

## 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, 20 Mehefin 2017

**Amser:** 2.00 pm

#### **Aelodaeth:**

Cynghorwyr: C Anderson, T J Hennegan, P R Hood-Williams, B Hopkins,  
O G James, L James, P Jones, J W Jones, M B Lewis, R V Smith, W G Thomas,  
L V Walton a/ac T M White

Mr A M Thomas

### AGENDA

Rhif y Dudalen.

- 1 Ethol Cadeirydd ar gyfer Blwyddyn Ddinesig 2017/2018.
- 2 Ethol Is-gadeirydd ar gyfer Blwyddyn Ddinesig 2017/2018.
- 3 Ymddiheuriadau am absenoldeb.
- 4 Datgeliadau o fuddiannau personol a rhagfarnol.  
[www.abertawe.gov.uk/DatgeliadauBuddiannau](http://www.abertawe.gov.uk/DatgeliadauBuddiannau)
- 5 **Cofnodion.** 1 - 13  
Cymeradwyo a llofnodi, fel cofnod cywir, gofnodion y cyfarfod(ydd)  
blaenorol.
- 6 Hyfforddiant - Cyflwyniad i'r Pwyllgor Archwilio.
- 7 Hyfforddiant - Rheoli Risgiau.
- 8 Adroddiad am y Diweddaraf gan Swyddfa Archwilio Cymru. 14 - 18
- 9 Swyddfa Archwilio Cymru - Adroddiad Cynllunio Arbedion - Dinas  
a Sir Abertawe. 19 - 32
- 10 Adroddiad Blynyddol Terfynol y Pwyllgor Archwilio - 2016/17. 33 - 53
- 11 Rhaglen Hyfforddiant Ddrafft y Pwyllgor Archwilio. 54 - 57

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| 12 | Cynllun Archwilio Mewnol Blynyddol 2016/17 - Adroddiad Monitro Chwarter 4. | 58 - 71 |
| 13 | Cynllun Gwaith y Pwyllgor Archwilio. (Er Gwybodaeth)                       | 72 - 74 |
| 14 | Adroddiad Oirhain Camau Gweithredu'r Pwyllgor Archwilio. (Er Gwybodaeth)   | 75 - 82 |

**Cyfarfod nesaf:** Dydd Mawrth, 11 Gorffennaf 2017 ar 2.00 pm



**Huw Evans**  
**Pennaeth Gwasanaethau Democrataidd**  
**Dydd Mawrth, 13 Mehefin 2017**

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**Cyswllt: Gwasanaethau Democrataidd**

# Agenda Item 5

## CITY AND COUNTY OF SWANSEA

### MINUTES OF THE AUDIT COMMITTEE

HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON  
TUESDAY, 14 MARCH 2017 AT 2.00 PM

**PRESENT:** Mr A M Thomas (Chair) Presided

**Councillor(s)**

C Anderson  
L James

**Councillor(s)**

T J Hennegan  
P M Meara

**Councillor(s)**

P R Hood-Williams  
L V Walton

**Officer(s)**

Paul Beynon  
Lindsay Harvey  
Jeremy Parkhouse  
Sandie Richards  
Brian Roles  
Kelly Small

Chief Auditor  
Chief Education Officer  
Democratic Services Officer  
Principal Lawyer  
Head of Education Planning and Resources  
Head of Funding and Information Unit

**Also Present:**

Geraint Norman                      Wales Audit Office

**Apologies for Absence**

Councillor(s): J W Jones, R V Smith and T M White

65 **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 L James – Minute No.69 – Internal Audit Monitoring Report Quarter 3, 2016/17 – School Governor at Bishopston Comprehensive School – personal.

66 **MINUTES.**

**RESOLVED** that the Minutes of the previous meetings of the Audit Committee held on 3 January and Special Audit Committee held on 14 February 2017 were approved as correct records.

67 **CHIEF EDUCATION OFFICER BRIEFING. (VERBAL)**

The Chair welcomed the Chief Education Officer, the Head of Education Planning and Resources and the Head of Funding and Information Unit. He outlined the context of the discussions, particularly the recurring themes being raised in school audits around procurement by schools. He added that whilst many of these issues were devolved, some occurred across all schools and had not been followed up.

The Committee also wanted certain items to be placed upon the agendas of school governor meetings in order for them to be highlighted.

The Chief Education Officer / Head of Funding and Information Unit outlined the following: -

- Welsh Assembly Government (WAG) / Regulation – WAG encourage maximum delegation to schools. The role of Education centrally is to support schools and governing bodies;
- Core Visits – Challenge advisors attend schools and look at resources in order to advise / examine all aspects of schools administration;
- Estyn – When inspecting schools, Estyn looks at provision and how effectively resources are deployed;
- Education – Supports schools from a central position via the School Support Unit, providing budget and procurement training for staff and governors. Schools are also accountable for the money they receive and the School Support Unit monitors budgets and recommendations received from school audits;
- Contract Procedure Rules – A copy is provided to all schools;
- Training – Governor training is provided once a term and new head teachers must undergo an induction;
- Website – Contains information regarding financial matters, procurement guides and service level agreements;
- Common Themes – Dinner money continued to be an issue in many schools and the option of having an online payment system was being examined. Many of the problems in schools were centred around the administration within schools;
- Pupil Deprivation Grants – WAG want these grants monitored closely in order to ensure they are used for the pupils concerned.

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

- Schools closely following procurement advice / guidance;
- Information being provided to school governing bodies in a timely manner;
- Changes to responsibilities being placed upon governors, the potential impact of these changes and the possibility of the Committee providing feedback to the consultation process;
- The need to make governor training compulsory instead of voluntary;
- The more information placed upon the Council website would assist schools / governors to understand procedures / policies;
- Assurances that governing bodies were being made aware of issues highlighted in school audits;
- The need to complete all recommendations highlighted in school audits

## 68 **WALES AUDIT OFFICE UPDATE REPORT.**

Geraint Norman, Wales Audit Office presented Wales Audit Office Update – March 2017 report.

Details were provided regarding Financial Audit Work 2015-16 – City & County of Swansea Pension Fund, Financial Audit Work 2015-16 – City & County of Swansea and Performance Audit work - City & County of Swansea.

The Committee commented regarding risk management, governance and value added.

**RESOLVED** that: -

- 1) The contents of the report be noted;
- 2) The Chair, Chief Auditor and Wales Audit Office Representative build risk management, governance and value added issues into the Audit Committee Workplan.

69 **INTERNAL AUDIT MONITORING REPORT QUARTER 3 2016/17.**

The Chief Auditor presented the Internal Audit Monitoring Report – Quarter 3 2016/17.

He reported that all posts within the Internal Audit Section were now filled and that the member of staff who had been on long term sick had returned to work.

A total of 21 audits were finalised during Quarter 3 and these were listed 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. It was highlighted that the audit of Section 106 agreements had received a substantial level assurance and there were no moderate or limited assurance levels.

A total of 142 audit recommendations were made and management agreed to implement 138 recommendations i.e. 97.2% against a target of 95%. The recommendations which were not agreed were either low risk or good practice or it was shown by management that compensating controls were in place.

In addition, the Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government: -

- Supporting People Programme Grant 2015/16 - £13,817,121
- Pupil Deprivation Grant 2015/16 - £6,375,365

It was found that the grants had been spent in accordance with the agreed purpose and that only eligible expenditure was included.

Appendix 2 provided the Internal Audit Plan 2016/17, progress to 31/12/16 and approximately 69% of the Audit Plan was either completed or in progress, which was excellent progress, particularly in view of the sickness levels.

The self –assessment schools questionnaire was sent to 28 primary schools due for audit in 2016/17 during Quarter 1 and by the end of the December 2016, 22 completed questionnaires had been returned. Work was ongoing to chase the return

of the outstanding questionnaires. The returned questionnaires had been analysed and a short visit to schools commenced during Quarter 3 to confirm that controls were in place. A draft report would then be sent to the Headteacher before being finalised and reported to the School's Governing Body. School visits would continue during Quarter 4.

Details of the follow ups completed between 1 October 2016 and 31 December 2016 were also provided and included visits to Portmead Primary School, Seaview Primary School, Grand Theatre and Swansea Children's Centre / Mayhill Family Centre, where substantial progress was noted. It was added that outstanding recommendations remained at Suresprung, Community Equipment Store, Community Alarms and Car Parks.

The Committee discussed the following: -

- The positive response received in respect of Portmead and Seaview Primary Schools;
- The disappointing responses received from Suresprung, Community Equipment Store, Community Alarms and Car Parks;
- Planned audits that had not been completed being rolled over to the following year and the annual target of 70% completion for planned audits.

**RESOLVED** that: -

- 1) The contents of the report be noted;
- 2) Letters from the Chair be forwarded to the relevant Heads of Service in respect of outstanding recommendations remaining at Suresprung, Community Equipment Store, Community Alarms and Car Parks.

## 70 **INTERNAL AUDIT PLAN 2017/18 - METHODOLOGY.**

The Chief Auditor presented a report that provided a briefing to the Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2017/18 being reported to the Committee for approval on 28 March 2017.

It was added that the Public Sector Internal Audit Standards (PSIAS) provided a framework for the delivery of a professional, independent and objective internal audit service and are mandatory for all internal audit providers in the public sector in the UK. One of the requirements of the PSIAS is that an annual risk-based Internal Audit plan must be prepared to determine the priorities of Internal Audit and to ensure consistency with the Council's goals. The Plan must allow sufficient audit coverage across the whole Council for the Chief Auditor to be able to provide an annual opinion to Council via the Section 151 Officer and Audit Committee on the control environment covering corporate governance, risk management and internal control.

Details of the Internal Audit Plan Methodology were outlined and an extract of the PSIAS requirements regarding internal audit planning was provided at Appendix 1 and a copy of the Risk Assessment form used was provided at Appendix 2.

The Committee discussed consistency of visits to service areas, added value, corporate risk register, embedding risk management into the Council, money handling and checks undertaken.

**RESOLVED** that the contents of the methodology be noted prior to the preparation of the Internal Audit Annual Plan 2017/18.

71 **INTERNAL AUDIT CHARTER 2017/18.**

The Chief Auditor presented the Internal Audit Charter 2017/18. The report outlined the background to the Public Sector Internal Auditing Standards (PSIAS), introduced with effect from 1 April 2013 and presented an Internal Audit Charter for approval by the Committee.

The Chief Auditor was required to review the Internal Audit Charter periodically and present it to the Corporate Management Team and Audit Committee for approval. The Internal Audit Charter for the City and County of Swansea's Internal Audit Section had been reviewed with tracked changes and was provided at Appendix 1.

**RESOLVED** that the Internal Audit Charter 2017/18 be approved.

72 **PUBLIC SECTOR INTERNAL AUDIT STANDARDS - EXTERNAL ASSESSMENT.**

The Chief Auditor presented the Public Sector Internal Audit Standards External Assessment report.

It was explained that the Public Sector Internal Audit Standards (PSIAS) were introduced in the United Kingdom on 1 April 2013 and compliance with the Standards is mandatory for all providers of internal audit services in the public sector. One of the requirements of the Standards is that an external assessment of each internal audit provider must be conducted at least once every 5 years. The Standards also require that the form of the external assessment and the qualifications and independence of the external assessor be discussed by the Audit Committee.

The report satisfied the requirements of the Standards in terms of the external assessment and recommended the way forward for securing the external assessment of the City and County of Swansea's Internal Audit Section.

It was added that as a result of discussions, it was agreed that the Welsh Chief Auditors would establish a peer group to provide an external assessment via a robust external validation of the self-assessment checklist provided by CIPFA. Terms of reference for the peer group have been established by the Welsh Chief Auditors Group to fully meet the requirements of the PSIAS.

3The peer review would be undertaken by the Chief Auditor of another Welsh authority and to ensure independence and objectivity, 2 authorities would not be allowed to undertake each other's external assessment. The main advantage of the proposed approach was that it fully complied with the requirements of the PSIAS in terms of the assessor's qualifications, independence, objectivity and knowledge of the Standards and the external assessment process. The peer review approach would also be delivered without the cost of employing an external assessor. Evidence had been gathered showing that a full external assessment was likely to cost around £15k, while an external validation costs approximately £11k.

There would not be any costs involved in the peer review approach apart from the Chief Auditor's time in completing an external validation of another authority. It was proposed that the external validation of Swansea would be undertaken by the Chief Auditor of the City and County of Cardiff, while the Chief Auditor of Swansea would undertake the external validation of Blaenau Gwent County Borough Council.

The Section 151 Officer supported the provision of the external assessment by self-assessment with an external validation by the peer group established by the Welsh Chief Auditors. The intention of identifying an appropriate sponsor for the external review was to further safeguard the independence of the external assessment process. It was proposed that the Chair of the Audit Committee be appointed as the appropriate sponsor and be responsible for agreeing the scope of the external review with the Chief Auditor.

