Audit Office Financial Statements Report 2015/16 Wales Audit Office Annual Audit Letter 2015/16 Wales Audit Office Update Report Internal Audit Monitoring Report Q2 2016/17 Recommendations Tracker Report 2014/15 Audit Committee Action Tracker Report
14 March 2017	Wales Audit Office Grants Report 2015/16 Wales Audit Office Update Report Internal Audit Monitoring Report Q3 2016/17 Internal Audit Plan 2017/18 - Methodology Audit Committee Review of Performance 2016/17 Audit Committee Action Tracker Report

Date of Meeting	Reports
28 March 2017 – Special Meeting	Wales Audit Office Annual Plan 2017 Wales Audit Office Update Report Internal Audit Charter 2017/18 Internal Audit Annual Plan 2017/18 Draft Audit Committee Annual Report 2016/17 Audit Committee Action Tracker Report