

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
TUESDAY, 28 MARCH 2017
AT 2.00 PM

PRESENT: Mr A M Thomas (Chair) Presided

Councillor(s)

C Anderson
L James
T M White

Councillor(s)

T J Hennegan
J W Jones

Councillor(s)

P R Hood-Williams
L V Walton

Officer(s)

Paul Beynon
Simon Cockings
Tal Davies
Jeremy Parkhouse
Sandie Richards
Ben Smith

Chief Auditor
Group Auditor
Corporate Fraud Manager
Democratic Services Officer
Principal Lawyer
Interim Head of Finance and Delivery

Also Present: -

Councillor M H Jones
David Williams
Steve Barry
Geraint Norman

Chair of Scrutiny Programme Committee
Wales Audit Office
Wales Audit Office
Wales Audit Office

Apologies for Absence

Councillor(s): P M Meara and D Phillips

75 **PAUL BEYNON - CHIEF AUDITOR.**

The Chair announced that this was the final meeting for Paul Beynon, Chief Auditor, who was retiring after Easter 2017. He thanked him for his work and commitment and on behalf of the Audit Committee, wished him a healthy and happy retirement.

76 **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.78 – Communities First (South Cluster) is in my Ward – personal and Minute No.80 – I am a member of the City & County of Swansea Pension Fund – personal interests.

77 **CHAIR OF SCRUTINY PROGRAMME COMMITTEE.**

Councillor M H Jones, Chair of the Scrutiny Programme Committee provided the Committee with a verbal update on the work of scrutiny. She highlighted the work of scrutiny and referred to the service being shortlisted for the Municipal Journal Award in London in July. She also praised the work of Dave McKenna, Scrutiny Manager who was leaving the Authority in July 2017.

She paid tribute to Councillors who were actively involved in Scrutiny and briefly outlined the work undertaken by each Scrutiny Panel. She added that more Councillors needed to engage in the process and cited areas for improvement, including the process of pre-decision scrutiny, which did not allow sufficient preparation time for effective scrutiny.

The following was discussed: -

- The support provided by the Cabinet Member for Transformation and Performance;
- Delays caused by slippage to Commissioning Reviews in a few areas;
- The topics covered by Scrutiny during the term of the Council;
- Cabinet Member involvement in the Scrutiny process;
- Continued partnership working between the Scrutiny Programme Committee and Audit Committee;
- Involving the public in the Scrutiny process.

RESOLVED that: -

- 1) The contents of the discussions be noted;
- 2) The Chair of the Scrutiny Programme Committee be invited to a future meeting in order to provide an update report.

78 **CERTIFICATION OF GRANTS AND RETURNS 2015-16 - CITY & COUNTY OF SWANSEA.**

David Williams, Wales Audit Office presented the Certification of Grants and Returns 2015/16.

It was summarised that the Authority had generally adequate arrangements in place for the production and submission of its 2015/16 grant claims. It was added that there was scope for improvement based on the following: -

- the Council worked closely with the Auditors to ensure that an accurate and up-to-date schedule of 2015-16 grants was in place throughout the year; and
- there was scope to improve the Council's arrangements for submitting its grant claims for audit.

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For 2015-16, the Auditors certified 17 grant claims, with a total value of £295,761,884 this was five claims less than in 2014-15 (£352,447,239). The Council submitted 53 % of its 2015-16 grant claims on time and the Auditors confirmed that they had certified all of the claims, at a total audit cost of some £76,000. Overall, the 2015-16 audits resulted in a reduction of £693 being claimable by the Council. One in four if the Council's claims were qualified, which is in line with the Welsh average for 2015-16.

The report provided the following details: -

- Timely receipt of claims – Almost half the Council's grants were submitted late for audit;
- Certification results – Unqualified certificates were issued for 13 grants and returns but qualifications were necessary in 4 cases (24%);
- Audit adjustments – Adjustments were necessary to one of the Council's grants as a result of auditor certification work this year;
- The Authority's arrangements - The Council had adequate arrangements for preparing its grants and returns and supporting the certification work but improvements were required in some areas;
- Fees – The overall fee for certification of grants and returns for 2015-16 is £76,000, which was well within the original estimate of £100,000. The lower fee reflected the reduction in the number of grants that required certification;
- Summary – A summary of the certification work on the Council's 2015-16 grants and returns, showing where either audit amendments were made as a result of the audit work or where the Auditors had to qualify the audit certificate.