It was explained that the external validation would take approximately 5 days between October and December 2017

**RESOLVED** that: -

- 1) The external assessment by way of self-assessment with an independent external validation provided through the Welsh Chief Auditor's Peer Group be approved;
- 2) The Chair be nominated as the 'appropriate sponsor' who must agree the scope of the external assessment.

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

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

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

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

The meeting ended at 3.33 pm

**CHAIR**



## **CITY AND COUNTY OF SWANSEA**

### **MINUTES OF THE SPECIAL 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 and 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.

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**

## City & County of Swansea Audit Committee Update – June 2017

### Financial audit work 2016-17 – City & County of Swansea Pension Fund

Activity	Scope	Status
<b>Audit Plan</b>	Plan of financial audit work for 2016-17.	Audit Committee March 2017.
<b>Financial Statements/Annual Audit Letter</b>	Audit of the Pension Fund's 2016-17 financial statements and Annual Audit Letter.	Planned Audit Committee September 2017.

### Financial audit work 2016-17 – City & County of Swansea

Activity	Scope	Status
<b>Audit Plan</b>	Plan of financial audit work for 2016-17.	Audit Committee March 2017.
<b>Financial Statements 2016-17</b>	Audit of the Council's 2016-17 financial statements.	Planned Audit Committee September 2017.
<b>Certification of Grants and Returns 2016-17</b>	Summary of grants and returns certification work 2016-17.	Planned Audit Committee January 2018.
<b>Annual Audit Letter</b>	Report summarising our 2016-17 financial audit work.	Planned Audit Committee January 2018.



Performance Audit work - City & County of Swansea

2016-17 Improvement Assessment	Scope	Status
<b>Corporate Improvement Plan Audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Completed. Certificate issued June 2016.
<b>Improvement Plan Audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Completed. Certificate issued November 2016.
<b>Financial Resilience Assessment - Savings Planning</b>	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.	Completed Report Issued April 2017.
<b>Governance</b>	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	Draft June 2017.
<b>Audit Committee facilitated self-assessment</b>	Wales Audit Office facilitated Audit Committee self-assessment.	Completed February 2017
<b>Annual Improvement Report (AIR)</b>	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'	Planned July 2017.

2017-18 Improvement Assessment	Scope	Status
<b>Corporate Improvement Plan Audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Revisit upon publication of Council's Well Being Objectives
<b>Improvement Plan Audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Planning
<b>Annual Improvement Report (AIR)</b>	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'	Planning
<b>WFG Year one commentary</b>	Year one commentary on WFG/BaselineGather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. There is no local report it is intended the baseline will inform a commentary to be published summer 2018.	Planning
<b>WFG/Budget Scrutiny 2017-18</b>	This review will examine the impact of the WFG Act on the work of scrutiny committees including PSB scrutiny, facilitating improvement and sharing of good practice.	Planning
<b>Service User Review</b>	This is a service user focussed review. We will select specific tracer area(s) to be agreed with the Council.	Planning

2017-18 Improvement Assessment	Scope	Status
<b>Member Workshops – Aligning Levers of change</b>	<p>The purpose of this review is to support the development of local action that will promote positive practice and help identify barriers to be addressed. The review will assist councils to:</p> <ul style="list-style-type: none"> <li>refine current arrangements in Councils by promoting what is working well, identifying any barriers and developing local improvement opportunities; and</li> <li>facilitate sharing of practice between Councils.</li> </ul>	Planning
<b>Digital Risk</b>	Diagnostic.	Planning
<b>Local project</b>	To be determined.	Planning
2016-17 Local Government Studies	Scope	Status
<b>Improving wellbeing through housing adaptations</b>	<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>	In progress Swansea has not been selected to take part in the detailed fieldwork of this study.
<b>Strategic commissioning of learning disability services by local authorities</b>	<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>	In progress. Swansea has not been selected to take part in the detailed fieldwork of this study.
<b>How local government manages demand - Homelessness services</b>	<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>	In progress. Swansea has been selected to take part in the detailed fieldwork which took place in January 2017.

<b>National Studies</b>	<b>Update and link to report</b>
<b>Welsh Government oversight of further education finances and delivery</b>	Published Feb 2017 <a href="#">Welsh Government oversight of further education finances and delivery</a>
<b>Public Procurement</b>	In progress



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## Savings Planning – **City and County of Swansea**

Audit year: 2016-17

Date issued: March 2017

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The team who delivered the work comprised Janet Smith and Jeremy Evans, under the direction of Alan Morris

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# Summary report

## Summary

- 1 Good financial management is essential for the effective stewardship of public money and the continual delivery of efficient public services. The current financial climate and the reduced settlements for local government mean that good financial planning, with well-considered savings plans, is critical to financial resilience.
- 2 This review focuses on answering the following question: **Do the council's financial savings planning arrangements support financial resilience?**
- 3 Good financial planning:
  - helps councils take the right decisions for the short, medium and long term;
  - helps councils deliver services to meet statutory obligations and the needs of local communities;
  - is essential for good corporate governance;
  - is about managing performance and achieving strategic objectives as much as it is about managing money;
  - underpins service quality and improvement;
  - is the basis of accountability to stakeholders for the stewardship and use of resources; and
  - is a key management discipline.
- 4 Financial planning for the medium to long term involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and, where necessary, developing appropriate savings strategies.
- 5 A council's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and Medium-Term Financial Plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that is too inflexible in a period of rapid external change.
- 6 Councils receive about 80% of their net income from Welsh Government, the exact amount is only known 4-5 months before the start of the financial year. Whilst this has an impact on financial planning councils can use a range of information to anticipate changing circumstances, set priorities, make choices and manage service delivery. They can calculate how much they would need to deliver services (at current or future prices) and review alternative income and spending scenarios to identify gaps and prepare for the future by investigating different approaches



- 7 During 2015-16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The national summary report concluded that **strategic planning arrangements are improving but councils have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.**
- 8 In this assessment, undertaken during the period June to September 2016, we have focused on work to identify, plan for and deliver savings. We examined the extent to which the City and County of Swansea Council (the Council) achieved its 2015-16 savings plans, the quality of its medium term financial plans and the robustness of its 2016-17 savings plans.
- 9 We sampled three savings proposals for 2016-17 and looked at the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale.
- 10 We followed up our 2015-16 work to determine what the Council did as a consequence of what it learnt and how it has responded to our proposals for improvement in relation to financial planning if we made any.
- 11 In this report we have described some key characteristics of effective financial planning – **What good looks like**. Auditors have used these and other factors to reach a balanced view on the effectiveness of a council's financial planning arrangements and to evaluate the ability of a council to deliver its Medium-Term Financial Plan (MTFP) and planned savings.
- 12 In our 2015-16 review we concluded that **the Council has improved medium term financial planning, but the pace at which planned savings are being achieved is too slow and accountability for delivering all savings proposals has yet to be resolved.**
- 13 In this review we concluded that **whilst the Council has a sound financial planning framework it recognises the delay in delivering savings plans to required timescales presents risks to its financial resilience.**
- 14 **There is limited improvement from 2015-16** – the Council has strengthened links between its key plans but some savings plans are not fully developed when the budget is agreed and the pace at which in year planned savings relating to the Sustainable Swansea Programme are being delivered remains slow.

# Proposals for improvement

## Exhibit 1: proposals for improvement

It would be unusual if we did not find things that can be improved and, where we do, The Auditor General can take a variety of steps. In this case a proposal for improvement has been made and we would expect the Council to do something about it.

### Proposals for improvement

P1 Strengthen financial planning arrangements by:

- ensuring that savings plans are sufficiently well developed and risk assessed before inclusion in the budget;
- assigning responsibility for the delivery of all planned savings to specific managers' services.

# Detailed report

## Whilst the Council has a sound financial planning framework it recognises the delay in delivering savings plans to required timescales presents risks to its financial resilience

### Context

- 15 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there is a real-terms reduction of £483 million (10.9%) in this core funding<sup>1</sup>.
- 16 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'<sup>2</sup> especially as local councils are collectively the largest employer in Wales and the deliverer of many important public services.

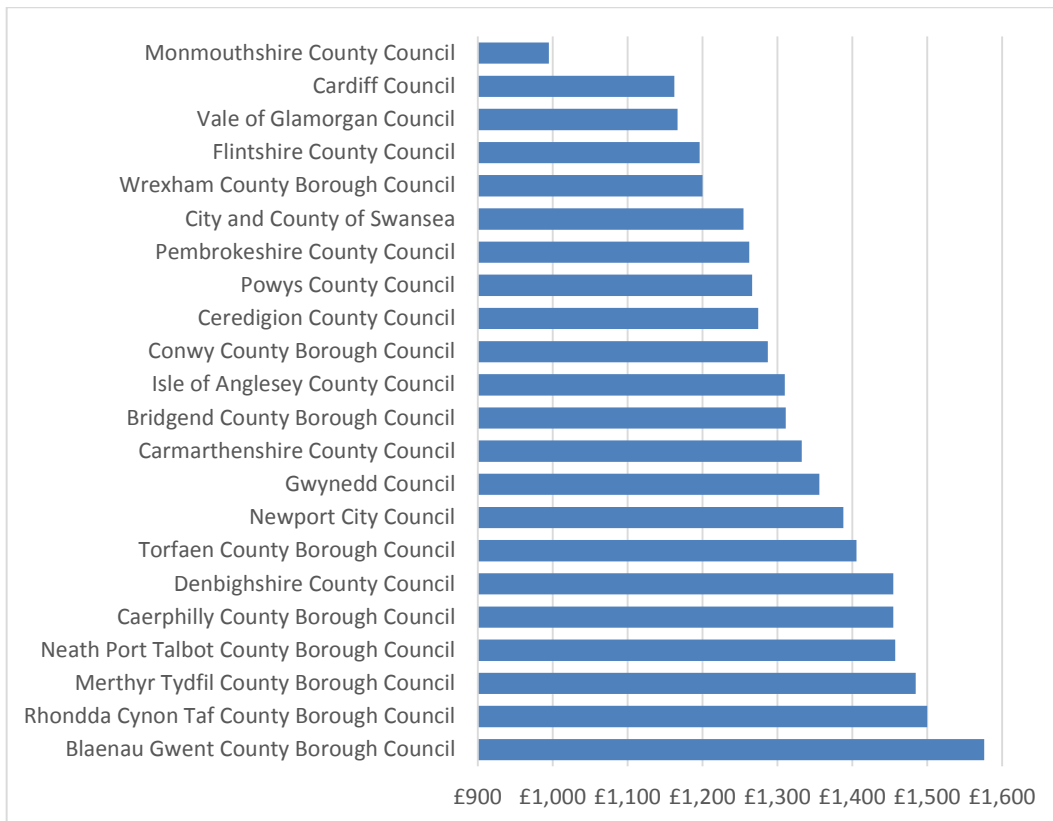
<sup>1</sup> Comparing core funding (Aggregate External Finance (AEF)) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation)

<sup>2</sup> Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 17 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as, for example, demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30% or more in real terms since 2013-14.
- 18 The Council received £307.8 million in support from Welsh Government in 2016-17. This represents £1,255 per person in the county, above the average for Wales but a real-terms reduction of 8.6% per head since 2013-14. There are other key issues that impact on any councils overall financial position, for example the overall Council tax base, the ability to generate income locally and the levels of deprivation.

**Exhibit 2: Welsh Government support in 2016-17**

The graph below illustrates the amount of money each council gets per head of population from the Welsh Government



Source: Stats Wales ([www.statswales.gov.wales](http://www.statswales.gov.wales))

## Savings achievement 2015-16

The Council has reported achievement of 84% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered

### What good looks like

19 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

### What we found

- 20 In our 2015-16 review we found that the Council had improved medium-term financial planning arrangements and understood the overall financial savings required but was not achieving specific savings as quickly as planned.
- 21 In our 2016-17 review we found that the Council is still not achieving savings as quickly as planned and the level of savings achievements in 2015-16 was slightly lower than in 2014-15. The main issues are detailed below:
- 22 The Council achieved a surplus on its 2015-16 budget and delivered 84% of its planned savings, compared to 87% in 2014-15. Unachieved savings were offset from a combination of restrictions in spend on other budgets, some alternative savings, and underspends on corporate wide budgets. There was a collective net underspend on service budgets of £1.1million, after taking into account overspends in Adult Social Care and Education Services which were offset by underspends in other services. The surplus was transferred to earmarked reserves.
- 23 The Council's planned budget strategy included the use of a contingency provision of £5.4 million set aside to fund early retirement and voluntary redundancy costs, a transfer of £1.7 million to its transformation reserve and £1.2 million from its general reserve to fund the base budget. The outturn position shows that the Council did not have to draw on its general reserve to fund the budget.
- 24 In line with good practise the Council reviewed delivery of its 2015-16 savings plans and identified that 16% were not achieved. The Council uses a Red/Amber/Green (RAG) status to monitor and report monthly progress on savings plans to its Budget Performance Review Group.
- 25 The Council classifies its savings into four categories; service savings; staff savings; delivery strand; and other, which tend to be of a corporate nature.
- 26 Non achievement of savings proposals mainly related to service changes in adult social care and targets set for the 'delivery strands' in the Sustainable Swansea

Programme which were not disaggregated to specific managers' service budgets when the budget was approved.