The Committee asked questions of the Wales Audit Office representatives, which were responded to accordingly. Discussions centred around the following: -

- Whether there was capacity within departments to undertake contracts;
- Adherence / non-adherence to procurement processes;
- Highlighting individual items against systematic failure;
- Procurement process within schools;
- Officer training requirements and support provided;
- Third party expenditure and monitoring, particularly linked to any possible clawback from the grant provider;
- The maximum risk being lower than previous years;
- Risk registers and the budget monitoring process;
- Procurement procedures being linked to risk.

RESOLVED that: -

- 1) The contents of the report be noted;

- 2) Procurement procedures being linked to risk be added to the Work Programme.

79 **2017 AUDIT PLAN - CITY AND COUNTY OF SWANSEA.**

Geraint Norman and Steve Barry, Wales Audit Office presented the 2017 Audit Plan which provided the proposed audit work, when it would be undertaken, how much it would cost and who would undertake it.

Appendix 1 set out the responsibilities of the Auditor in full and Exhibit 1 provided the three phases of the audit approach. The financial statements risks were provided at Exhibit 2, the certification work on the Council's grant claims and returns were set out in Appendix 2 and the audit fee for this work was set out in Exhibit 7. Exhibit 3 summarised the more significant and/or recurring issues identified when undertaking grant certification work in 2015-16. The components of the performance audit work were shown in Exhibit 4 and the timetable of the proposed audits was provided at Exhibit 9.

An update on the progress of the Plan would be reported to the Committee.

The Committee discussed the following: -

- Cost analysis calculations / available expertise within the Authority;
- Financial resilience of the Authority;
- Involvement of Councillors in the process;
- More proactive analysis of risk areas by the Committee.

RESOLVED that the content of the report be noted.

80 **2017 AUDIT PLAN - CITY AND COUNTY OF SWANSEA PENSION FUND.**

Geraint Norman, Wales Audit Office presented the 2017 Audit Plan for the City and County of Swansea Pension Fund.

The responsibilities of the Auditors, along with those of management and those charged with governance, were set out in Appendix 1. The audit approach consisted of three phases as set out in Exhibit 1. The risks identified in the audit of the financial statements and the work plan was shown at Exhibit 2.

In addition to including the Pension Fund's financial statements in their main financial statements, administering authorities were required to publish a Pension Fund annual report, which must include the Pension Fund financial statements.

The Auditors were also required to read the Pension Fund annual report and consider whether the information it contains was consistent with the audited Pension Fund financial statements included in the Council's main financial statements.

The Auditors were also required to issue an audit statement confirming the consistency of the financial statements included in the annual report with the audited

Pension Fund financial statements. The timetable of works was provided at Exhibit 5.

The Auditors would also undertake their first piece of work under the Well-being of Future Generations (Wales) Act 2015.

RESOLVED that the contents of the report be noted.

81 **INTERNAL AUDIT ANNUAL PLAN 2017/18.**

Further to Minute No.70 of the Audit Committee meeting held on 14 March 2017, the Chief Auditor presented the Internal Audit Annual Plan and Internal Audit Strategy 2017/18 for approval.

It was outlined that the Internal Audit Annual Plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit would be delivered and developed, in accordance with the Internal Audit Charter and how it linked to the Council's goals and objectives. The Internal Audit Strategy 2017/18 was attached at Appendix 1.

For 2017/18, the Internal Audit Section was made up of 9.5 full time equivalents, plus the Chief Auditor which was a reduction of 1 post compared to 2016/17. This gave a total number of available days of 2,470 i.e. a reduction of 260. The reduction of 1 post had arisen as a result of the current Chief Auditor being granted early retirement. A re-structuring of the Internal Audit Section had seen the Group Auditor appointed as Chief Auditor with the Group Auditor post being deleted to create a saving of 1 post. To allow for the day to day management of the Section, a Principal Auditor post had been created with expressions of interest being sought from the existing Senior Auditors.