- 27 The non-achievement of savings plans is partly due to the slow pace of completion of commissioning reviews in the Sustainable Swansea Programme. Resulting in global savings targets being included in the budget which are not underpinned by sufficiently robust and timely delivery plans. In addition the delivery of savings proposals are not risk rated when the savings plan is approved.

## Financial planning arrangements

### Whilst the Council has an effective financial planning framework and a proactive approach to income generation, future savings plans are underdeveloped

#### What good looks like

- 28 The MTFP is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect the council's strategic objectives and priorities for the year, and over the longer term. MTFPs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and the council's priorities. The impact on citizens and other stakeholders should also be considered.
- 29 Good MTFPs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. The council should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFP should be frequently reviewed and updated to reflect changes in assumptions and risks.
- 30 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFP.
- 31 The council must demonstrate that it understands its sources of income and the risks arising from these, and that it has reviewed its approach to fees and charges, for its services, to achieve value for money.

## What we found

- 32 In our 2015-16 review we found that the Council had effective arrangements for medium term financial planning but a lack of clarity about responsibility for delivering some savings targets weakened overall control.
- 33 In our 2016-17 review we found that whilst the Council has assigned responsibility for delivery of the majority of its savings plans, similar to last year, £2 million remains unallocated as a global target which is not supported by a robust delivery plan.
- 34 The Council's Medium Term Financial Plan (MTFP) is integrated with the Council's corporate planning framework. The Council's Statement of Medium Term Budget Priorities sets out its views on service and budget priorities in the context of the delivery of the Sustainable Swansea Programme and the MTFP. The Council reviews its plans regularly. The Corporate Plan 2015-17 is being reviewed and the refreshed Corporate Plan will be effective from April 2017 and supported by the updated MTFP.
- 35 A weakness is that whilst there are links between the MTFP and the Sustainable Swansea Strategy the links between service and financial plans are less explicit.
- 36 The Council's MTFP financial planning assumptions are good and kept under review. The Council formally reviews and updates its MTFP bi-annually and usually issues a Mid Term Budget Statement in the autumn. In addition, internal reports on changes in assumptions of key variables or emerging issues and risks are provided more frequently.
- 37 The MTFP forecasts over a three year period. The MTFP forecasts are comprehensive and include sensitivity analysis and are modelled on best, most likely and least optimistic scenarios. The forecast MTFP 2017-18 to 2019-20 identified a budget gap of £55 million. The Council has not identified specific savings proposals to meet this gap but has calculated indicative global service savings targets. From 2017-18 onwards the Council has stated that the service savings proposals will be more strategic in nature driven by cross cutting and thematic commissioning reviews with the bulk of the savings being achieved from work stream and delivery strand projects in the Sustainable Swansea Programme.
- 38 The MTFP is also underpinned by reasonable and appropriate assumptions for key variables such as pay awards, price inflation and funding and council tax levels. The impact of demographic changes, changes in demand, inescapable pressures and legislation changes is also assessed.
- 39 The Council holds approximately £12 million as a working balance in its general reserve. The general fund reserve level is reviewed when finalising the annual budget and statement of accounts but the annual budget report does not include a comprehensive statement of planned use of reserves over the period of the MTFP.
- 40 The Council does not have a reserves policy, but in line with good practice the Council reviews its reserves regularly. For example, the Council reviewed its earmarked reserves in 2015-16 resulting in the reclassification and consolidation of

some reserves into its transformation reserve to support its change programme. A further review of earmarked reserves is planned for October 2016.

- 41 In line with good practice, the Council has an Income and Generation Policy. Its objectives are; increase/maximise /introduce charges; full cost recovery (including services to schools); reduce public subsidy; create and utilise surplus capacity. The Council has a composite list of fees and charges which records annual charges and new charges to enable changes in income from existing and new sources to be measured over time. The Council has identified a number of new income streams.
- 42 In year financial and performance reporting is well established including updates on the use of reserves. Although the MTFP assumptions are reviewed during the year there is no evidence that MTFP performance is monitored in year.

## Savings Plan 2016-17

**With some savings plans lacking detail, ownership and realistic delivery timescales, the Council is forecasting that only 65% of its 2016-17 savings plans will be achieved**

### What good looks like

- 43 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFP. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

### What we found

- 44 In our 2015-16 review we made a proposal for improvement to 'Ensure timescales for the delivery of specific savings proposals are realistic and act to drive delivery.'
- 45 In our 2016-17 review we found that whilst the processes to support the development of proposals has improved, some proposals are insufficiently well developed when the budget is agreed to ensure delivery within planned timescales. Our findings are detailed below.
- 46 The Council has identified how it will meet the savings required for 2016-17. However, the Council has only identified global savings targets over the remaining period of the MTFP and has not identified indicative savings proposals to meet the budget gap going forward. The Council's quarter one financial monitoring report forecasts that 65% of its savings plans for 2016-17 will be achieved.
- 47 The Council classifies its savings into four categories: service savings; staff savings; delivery strand (Sustainable Swansea Programme); and other, which tend



to be of a corporate nature. The Council classifies its Sustainable Swansea Programme savings proposals as transformational.

- 48 The Council does not include a risk assessment of specific savings proposals in its budget report, but service proposals are challenged prior to inclusion in the budget and there is an underlying assumption that savings proposals included in the agreed budget will be achieved. The budget report refers to general financial risks and a contingency fund is held in the base budget to mitigate general risk. In line with good practice the Council uses a risk based approach for tracking progress and reporting on savings proposals during the year.
- 49 Service savings proposals are developed in the context of the Council's top five priorities and service business plans in the context of the criteria of investing, maintaining or reducing services. Sustainable Swansea Programme savings proposals include delivery strand proposals relating to targets identified from commissioning reviews. Equality Impact Assessments have been carried out for all service change design proposals.
- 50 Budget consultation responses received on savings proposals from citizens, stakeholders and other partners etc are considered before the budget is approved and if deemed appropriate changes are made.
- 51 The Council's savings plan is not specific enough. For 2016-17, 59% of savings will be met from specific service savings and are supported by well considered savings plans. 41% will be met from work streams and delivery strands in the Sustainable Swansea Programme, the bulk of which relate to changes in employee terms and conditions, third party spend and a senior staff review. These savings have been allocated on an agreed pro rata basis to services but were not underpinned by specific plans when the budget was agreed. However, approximately £2 million of target savings which relate to stopping services remain unallocated. The Council's quarter one financial monitoring report forecasts that 65% of the savings plan for 2016-17 will be achieved and delivery of the planned savings from the commercial savings delivery strand in the Sustainable Swansea Programme is limited.
- 52 The three savings proposals for 2016-17 we sampled to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale, were:
- Residential Placements – £400,000 (Service Specific saving)
  - Review on Building and Property services – £650,000 (Commissioning review – (Sustainable Swansea)
  - Implement outcomes of agreed Leisure commissioning reviews – £286,000 – (Sustainable Swansea)
- 53 We found that whilst the proposals are mainly underpinned by realistic financial assumptions and appropriate approval and consultation processes, some elements of the proposals had not been fully developed when the annual budget was agreed which puts the delivery of savings in the planned timescale at risk.

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# Agenda Item 10

## Report of the Chair of Audit Committee

Audit Committee – 20 June 2017

### AUDIT COMMITTEE ANNUAL REPORT 2016/17

<b>Purpose:</b>	This report provides the final Audit Committee Annual Report 2016/17 municipal year
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that the accept the Audit Committee Annual Report 2016/17.
<b>Report Author:</b>	Paul Beynon
<b>Finance Officer:</b>	Paul Beynon
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Foreword by Mr Alan Thomas, Chair of the Audit Committee

- 1.1 On behalf of the Audit Committee I can confirm that the support from both the Councillors and Council Officers, to enable the Committee to operate in a constructive, open and challenging manner has been made readily available.
- 1.2 Sufficient assurance has been obtained to confirm that while there are some areas that can be improved, there are currently no critical issues that need to be reported to the council.
- 1.3 There were no changes to the membership and the Committee met on 11 occasions with the average attendance of approximately 70%.
- 1.4 We continue to work closely with Scrutiny in order to minimise the risk of duplication.
- 1.5 The Committee continues to work closely with Internal Audit and the Financial and Performance Audit staff of the Wales Audit Office who now attend all Audit Committee meetings.

- 1.6 We continue the practice of a follow up meeting with the Head of Service and Chief Auditor when there is a moderate or limited level of assurance from a specific internal audit report.
- 1.7 An Action Tracker report was added to each agenda to allow the Committee to monitor the follow up actions taken in response to any decisions made by the Committee.
- 1.8 Two major training exercises were carried out during the year covering all the key areas of the Audit Committee remit.
- 1.9 This year, the Audit Committee performance review was externally facilitated by the Wales Audit Office.
- 1.10 The review concluded that while the Audit Committee is performing well against the Core Principles, there are a number of issues which could be addressed to enable the Committee to continue to improve its overall performance.
- 1.11 An action plan will be established during the first quarter of the 2017/18 programme to progress these issues. Particular emphasis will focus on:
  - i) Risk Management – an amended process with regular quarterly reviews.
  - ii) The need to establish a regular quarterly review by the recently established Annual Governance Statement Group to Audit Committee to demonstrate corporate governance in action across the Council.
- 1.12 Progress against this action plan and any other recommendations put before the Committee will be monitored quarterly through the coming year.

## **2. Introduction**

- 2.1 The Council is required, under the Local Government (Wales) Measure 2011 to have an Audit Committee which among other things must include at least 1 lay member.
- 2.2 The Measure requires the Audit Committee to review and scrutinise the Council's financial affairs, risk management, internal control and governance arrangements. It also requires the Committee to oversee the Council's internal and external audit arrangements and review its financial statements.
- 2.3 The work of the Audit Committee is structured so that the Committee can gain assurance over the areas identified above and to comply with its terms of reference.
- 2.4 This draft report describes the assurance that has been gained by the Audit Committee from various sources during 2016/17 and also outlines a

number of other areas where briefings have been provided to the Committee.

- 2.5 The draft Audit Committee Annual Report 2016/17 is reported to the Committee to provide members with the opportunity to give their views on the assurances received and to identify the key messages arising from the work of the Committee during the year which should be reported to Council.
- 2.6 The draft report will be amended for any comments made at this meeting with the final report being presented to the Audit Committee in June for formal approval. The Chair will then present the Annual Report to Council later in the summer.

## **2. Committee Membership**

- 3.1 The membership of the Audit Committee during 2016/17 is shown in the following table

Mr AM Thomas – Lay Member and Chair	Cllr PM Meara
Cllr C Anderson	Cllr TJ Hennegan
Cllr RA Clay	Cllr D Phillips
Cllr TM White	Cllr RV Smith
Cllr PR Hood-Williams	Cllr C Thomas
Cllr L James – Vice Chair	Cllr LV Walton
Cllr JW Jones	

- 3.2 There were no changes to the membership of the Audit Committee during 2016/17.
- 3.3 The Committee moved to a schedule of 2-monthly meetings in 2015/16 however it was recognised that the agenda for the 2-monthly meetings were becoming excessively long so a number of special meetings were arranged to help smooth out the Committee's work programme.
- 3.4 The Committee met on 11 occasions during 2016/17, 6 scheduled meetings and 5 special meetings. Over the course of the year, attendance at the meetings was 68%

## **4. Internal Audit Assurance**

- 4.1 The Audit Committee approved the Internal Audit Charter 2016/17 and 2017/18 as required by the Public Sector Internal Audit Standards.
- 4.2 The Audit Committee also approved the Internal Audit Annual Plan 2016/17 and 2017/18 during the year and has received quarterly monitoring reports from the Chief Auditor showing progress against the Plan.

- 4.3 The quarterly monitoring reports identified any audits that received a moderate or limited level of assurance along with an outline of the issues which led to the audit receiving the negative assurance level.
- 4.4 The Chair has written to a number of Heads of Service where audits in their area of responsibility received a moderate or limited level of assurance to raise the concerns of the Committee and to highlight the need for improvement in controls.
- 4.5 The Chair has also met with the Head of Service where the audit received a moderate or limited level of assurance at the previous audit. The Committee's view is that this indicates that the service has failed to improve since the previous audit which therefore requires a firmer response from the Committee to support the findings of the Internal Audit Section. Face to face meetings are more proactive and are likely to lead to a positive response from the service area.
- 4.6 The Internal Audit Annual Report 2015/16 was reported to the Audit Committee which included a review of actual work completed compared to the Annual Plan.
- 4.7 The Internal Audit Annual Report also included the Chief Auditor's opinion on the internal control environment for 2015/16 which stated that based on the audit testing carried out reasonable assurance can be given that the systems of internal control are operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.
- 4.8 The Internal Audit Annual Report of School Audits 2015/16 was presented to the Audit Committee. This report summarised the school audits undertaken during the year and identified some common themes identified across school audits.