A summary of the Internal Audit Plan 2017/18 was shown in Appendix 2 and a list of audits planned for the year was shown in Appendix 3, along with the number of days planned for each audit, as well as the perceived risk of each audit arising from the risk assessment process.

The Internal Audit Plan 2017/18 accommodated any audits which were deferred from the 2016/17 Plan where the risk justified their inclusion.

RESOLVED that the Internal Audit Annual Plan and Strategy 2017/18 be approved.

82 **CORPORATE FRAUD TEAM UPDATE.**

The Corporate Fraud Manager presented an update of the work completed by the Corporate Fraud Team in the first 6 months of 2016/17.

The report provided details of the work of the Corporate Fraud Team in the period 1 April 2016 to 30 September 2016 and Appendix 1 provided some headlines figures. The figures showed the value of savings achieved by the Team, split between cases investigated as part of the Joint Working pilot with the DWP and cases investigated solely by the Corporate Fraud Team.

The total value of savings achieved in the first half of 2016/17 exceeded £322k, which showed excellent progress by the Team in its second year of operation. It also highlighted the number of cases investigated by the Team, which at the end of September 2016 stood at 159.

During 2016/17, the number of employee cases referred to the Team for investigation was 16 and was a good indication that the work of the Team was valued across the Council.

RESOLVED that the contents of the report be noted.

83 **CORPORATE FRAUD TEAM ANNUAL PLAN 2017/18.**

The Corporate Fraud Manager presented report provided details of how the Corporate Fraud Team Plan was compiled and outlined the Plan for 2017/18.

He referred to the Audit Commission's *Protecting the Public Purse – Fighting Fraud Checklist* and *CIPFA Code of Practice on Managing the Risk of Fraud and Corruption* which defined the key principles of managing risk and fraud.

The Corporate Fraud Team Plan 2017/18 was shown at Appendix 1.

RESOLVED that the Corporate Fraud Team Plan 2017/18 be approved.

84 **DRAFT AUDIT COMMITTEE ANNUAL REPORT 2016/17.**

The Chair presented the draft Audit Committee Annual Report for 2016/17. The report outlined the areas of work covered by the Audit Committee during 2016/17.

The Chair stated that the final version would be reported to the Committee in June 2017 for approval.

RESOLVED that the contents of the report be noted.

85 **AUDIT COMMITTEE - CORPORATE GOVERNANCE REVIEW ISSUES.**

The Chief Auditor presented a report that highlighted some issues relating to the Corporate Governance Review completed by the WLGA, which come under the terms of reference of the Audit Committee.

It was added that the recommendations arising from the Corporate Governance Review which directly related to issues which were the responsibility of the Audit Committee were shown below: -

- Develop criteria to measure the 'added value' being provided by Internal Audit as a means of demonstrating its corporate contribution;
- Use the criteria to measure 'value added' to evaluate Internal Audit's contribution and inform future plans;

- Expand the remit of the Audit Committee to include, for example, oversight of the Council's response to external regulator/peer review recommendations as a significant agenda item for the second six months of the municipal year;
- Broaden the contribution to the Annual Governance Statement (AGS) by convening a representative group from across the organisation to meet quarterly to keep the AGS under review;
- Produce a more succinct AGS document that contains hyperlinks to the relevant evidential documents.

The recommendations shown above covered 3 main issues i.e. added value provided by Internal Audit, remit of the Audit Committee and preparation of the Annual Governance Statement. Each issue was discussed as follows:

- Internal Audit Added Value;
- Remit of Audit Committee;
- Annual Governance Statement.

The Committee discussed the following: -

- Providing assurance;
- Organising the Internal Audit Plan to address risk and provide added value;
- Importance of removing / having lesser checks on low risks;
- Remit of the Audit Committee;
- Scrutiny of other bodies;
- Satisfactory level of governance / process.

RESOLVED that the contents of the report be noted.

86 **AUDIT COMMITTEE ACTION TRACKER REPORT. (FOR INFORMATION)**

The Audit Committee Tracker Report was provided for information.

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

The Audit Committee Work Plan was reported for information.

The meeting ended at 4.25 pm

CHAIR