## **5. Annual Governance Statement 2015/16**

- 5.1 The draft Annual Governance Statement 2015/16 was presented to the Audit Committee prior to being reported to Council for approval.
- 5.2 This gave the Committee the opportunity to review and comment upon the Statement and to ensure that it properly reflected the assurances provided to the Committee over the course of the year.

## **6. Annual Statement of Accounts 2015/16**

- 6.1 The Corporate Director (Resources) presented the draft Statement of Accounts 2015/16 for the Council and the Pension Fund to the Committee and answered a number of queries raised by members of the Committee.

6.2 Following completion of the audit of the Statement of Accounts 2015/16, the Chair requested that a special meeting be arranged for the Wales Audit Office to present its ISA 260 reports on the audit of financial statements of the Council and Pension Fund to the Audit Committee prior to the reports going to Council. The reports presented the detailed findings of the audit and stated that the Wales Audit Office view was that the accounts gave a true and fair view of the financial position of the Council and Pension Fund.

## **7. External Audit Assurance**

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

7.2 The Wales Audit Office also provided assurance to the Audit Committee by presenting the following reports

- Certification of Grants and Returns 2013/14 and 2014/15
- Financial Resilience Assessment Report 2015/16
- Annual Audit Letter 2015/16
- Wales Audit Office Audit Plan 2017 including performance and financial audit work

## **8. Implementation of Audit Recommendations**

8.1 An important role undertaken by the Audit Committee is monitoring the implementation of agreed audit recommendations arising from both internal and external auditors.

8.2 The implementation of any Internal Audit recommendations arising from the fundamental audits is reported to the Audit Committee in the Recommendations Tracker report. For 2015/16, the results of the tracker exercise showed that 86% of agreed recommendations had been implemented by 30 November 2016.

8.3 The implementation of any high or medium risk recommendations arising from non-fundamental audits that received a moderate or limited level of assurance are subject to follow up visits by Internal Audit to confirm they have been implemented. The results of the follow ups are reported to the Audit Committee in the quarterly Internal Audit Monitoring Reports.

8.4 A number of follow up audits were reported to the Committee during 2016/17 and in most cases it was found that substantial progress had been made by management in implementing the agreed recommendations within the agreed timescale.

- 8.5 However, it was disappointing that a small number of audits were identified where substantial progress had not been made in implementing the agreed recommendations and a 2<sup>nd</sup> follow up visit had to be scheduled.
- 8.6 The Committee also received a presentation from the Planning Control Manager on the progress made in implementing the recommendations arising from the Section 106 Agreements audit in 2015/16 which had received a limited level of assurance. It was noted that good progress had been made in implementing the recommendations although members did raise concerns regarding the information available to all councillors on Section 106 agreements.
- 8.7 The Internal Controls Report presented to the Audit Committee by the external auditors includes any recommendations made as a result of their work and the action taken by management to implement the recommendations.

## **9. Risk Management**

- 9.1 The Local Government (Wales) Measure 2011 makes the overview of risk management a function of the Audit Committee
- 9.2 A training presentation was made to the Committee on Risk Management during the year where it was indicated that an updated Risk Management Policy and Framework was being prepared and would be presented to the Committee in June 2017.
- 9.3 Apart from the training presentation, it was disappointing that no other reports or updates on Risk Management were provided to the Committee during the year.
- 9.4 The Committee also remains frustrated that access to the Risk Registers for members of the Committee has still not been arranged despite the request being made a number of years ago.

## **10. Performance Audit**

- 10.1 The Audit Committee received regular briefings from the Wales Audit Office on the performance audit work being undertaken within the City and County of Swansea
- 10.2 The Wales Audit Office's Performance Audit Plan 2016 was reported to the Committee and regular updates on progress against the Plan were provided by the Wales Audit Office throughout the year.

## **11. Relationship with Scrutiny Function**



- 11.1 The Audit Committee has continued to develop a relationship with the Scrutiny function. The relationship is intended to ensure the following
- Mutual awareness and understanding of the work of Scrutiny and the Audit Committee
  - Respective workplans are coordinated to avoid duplication / gaps
  - Clear mechanism for referral of issues if necessary
- 11.2 The Chair attended the Scrutiny Work Planning Conference to provide an Audit Committee input into the areas of proposed work for Scrutiny during 2016/17.
- 11.3 The Chair also attended the Scrutiny Programme Committee to provide an update on the work of the Audit Committee and also shared the Audit Committee Annual Report 2015/16 and Workplan 2016/17 with the Scrutiny Programme Committee.
- 11.4 The Chair of the Scrutiny Programme Committee has attended the Audit Committee to provide an update on the work of Scrutiny.

## **12. Anti-Fraud**

- 12.1 A Corporate Fraud Team was established during 2015/16 within the Internal Audit Section and the Corporate Fraud Annual Plan 2016/17 and Corporate Fraud Team Annual Report 2015/16 were presented to the Audit Committee.
- 12.2 An update on the work of the Corporate Fraud Team in 2016/17 and the Corporate Fraud Annual Plan 2017/18 were presented to the Committee
- 12.3 The new team has been involved in a number of investigations and the final report on one of the investigations was reported to the Committee. Further reports will be presented on the conclusion of live investigations.

## **13 YGG Lon Las – New Build**

- 13.1 Cabinet referred the project for the replacement of YGG Lon Las to the Audit Committee in September 2015 as a result of a significant increase in the cost of the project and the length of time taken to progress the project. The intention of the referral was so that any lessons learned from the YGG Lon Las project could be identified and applied to future schemes.
- 13.2 The Audit Committee held a number of meetings to discuss the project and received information from staff in Education and Corporate Building and Property Services.
- 13.3 The Audit Committee's final report identified a number of lessons learned from the YGG Lon Las project. The final report was presented to Cabinet by the Chair in January 2017.

## **14. Briefings**

14.1 The Audit Committee received a number of briefings during 2016/17 as noted below

- Cabinet Advisory Committees
- Corporate Governance Review
- Debt Write Offs
- Internal Audit Plan Methodology
- Commercialism Strategy

## **15. Audit Committee Training**

15.1 It was recognised that a number of new councillors had recently been appointed as members of the Audit Committee therefore a training programme was developed for 2016/17.

15.2 Training was provided in the follow areas which are included in the terms of reference of the Audit Committee

- Internal Audit
- Governance
- Standards in Public Life
- External Audit
- Financial Statements
- Risk Management
- Counter Fraud

15.3 The training in 2016/17 was delivered at 2 meetings however going forward it is felt that it would be more appropriate to deliver training in shorter sessions with, for example, one topic being covered at the start of each meeting and limited to 30 minutes where possible.

## **16. Action Tracker Report**

16.1 An Action Tracker Report was added to the agenda of each meeting in 2016/17 to allow the Committee to monitor the action taken in response to any decisions made by the Committee. The report was well received as it provided a way for members to monitor progress in implementing the actions decided by the Committee.

## **17. Audit Committee – Performance Review**

17.1 The Audit Committee's annual performance review for 2016/17 was facilitated by the Wales Audit Office. The format of the Performance Review was for the members of the Committee to review the Committee's performance against the 7 Core Functions of an Audit Committee which had been established by CIPFA.

- 17.2 The members of the Audit Committee were individually asked to score the Committee's performance against each of the Core Functions using a scoring range of 1 to 10. Committee members were also asked to individually identify what they thought the Committee was doing well in relation to each Core Function and what the Committee could do better.
- 17.3 The Wales Audit Office captured the views of the Audit Committee in relation to each Core Function and has produced the summary shown in Appendix 1
- 17.4 The Wales Audit Office has also identified the key findings of the Performance Review based on the views of the Audit Committee members. The key findings are shown below
- Risk management – provide more detailed information e.g. Risk Registers to the Audit Committee
  - Risk management – develop 'what if' scenarios
  - Other regulators – Committee to see the work of other regulators at the Council e.g. CSSIW, Estyn, Public Service Ombudsman for Wales
  - Tracking of recommendations – develop a central control record of all recommendations
  - Tracking of recommendations – look at timescales, is 12 months too long before providing feedback on implementation
  - Meeting with Audit Committee – should all members of the Audit Committee meet with the WAO in private rather than just the Chair
  - Good practice – look at what other Audit Committees are doing e.g. in NHS, Police
  - Good practice – WAO to signpost good examples
  - Development of Audit Committee – look at other Audit Committees to benchmark and for good practice
  - Development of Audit Committee – train with members of other Audit Committees
  - Attendance – need to improve attendance by Members and Officers
- 17.5 The key findings of the Performance Review identified above will be turned into an Action Plan which will be reported to the Audit Committee at the June 2017 meeting and periodically throughout the year so that the Committee can monitor the progress made in addressing the issues arising from the Performance Review.
- 17.6 Overall, the outcome of the Performance Review is that the Audit Committee considers that it is performing well against the Core Principles apart from Risk Management. It was also felt that there are a number of issues which could be addressed during the coming year which would allow the Committee to provide a higher level of assurance to the Council.
- 18. Performance Review 2015/16 – Review of Actions**

- 18.1 The following table shows the actions that were agreed as a result of the Performance Review 2015/16 and the action taken during 2016/17

<b>Action</b>	<b>Outcome</b>
The need for the Committee to review its approach to gaining assurance over corporate governance. The review will follow the publication of the ongoing Corporate Governance Review by the Head of Legal and Democratic Services	Not achieved – the Corporate Governance Review report was presented to the Committee on 28 June 2016. The intention is that assurance on Corporate Governance will be provided by quarterly reports by the Annual Governance Statement Group but the Group has only recently been established. This action will be addressed during 2017/18.
The provision of training to Committee members based on the CIPFA <i>Knowledge and Skills Framework</i> . A training meeting will be held on 14 June 2016.	Achieved – a training meeting was held on 14 June 2016 and a further training session was provided at the meeting on 13 December 2016.

## 18. Future Audit Committee Meetings

- 18.1 The Council Diary for the new municipal year continues to include Audit Committee meetings on a 2 monthly basis. .
- 18.2 However, based on the experience in previous years, it is clear that special meetings will need to be held at certain times of the year to ensure the smooth delivery of the Committee's work programme. At this stage it is envisaged that special meetings will need to be arranged in July and September for the draft Annual Statement of Accounts and the Wales Audit Office audited Statement of Accounts report.
- 18.3 The Committee has the ability to call further additional meetings if necessary.

## 19. Equality and Engagement Implications

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

## 20. Financial Implications

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

## 21. Legal Implications

- 21.1 Part of the role of the Audit Committee as set out by the Local Government (Wales) Measure 2011 is to make reports and recommendations in relation to the authority's financial affairs, including an assessment of the risk

management and corporate government arrangements and the adequacy and effectiveness of those arrangements.

**Background Papers:** None.

**Appendices:** Appendix 1 Audit Committee Performance Review 2016/17  
Focus Group Notes.

## Audit Committee Performance Review 2016/17

### Focus Group – Notes

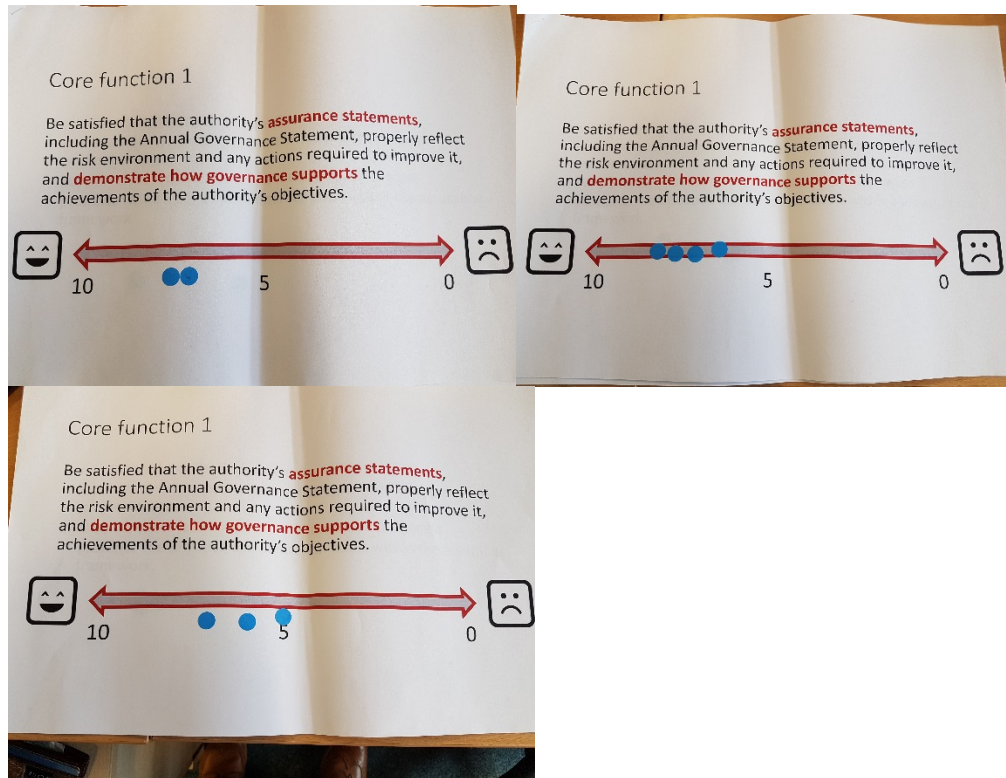
<b>Focus Group</b>	City and County of Swansea Audit Committee
<b>Date</b>	14 February 2017
<b>Location</b>	Swansea Guildhall
<b>Facilitators</b>	Gareth W Lewis and Geraint Norman
<b>Attendees</b>	

#### Key Findings

- Risk management – provide more detailed information (Risk Register) to AC
- Risk management – develop ‘what if’ scenarios
- Other regulators – see the work of other regulators at the Council (CSSIW, Estyn, PSoW)
- Tracking of recommendations – central place for all recommendations
- Tracking of recommendations – look at timescales – is 12 months too long?
- Meeting with AC in private – should all members of AC meet with WAO rather than just the Chair?
- Good practice – look at other bodies – eg. Police and NHS
- Good practice – WAO to signpost good examples
- Development of AC – look at other ACs to benchmark and for good practice
- Development of ACs – train with members of other ACs
- Attendance - improve attendance from Members and officers

## Core Function 1

Be satisfied that the authority's **assurance statements**, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and **demonstrate how governance supports** the achievements of the authority's objectives.



### What's going well?

- Good training and development for AC
- Better information from officers
- Independent Chair adds value
- System has been simplified
- Obtained detailed information from officers – e.g. delegated/pooled budgets and consortia working
- Improved sight of AGS; more feedback on AGS; confidence that governance taken on by functions
- Councillors development – AC has brought in many people for information training and development (Fraud Team, Chair Scrutiny)
- AGS appeared to be generally satisfactory
- Support of Audit department
- Audit team is now up to expected staffing levels
- Effectiveness of audit work with other agencies
- Fraud work
- Good cross party committee is essential to the process of AC
- Monitored issues from audit reports

### What could be better?

- Assurance statements need to be cascaded down through departments so that we can see sight of them
- Introduction of governance is never ending – it is up to audit to verify that governance is embedded – more confirmation that governance is embedded
- Procurement procedures knowledge – information to services (e.g. schools SLA's) – more joined up working
- Better understanding of the risk environment of the Council – regular access to eth Council Risk Register
- More scope for AC to request audits outside the normal cycle
- More information on impact – some evidence (e.g. schools audit school buildings but do not always have a full picture)

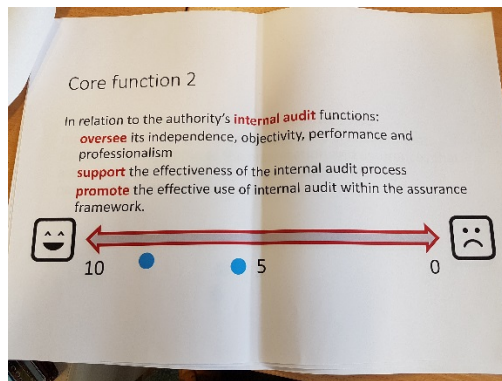
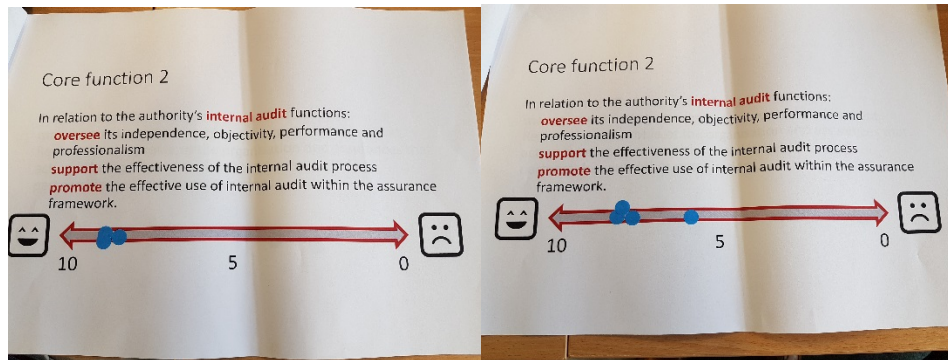
<ul style="list-style-type: none"><li>• Taken action to address issues raised by audits</li><li>• Schools audits went well</li></ul>	
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## Core Function 2

In relation to the authority's **internal audit** functions:

- **oversee** its independence, objectivity, performance and professionalism;
- **support** the effectiveness of the internal audit process; and
- **promote** the effective use of internal audit within the assurance framework.



### What's going well?

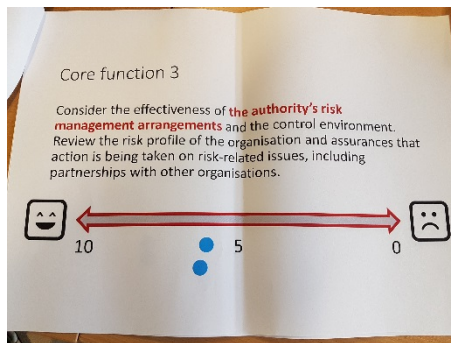
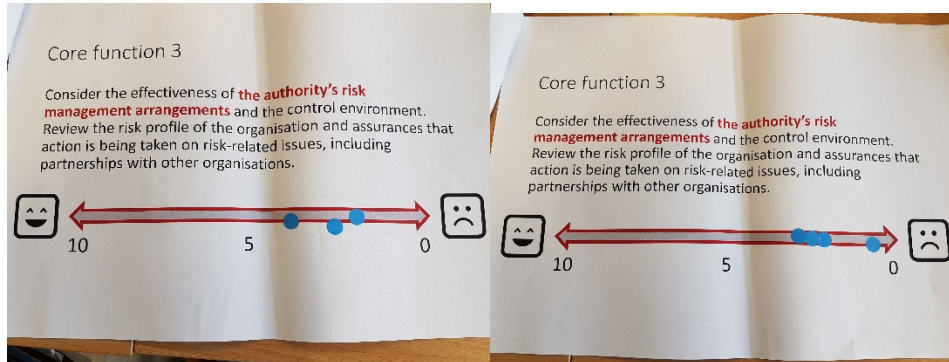
- Input of AC (Chair) in assisting internal audits
- Pick up issues on audit reports
- Generally, the AC has followed up on department weaknesses very well
- Improvement in achieving IA programme
- Schools audit system improved by initial school audit self-assessment
- Transparency of officers towards AC
- Clear examples of officers brought to committee being highlighted and referred on
- Close working relationship of Chief Auditor and Chair of Audit Committee
- The AC has supported IA as necessary
- Ensure correct staffing levels
- Monitor IA capacity and its impact

### What could be better?

- Concern about maintaining independence (politics)
- I am not a supporter of internal audit or self-assessment – is it truly independent?
- Faster replacement of staff who leave, go sick, etc.
- IA programme achievement has been hampered by sickness and vacancies in previous years and slippage has been a concern
- I would prefer to see audit placed outside of Finance
- More special audits and fewer routine audits – better understanding of IA risk assessment process

### Core Function 3

Consider the effectiveness of **the authority's risk management arrangements** and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.



#### What's going well?

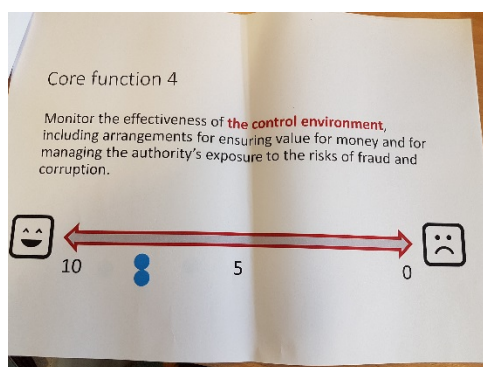
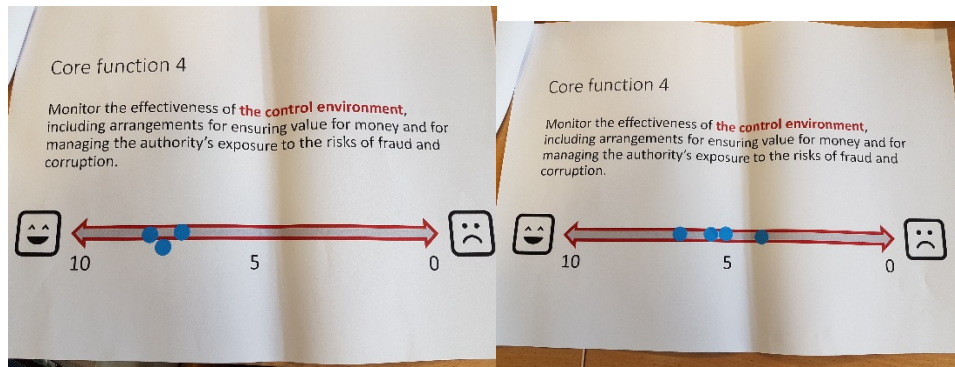
- Good assessment of known risks
- Given IA a higher profile
- Cascaded IT down to functions
- Trying to get a better understanding of the developing risk management process
- Tracking systems/keeping abreast of work programme achievements

#### What could be better?

- Risk management – sometimes risk becomes a barrier – common sense should prevail
- Not a lot of thinking about less obvious future risks
- Data and information not being shared and acted upon
- Actually have access to the Risk Register and be able to question officers about it
- We are still waiting for completion of the new risk management process
- Risk management not yet embedded

## Core Function 4

Monitor the effectiveness of **the control environment**, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.



### What's going well?

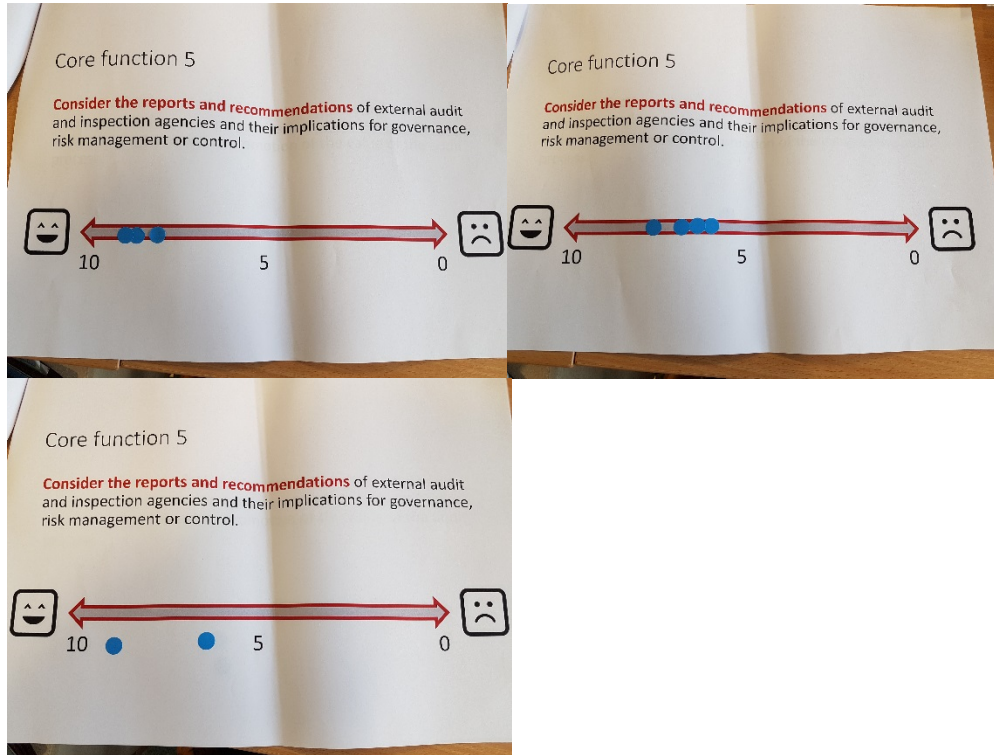
- We monitor it and are assured it is effective
- Monitoring of purchase cards
- Purchasing arrangements improved (paperless)
- Better controls of cash in place – better controls of accounting in place (access to accounts by leavers are no longer a problem)
- The new Fraud Team are well switched on and their track record shows that
- Satisfied that the new benefit fraud investigation process is practical and identifying such fraud
- Introduction of common IT system

### What could be better?

- Still need greater detail to monitor progress of Section 106 agreements – limited information on database
- Delegation to officers (particularly in planning) raises the risk of corruption - Scrutiny has done work on this but not AC
- Awareness posters placed at locations of service areas.

## Core Function 5

**Consider the reports and recommendations** of external audit and inspection agencies and their implications for governance, risk management or control.



### What's going well?

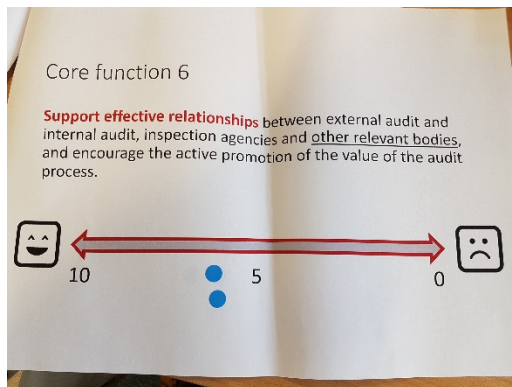
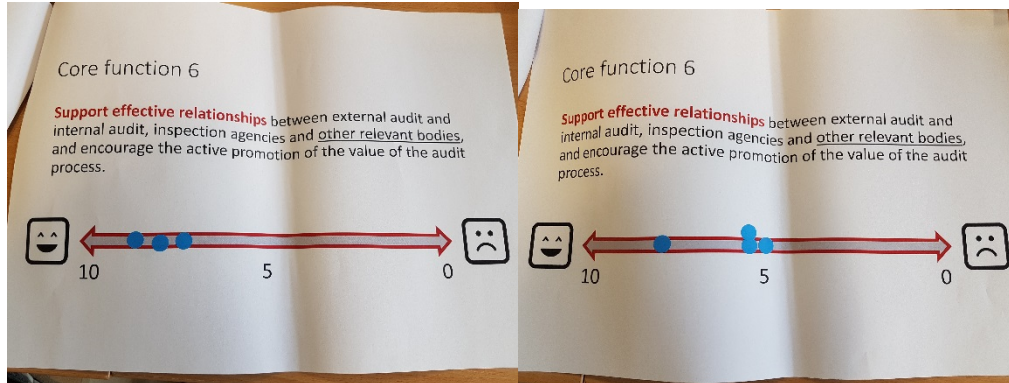
- Recommendations are discussed
- All external reports come to AC (except the ones we don't know about)
- WLGA interviewed most councillors on involvement/development – it was good

### What could be better?

- Use members to follow up recommendations – take personal responsibility
- Tracking could be better – follow up of recommendations – 'we have to wait a whole year (interim reports)'
- Don't see all reports – Estyn, CSSIW
- Have to wait a year to see if recommendations were implemented
- Make a named councillor responsible for making sure any particular external recommendation is implemented
- No central tracker of recommendations

## Core Function 6

**Support effective relationships** between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.



### What's going well?

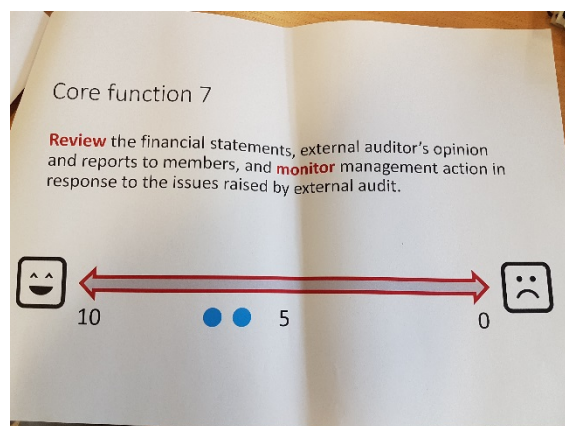
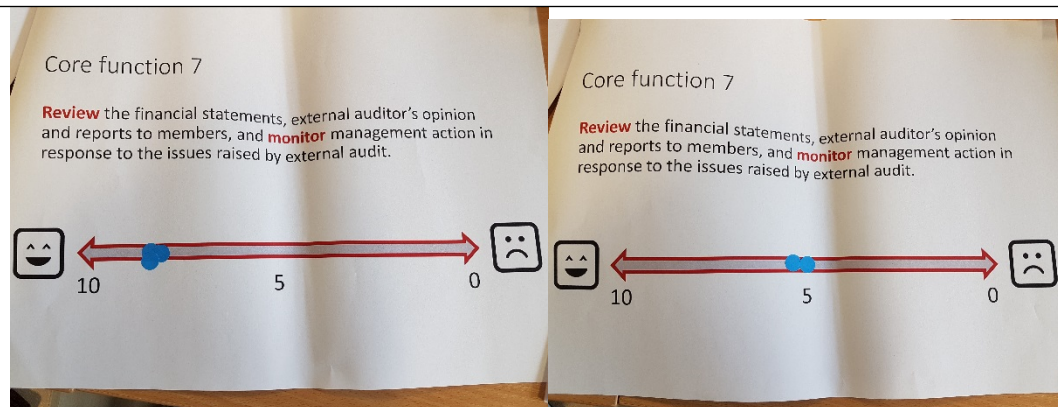
- Chair meets with internal and external audit
- Chair talks with external bodies
- Good link between AC and Scrutiny
- Relevant officers from external audit attend meetings
- Satisfied ourselves that currently effective relationships exist (evidence by the attendance and WAO reporting directly to the AC)
- Realisation that the effective relationships are left to IA and the Chair – presumably the committee would step in if there was an issue
- I always meet anyone or anything halfway with an open mind 0 if I think there is a bit of waffling I will speak up
- Ensuring the sharing of information is sued to promote the need f if good practice is being put in place

### What could be better?

- Common practice throughout Wales
- Look at other sectors for good practice – avoid duplication
- Training with other organisations for ACs
- Assign a AC member to specialise in the work of a specific external body ( this build expertise and reduces the load on the Chair)

**Core Function 7**

**Review** the financial statements, external auditor’s opinion and reports to members, and **monitor** management action in response to the issues raised by external audit.



**What’s going well?**

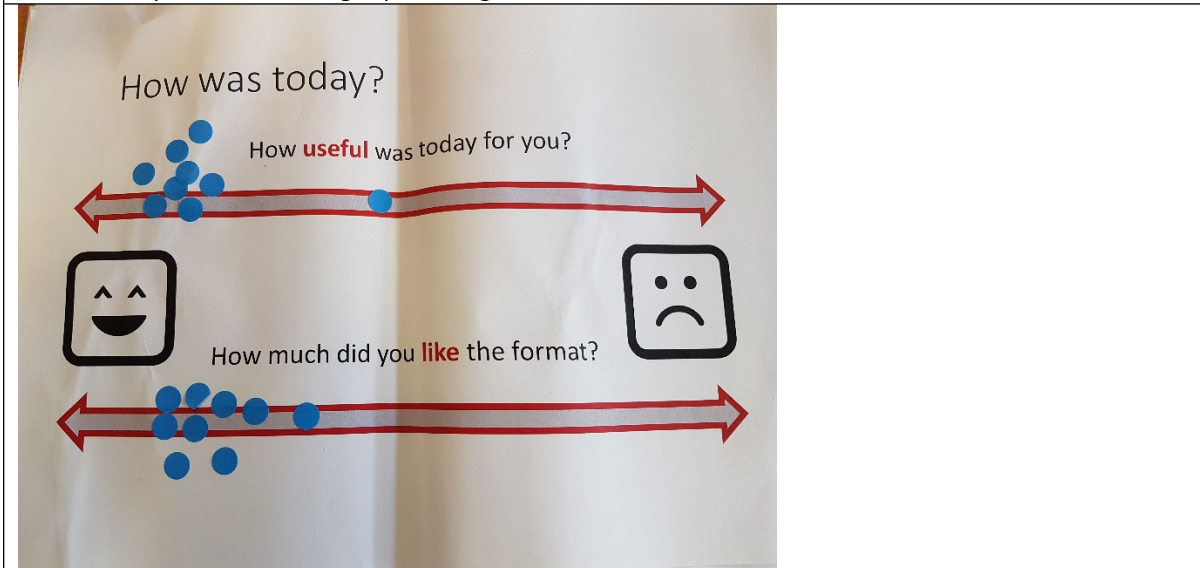
- Schools performance monitoring is good
- Auditor General provides and attends full Council and states good, bad and indifferent
- Recent record report say 20 recommendations with 15 complete and 4 in progress and 1 not complete
- Timescales for reports/information to be delivered on the follow up request

**What could be better?**

- Reduce the time management needs to implement a recommendation (and make it harder for management to refuse a recommendation – they should have to get AC agreement if they decide not to accept a recommendation with reasons why)
- We may fall down on monitoring management actions – how well are the actions implemented?

What would you.....	
Drop	Add
<ul style="list-style-type: none"> <li>• Nothing</li> <li>• Noting</li> <li>• Duplication</li> <li>• Nothing</li> <li>• Nothing</li> </ul>	<ul style="list-style-type: none"> <li>• More feedback and follow-up where appropriate</li> <li>• Follow-up information from Cabinet/officers</li> <li>• More systematic delegation by Chair</li> <li>• Greater involvement by all members of AC</li> <li>• Training with members of other ACs</li> </ul>
Keep	Improve
<ul style="list-style-type: none"> <li>• Trust</li> <li>• Regular internal team reporting</li> <li>• Everything</li> <li>• Independent Chair</li> <li>• Independence of Chair</li> <li>• Fraud reports</li> <li>• everything</li> </ul>	<ul style="list-style-type: none"> <li>• Follow-up</li> <li>• Follow-up on recommendations</li> <li>• Attendance</li> <li>• Greater insistence that information should be provided as when required and officers turn up when requested to</li> <li>• Overlapping – presentations from departments</li> </ul>

One Final Word
<ul style="list-style-type: none"> <li>• Very useful and thought-provoking</li> <li>• A very good session – very active, insightful, clever</li> <li>• Thought-provoking</li> <li>• Useful – made us think of the work we do in audit</li> <li>• Informative</li> <li>• Curate's egg</li> <li>• Found it difficult to get into not knowing the format before today</li> <li>• Very useful and thought-provoking</li> </ul>



# Agenda Item 11

## Report of the Chief Auditor

Audit Committee – 20 June 2017

### AUDIT COMMITTEE – DRAFT TRAINING PROGRAMME

<b>Purpose:</b>	This report details the draft Audit Committee Training Programme for 2017/18.
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss and review the draft Audit Committee Training Programme for 2017/18.
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that Committee reviews and approves the Audit Committee Training Programme for 2017/18.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Introduction

- 1.1 A draft Training Programme for 2017/18 is included in Appendix 1. The dates included for the meetings in 2017/18 are subject to approval by Council.
- 1.2 Guidance issued by Cipfa in 2013 recommended the following Core Areas of Knowledge for Audit Committee Members:
  - Audit Committee Role and Functions
  - Internal Audit
  - Governance & Values of Good Governance
  - Financial Management and Accounting
  - External Audit
  - Risk Management
  - Counter Fraud
- 1.3 A summary of the details of the core knowledge required may be found in Appendix 2.



## **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 Training Programme 2017/18**

## DRAFT AUDIT COMMITTEE TRAINING PROGRAMME 2017/18

Date of Meeting	Reports
20 June 2017	Audit Committee Role and Function - Audit Committee Initial Training ( <i>Ben Smith</i> )  Risk Management ( <i>Richard Rowlands</i> )
11 July 2017 – Special	Financial Management and Accounting ( <i>Amanda Thomas</i> )  Governance ( <i>Tracey Meredith</i> )
8 August 2017	Internal Audit ( <i>Simon Cockings</i> )
26 September 2017 - Special	External Audit ( <i>WAO</i> )
10 October 2017	Counter Fraud ( <i>Tal Davies</i> )
12 December 2017	n/a
13 February 2018	n/a
10 April 2018	n/a

**DRAFT AUDIT COMMITTEE TRAINING PROGRAMME 2017/18  
DETAILS OF CORE KNOWLEDGE REQUIRED**

<b>Date &amp; Topic</b>	<b>Details of Core Knowledge Required</b>
20 June 2017 Audit Committee Role & Function (Ben Smith)	<i>An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee.</i>
Risk Management (Richard Rowlands)	<i>Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including role of members and of the audit committee.</i>
11 July 2017 – Special Financial Management and Accounting (Amanda Thomas)	<i>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the Chief Financial Officer, as required by the CIPFA Statement.</i>
Governance (Tracey Meredith)	<i>Knowledge of the six principles of the Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance.</i>
8 August 2017 Internal Audit (Simon Cockings)	<i>An awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the Head of Internal Audit is met.</i>
26 September 2017 – Special External Audit (WAO)	<i>Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</i>
10 October 2017 Counter Fraud (Tal Davies)	<i>An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice (Red Book 3). Knowledge of the organisation's arrangements for tackling fraud.</i>
12 December 2017	n/a
13 February 2018	n/a
10 April 2018	n/a

# Agenda Item 12

## Report of the Chief Auditor

Audit Committee – 20 June 2017

### INTERNAL AUDIT ANNUAL PLAN 2016/17 MONITORING REPORT FOR THE PERIOD 1 JANUARY 2017 TO 31 MARCH 2017

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2017 to 31 March 2017.
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2016/17
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Recommendation(s):</b>	It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the report
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	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 have been 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 January 2017 to 31 March 2017.

**2. Audits Finalised 1 January 2017 to 31 March 2017**

2.1 Due to the Chief Auditor’s retirement at the end of March, plans were put in place to allow the implementation of the Audit Section’s restructure from April 17. Competitive interviews took place resulting in the appointment of one of the Senior Auditors as the new Principal Auditor. This has resulted in the loss of one full time equivalent post from 2017/18 onwards.

2.2 The Internal Audit Section has continued to experience moderate levels of sickness in the 4<sup>th</sup> Quarter of 2016/17 with a total of 21 days. The total number of sick days taken in the since 1 April 2016 is 220 days against an annual budget of 80 days. As previously reported, most of the sickness in the year was due to a condition experienced by one member of staff.

2.3 A total of 27 audits were finalised during Quarter 4. 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 4<sup>th</sup> Quarter is shown in the following table.

<b>Assurance Level</b>	High	Substantial	Moderate	Limited
Number	7	18	2	0

2.5 A total of 230 audit recommendations were made and management agreed to implement 229 recommendations i.e. 99.6% against a target of 95%. The one recommendation that was not agreed was classed as low risk.

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 4 is shown in the following table

<b>High Risk</b>	<b>Medium Risk</b>	<b>Low Risk</b>	<b>Good Practice</b>	<b>Total</b>
2	32	129	66	229

2.7 In addition, the Internal Audit Section also certified the following grant in the quarter as required by the terms and conditions of the grant issued by the Welsh Government.

<b>Grant</b>	<b>Amount £</b>
Education Improvement Grant Q3 2016/17	1,987,423

- 2.8 It was found that the grant had been spent in accordance with the agreed purpose and that only eligible expenditure was included.
- 2.9 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 31 March 2017.
- 2.10 The following table shows brief details of the significant issues which led to the two moderate ratings issued in the quarter.

<b>Audit</b>	<b>Assurance Level</b>	<b>Reasons</b>
Youth Offending Service	Moderate	<ul style="list-style-type: none"> <li>• Contract procedure rules were not being complied with for purchases in excess of £5k</li> <li>• Purchase Card transactions were not being approved within department</li> <li>• Appropriate records were not being kept detailing annual leave/flexi balances and approvals</li> <li>• Out of County mileage was being claimed incorrectly</li> <li>• One instance of mileage being claimed whilst using a pool car was identified</li> </ul>
Employment of Agency Staff	Moderate	<ul style="list-style-type: none"> <li>• Lack of budgetary permission being sought prior to employment</li> <li>• Instances were no evidence of approval from Head of Service was available</li> <li>• Lack of evidence to confirm that DBS Checks/Social Services registration had been completed on occasion</li> <li>• No evidence of budgetary permission/ Head of Service approval prior to contracts being extended</li> <li>• Lack of notice being provided to agency staff of their entitlement to equal treatment after twelve</li> </ul>

		weeks of employment as per the Agency Worker Regulations 2010.
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- 2.11 An analysis of the details in Appendix 2 shows that by the end of March 2017, approximately 72% of the Audit Plan was either completed or in progress which is excellent progress, particularly in view of the levels of sickness experienced in year.
- 2.12 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.
- 2.13 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.
- 2.14 The questionnaire was sent to 28 primary schools due for audit in 2016/17 during Quarter 1 and by the end of the March, 26 completed questionnaires had been returned. Work is ongoing to chase the return of the outstanding questionnaires. Some of the schools that responded late are due to be audited in Q1 2017/18.
- 2.15 The school questionnaire is due to be reviewed again early in Quarter 1 to ensure any lessons learnt from the initial introduction of the programme have been taken into account. Any amendments will be reflected in the version that will be sent to those schools due to be audited in 2017/18 as part of the three year rolling programme.
- 2.16 The returned questionnaires have been analysed and a short visit to schools commenced during Quarter 3 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. School visits have continued during Quarter 4 and the findings of the audits will be reported separately in the Annual Report of School Audits.
- 2.17 The Internal Audit Section was also involved in the following work during Quarter 4:
- 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 the accounts submitted for National Assembly for Wales, Police and Crime Commissioner Elections and the Referendum.
- Data upload for the National Fraud Initiative 2016 exercise.

### **3. Follow Ups Completed 1 January 2017 to 31 March 2017**

- 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. No follow up visits were required in Q4.

### **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 4 2016/17  
Appendix 2 Internal Audit Plan 2016/17 – Progress to 31/03/17



## INTERNAL AUDIT - MONITORING REPORT QUARTER 3 2016/17

Head of Service	Audit	Date	Assurance	Recommendations		
				Finalised	Level	Made
Finance & Delivery	Cash	12/01/17	High	4	4	0
Education Planning & Resources	Morrison Comprehensive School	13/01/17	High	8	8	0
Human Resources	Teachers Pensions	02/03/17	High	0	0	0
Education Planning & Resources	Morrison Primary School	20/03/17	High	5	5	0
Finance & Delivery	Main Accounting	22/03/17	High	2	2	0
Education Planning & Resources	Clwyd Primary School	30/03/17	High	6	6	0
Housing & Public Protection	Rent & Arrears Team	30/03/17	High	6	6	0
Child & Family Services	Youth Offending Service	08/02/17	Moderate	20	20	0
Human Resources	Employment of Agency Staff	30/03/17	Moderate	12	12	0
Education Planning & Resources	St Joseph's Catholic Primary School	12/01/17	Substantial	5	5	0
Communications & Consultation	Corporate Marketing	17/01/17	Substantial	4	4	0
Education Planning & Resources	Olchfa Comprehensive School	18/01/17	Substantial	21	21	0
Finance & Delivery	Grants Receivable	24/01/17	Substantial	13	13	0
Education Planning & Resources	Hafod Primary School	31/01/17	Substantial	4	4	0
Communications & Consultation	Contact Centre	02/02/17	Substantial	3	3	0
Child & Family Services	Discretionary Payments	06/02/17	Substantial	13	13	0
Education Planning & Resources	YGG Felindre	16/02/17	Substantial	7	7	0
Education Planning & Resources	Glyncollen Primary School	09/03/17	Substantial	11	11	0
Education Planning & Resources	St David's RC Primary School	20/03/17	Substantial	6	6	0
Corporate Building & Property Services	Heol y Gors Plant	21/03/17	Substantial	8	8	0
Human Resources	Payroll	23/03/17	Substantial	11	11	0
Education Planning & Resources	Ysgol Penybryn	28/03/17	Substantial	10	10	0
Child & Family Services	Leaving Care Act	30/03/17	Substantial	11	11	0
Commercial Services	P Cards	30/03/17	Substantial	4	4	0
Finance & Delivery	Car Loans	31/03/17	Substantial	10	9	1
Housing & Public Protection	Penlan DHO	31/03/17	Substantial	15	15	0
Housing & Public Protection	Pentrechwyth Primary School	31/03/17	Substantial	11	11	0
<b>Total</b>				<b>230</b>	<b>229</b>	<b>1</b>

**INTERNAL AUDIT - MONITORING REPORT QUARTER 3 2016/17**

Head of Service	Audit	Date	Assurance Level	Recommendations		
				Made	Agreed	Not Agreed
Child & Family Services	Discretionary Payments	06/02/17	Substantial	13	13	0
Child & Family Services	Youth Offending Service	08/02/17	Moderate	20	20	0
Child & Family Services	Leaving Care Act	30/03/17	Substantial	11	11	0
Commercial Services	P Cards	30/03/17	Substantial	4	4	0
Communications & Consultation	Corporate Marketing	17/01/17	Substantial	4	4	0
Communications & Consultation	Contact Centre	02/02/17	Substantial	3	3	0
Corporate Building & Property Services	Heol y Gors Plant	21/03/17	Substantial	8	8	0
Education Planning & Resources	St Joseph's Catholic Primary School	12/01/17	Substantial	5	5	0
Education Planning & Resources	Morrison Comprehensive School	13/01/17	High	8	8	0
Education Planning & Resources	Olchfa Comprehensive School	18/01/17	Substantial	21	21	0
Education Planning & Resources	Hafod Primary School	31/01/17	Substantial	4	4	0
Education Planning & Resources	YGG Felindre	16/02/17	Substantial	7	7	0
Education Planning & Resources	Glyncollen Primary School	09/03/17	Substantial	11	11	0
Education Planning & Resources	Morrison Primary School	20/03/17	High	5	5	0
Education Planning & Resources	St David's RC Primary School	20/03/17	Substantial	6	6	0
Education Planning & Resources	Ysgol Penybryn	28/03/17	Substantial	10	10	0
Education Planning & Resources	Clwyd Primary School	30/03/17	High	6	6	0
Finance & Delivery	Cash	12/01/17	High	4	4	0
Finance & Delivery	Grants Receivable	24/01/17	Substantial	13	13	0
Finance & Delivery	Main Accounting	22/03/17	High	2	2	0
Finance & Delivery	Car Loans	31/03/17	Substantial	10	9	1
Housing & Public Protection	Rent & Arrears Team	30/03/17	High	6	6	0
Housing & Public Protection	Penlan DHO	31/03/17	Substantial	15	15	0
Housing & Public Protection	Pentrechwyth Primary School	31/03/17	Substantial	11	11	0
Human Resources	Teachers Pensions	02/03/17	High	0	0	0
Human Resources	Payroll	23/03/17	Substantial	11	11	0
Human Resources	Employment of Agency Staff	30/03/17	Moderate	12	12	0
<b>Total</b>				<b>230</b>	<b>229</b>	<b>1</b>

## INTERNAL AUDIT - MONITORING REPORT QUARTER 4 2016/17

Head of Service	Audit	Date	Assurance Level	Recommendations			
				Finalised	Made	Agreed	Not Agreed
Finance & Delivery	Cash	12/01/17	High		4	4	0
Education Planning & Resources	St Joseph's Catholic Primary School	12/01/17	Substantial		5	5	0
Education Planning & Resources	Morrison Comprehensive School	13/01/17	High		8	8	0
Communications & Consultation	Corporate Marketing	17/01/17	Substantial		4	4	0
Education Planning & Resources	Olchfa Comprehensive School	18/01/17	Substantial		21	21	0
Finance & Delivery	Grants Receivable	24/01/17	Substantial		13	13	0
Education Planning & Resources	Hafod Primary School	31/01/17	Substantial		4	4	0
Communications & Consultation	Contact Centre	02/02/17	Substantial		3	3	0
Child & Family Services	Discretionary Payments	06/02/17	Substantial		13	13	0
Child & Family Services	Youth Offending Service	08/02/17	Moderate		20	20	0
Education Planning & Resources	YGG Felindre	16/02/17	Substantial		7	7	0
Human Resources	Teachers Pensions	02/03/17	High		0	0	0
Education Planning & Resources	Glyncollen Primary School	09/03/17	Substantial		11	11	0
Education Planning & Resources	Morrison Primary School	20/03/17	High		5	5	0
Education Planning & Resources	St David's RC Primary School	20/03/17	Substantial		6	6	0
Corporate Building & Property Services	Heol y Gors Plant	21/03/17	Substantial		8	8	0
Finance & Delivery	Main Accounting	22/03/17	High		2	2	0
Human Resources	Payroll	23/03/17	Substantial		11	11	0
Education Planning & Resources	Ysgol Penybryn	28/03/17	Substantial		10	10	0
Education Planning & Resources	Clwyd Primary School	30/03/17	High		6	6	0
Human Resources	Employment of Agency Staff	30/03/17	Moderate		12	12	0
Child & Family Services	Leaving Care Act	30/03/17	Substantial		11	11	0
Commercial Services	P Cards	30/03/17	Substantial		4	4	0
Housing & Public Protection	Rent & Arrears Team	30/03/17	High		6	6	0
Finance & Delivery	Car Loans	31/03/17	Substantial		10	9	1
Housing & Public Protection	Penlan DHO	31/03/17	Substantial		15	15	0
Housing & Public Protection	Pentrechwyth Primary School	31/03/17	Substantial		11	11	0
<b>Total</b>					<b>230</b>	<b>229</b>	<b>1</b>

## INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS

Head of Service	Risk Rating	Progress as at 31.03.17
<b>Head of Education Planning &amp; Resources</b>		
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	Final Issued
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	Final Issued
Hafod Primary School	Medium	Final Issued
Llangyfelach Primary School	Medium	In Progress
Morrison Primary School	Medium	Final Issued
Pengelli Primary School	Medium	In Progress
Pentrechwyth Primary School	Medium	Final Issued
Plasmarl Primary School	Medium	In Progress
Pontybrenin Primary School	Medium	Final Issued
St Thomas Community Primary School	Medium	Draft Issued
Wauarllwydd Primary School	Medium	In Progress
YGG Felindre	Medium	Final Issued
YGG Gellionen	Medium	In Progress
St David's RC Primary School	Medium	Final Issued
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	Final Issued
Bishopston Comprehensive School	Medium	Deferred
Morrison Comprehensive School	Medium	Final Issued
Olchfa Comprehensive School	Medium	Final Issued
Pentrefhafod Comprehensive School	Medium	In progress
Ysgol Gyfun Gwyr	Medium	Final Issued
Ysgol Crug Glas	Medium	In Progress
Ysgol Penybryn	Medium	Final Issued
School Funding & Information	Medium/High	Deferred
Capital Planning & Delivery Unit	Medium/High	Deferred
<b>Head of Education Improvement</b>		
Welsh Centre	Medium/Low	Final Issued
Education Library Resource Service	Medium/Low	Final Issued

## INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS

Head of Service	Risk Rating	Progress as at 31.03.17
<b>Head of Education Learner Support Service</b>		
Access to Learning - Management & Admin	Medium	Final Issued
Psychology Service	Medium	Final Issued
Recoupment	Medium	Final Issued
SEN Statementing & Support	Medium	Final Issued
Arfryn Education Centre	Medium	Draft Issued
Key Stage 4 Education Centre	Medium	Draft Issued
Stepahead Education Centre	Medium	Draft Issued
LAC Co-ordinator	New	Deferred
School Kitchens	Medium	In Progress
<b>Education - Other</b>		
School Uniform Grant	N/A	Final Issued
Education Improvement Grant	N/A	Final Issued
Pupil Deprivation Grant	N/A	Final Issued
Schools Annual Report	N/A	Final Issued
<b>Head of Child and Family Services</b>		
Youth Offending Service	Medium/High	Final Issued
Emergency Duty Team	Low	Final Issued
Community Childcare	Medium/Low	Final Issued
Leaving Care Act	Medium	Final Issued
Discretionary Payments (incl. S17)	Medium/High	Final Issued
<b>Head of Adult Services</b>		
Supporting People Grant	N/A	Final Issued
Cyrenians - Lessons Learned	New	Deferred
Deprivation of Liberty Safeguards	New	Deferred
Emergency Placements	New	Deferred
Live Kilometre Support Grant	N/A	Final Issued
<b>Directorate Services</b>		
Business Support Team - Child & Family	New	In Progress
<b>Head of Poverty &amp; Prevention</b>		
Partnerships, Performance & Commissioning	New	In Progress
Residential & Outdoor Centres	Medium	Final Issued
Community Safety & CCTV	Medium	Final Issued
Early Intervention Services	New	Deferred
Child Poverty Projects	New	Deferred

## INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS

Head of Service	Risk Rating	Progress as at 31.03.17
<b>Head of Corporate Building &amp; Property Services</b>		
Heol y Gors - Stores	Medium	Final Issued
Heol y Gors - Estimating	Medium	Deferred
Heol y Gors - Plant	Medium	Final Issued
Day to Day Repairs - Maintenance Section	Medium/High	Final Issued
Quadrant Rents	Medium	Final Issued
Estates Management	Medium	Final Issued
Emergency Planning & Civil Contingencies	Medium	Deferred
<b>Head of Waste Management</b>		
Waste Management	Medium	Final Issued
Waste Enforcement	New	Deferred
Trade Refuse	Medium	Final Issued
Street Cleaning	Medium	Final Issued
<b>Head of Highways &amp; Transportation</b>		
Concessionary Bus Fares	N/A	In Progress
Civil Parking Enforcement	Medium	Final Issued
Taxi Framework Contract	Medium	In Progress
Advance Payments Code	Medium	In Progress
Clydach Depot - Stores	Medium	Final Issued
Central Transport Unit - Fleet Maintenance	Medium/High	In Progress
Central Transport Unit - Stores	Medium	Final Issued
Highways Trading Account	New	Final Issued
<b>Head of Housing &amp; Public Protection</b>		
Housing Options	Medium	Final Issued
Town Centre District Housing Office	Medium	Final Issued
Penlan DHO	Medium	Final Issued
Rent & Arrears Team	Medium	Final Issued
Renewal Areas	Medium	Deferred
National Home Improvement Loan Scheme	New	Final Issued
Taxi Licensing	New	Final Issued
Housing Division (Pests & Strays)	Medium/Low	Final Issued
<b>Head of Cultural Services</b>		
Foreshore & Lettings	Medium	Final Issued
Spot Checks	N/A	Final Issued
Sports Development	Medium	Final Issued
Gymnastics Development	Medium	Delete
Branch Libraries	Medium/Low	In Progress
Records Management	New	Deferred
<b>Head of Planning &amp; City Regeneration</b>		
Planning Services - Administration & Fees	Medium	Final Issued
Section 106 Agreements	High	Final Issued
Planning & Enforcement	New	Deferred
Planning - AONB	New	Deferred
<b>Head of Communications &amp; Consultation</b>		
Corporate Marketing	Low	Final Issued
DesignPrint	Medium	Final Issued

## INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS

Head of Service	Risk Rating	Progress as at 31.03.17
E-Commerce Controls	Medium	Deferred
Web Development	New	Deferred
Corporate Complaints	Medium/Low	In Progress
Contact Centre	Medium	Final Issued
<b>Interim Head of Legal &amp; Democratic Services</b>		
Electoral Services	Medium	Final Issued
Councillors Expenses & Allowances	Medium	Final Issued
Election Expenses	N/A	In Progress
Councillors Code of Conduct	New	Final Issued
<b>Head of Human Resources</b>		
Employee Vetting	High	Final Issued
Employment of Agency Staff	New	Final Issued
<b>Head of Information &amp; Business Change</b>		
Project Management Methodology	New	Deferred
Strategic Projects - Administration	Medium	Deferred
<b>Head of Finance &amp; Delivery</b>		
Cashiers Office	Medium/High	Final Issued
Write-off Requests by Departments	N/A	In Progress
Cashiers Write Offs	N/A	Deferred
Pension Fund Other	New	Final Issued
Trusts & Charities	New	Final Issued
Risk Management	High	Deferred
Budget Strategy & Setting Process	New	Deferred
Direct Payments - Adult & Family Services	Medium	In Progress
Social Services Debt Recovery	High	In Progress
Learning Disability Recharges	New	Deferred
Adult Family Placements	New	Deferred
<b>Head of Commercial Services</b>		
P Cards	Medium	Final Issued

## INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS

Head of Service	Risk Rating	Progress as at 31.03.17
<b>Fundamental Systems</b>		
Payroll	High	Final Issued
Pensions Administration	High	Final Issued
Teachers Pensions	Medium	Final Issued
Accounts Receivable	High	In Progress
Business Rates	Medium	Deferred
Treasury Management - Borrowing & Investments	Medium	Draft Issued
Accounts Payable	Medium	In Progress
Housing & Council Tax Benefit	Medium	Final Issued
Cash	Medium	Final Issued
Council Tax	Medium	In Progress
Main Accounting	Medium	Final Issued
<b>Contract Audits - Systems</b>		
<b>Legal</b>		
Liquidations	Medium/High	Deferred
<b>Housing &amp; Public Protection</b>		
Contracts - Renewal Areas	Medium	Deferred
<b>Highways &amp; Transportation</b>		
Business Case, Tendering & Evaluation	Medium	Draft Issued
Control of Contracts	Medium	Deferred
<b>Corporate Building Services</b>		
Tendering	Medium	Deferred
Housing Systems Overview	Medium	Deferred
<b>Adult Services</b>		
Tendering, Letting & Monitoring of Contracts	New	Deferred
<b>Finance/Legal</b>		
Insurance Cover & Performance Bonds	New	Deferred
<b>Computer Audits</b>		
Corporate Network Controls	Medium	Deferred
Education Network Controls	Medium	Deferred
Social Services Clients - Internet Controls	Medium	Deferred
Payment Card Industry - Data Security Standard	Medium	Deferred
Computer Operations	Medium/High	Deferred
Disaster Recovery	Medium/High	In Progress
Flare System - Application Controls	Medium	Deferred
Fostercare System - Application Controls	Medium	Deferred
Change Control	Medium	Deferred
Change Control - ISiS	High	Deferred
Procurement of ICT	New	Draft Issued
Procurement of Telephones	Medium/High	Final Issued



## INTERNAL AUDIT ANNUAL PLAN 2016/17 - PROGRESS

Head of Service	Risk Rating	Progress as at 31.03.17
<b>Cross Cutting Audits</b>		
Corporate Governance Review	New	Deferred
Review of Corporate Risks	New	In Progress
Added Value Work	New	Deferred
Delegated Decision Making	New	Deferred
Ethics & Values	New	Deferred
<b>Projects and Special Investigations</b>		
P Card Review of Purchases	N/A	In Progress
Data Matching Exercise - NFI 2016	N/A	In Progress

# Agenda Item 13

## Report of the Chief Auditor

Audit Committee – 20 June 2017

### AUDIT COMMITTEE – WORKPLAN

<b>Purpose:</b>	This report details the Audit Committee Workplan to May 2018.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Ann Williams

#### FOR INFORMATION

#### 1. Introduction

- 1.1 The Audit Committee's Workplan to May 2018 is attached in Appendix 1 for information.
- 1.2 The dates included for the meetings in 2017/18 are subject to approval by Council.

#### 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 2017/18**

## AUDIT COMMITTEE WORKPLAN 2017/18

Date of Meeting	Reports
20 June 2017	Election of Chair and Vice Chair Audit Committee Initial Training Audit Committee Training Programme Wales Audit Office Update Report WAO Financial Resilience Final Report Internal Audit Monitoring Report Quarter 4 2016/17 Final Audit Committee Annual Report 2016/17 Audit Committee Performance Review 2016/17 - Action Plan Audit Committee Action Tracker Report
11 July 2017 – Special	Draft Statement of Accounts 2016/17 Draft Annual Governance Statement 2016/17 Risk Management Policy and Framework - Update Audit Committee Action Tracker Report
8 August 2017	Wales Audit Office Update Report Internal Audit Annual Report 2016/17 Corporate Fraud Annual Report 2016/17 Annual Report of School Audits 2016/17 Chief Education Officer Response to Annual Report of School Audits 2016/17 Internal Audit Monitoring Report Quarter 1 2017/18 Audit Committee Action Tracker Report
26 September 2017 - Special	Wales Audit Office ISA 260 Report 2016/17 – City and County of Swansea Wales Audit Office ISA 260 Report 2016/17 – Pension Fund Audit Committee Action Tracker Report
10 October 2017	Chair of Scrutiny Programme Committee Corporate Governance Review - Progress Update Risk Management Half-Yearly Review 2017/18 Wales Audit Office Update Report Audit Committee Performance Review Action Plan 2016/17 - Update Audit Committee Action Tracker Report
12 December 2017	Wales Audit Office – Annual Audit Letter 2016/17 Wales Audit Office Update Report Internal Audit Monitoring Report Quarter 2 2017/18 Recommendations Tracker Report 2016/17 Audit Committee Action Tracker Report

<b>Date of Meeting</b>	<b>Reports</b>
13 February 2018	Wales Audit Office Update Report Wales Audit Office Grants Report 2016/17 Internal Audit Monitoring Report Quarter 3 2016/17 Internal Audit Annual Plan Methodology 2018/19 Audit Committee Performance Review 2016/17 Action Plan - Update Audit Committee Review of Performance 2017/18 Audit Committee Action Tracker Report
10 April 2018	Wales Audit Office Annual Plan 2018 Wales Audit Office Update Report Internal Audit Charter 2018/19 Internal Audit Annual Plan 2018/19 Corporate Fraud Annual Plan 2018/19 Draft Audit Committee Annual Report 2017/18 Audit Committee Action Tracker Report

# Agenda Item 14

## Report of the Chief Auditor

Audit Committee – 20 June 2017

### AUDIT COMMITTEE – ACTION TRACKER

<b>Purpose:</b>	This report details the actions recorded by the Audit Committee and response to the actions.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Simon Cockings
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Ann Williams

#### 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 In the past, the Committee has had no transparency over the outcomes of the actions minuted by the Committee. As a result, an Action Tracker process was put in place in 2016/17.
- 1.3 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**

<b>AUDIT COMMITTEE ACTION TRACKER 2016/17</b>	
<b>Action</b>	<b>Outcome</b>
<b>28/03/17 Min 77 – Chair of Scrutiny Committee</b>	
The Chair of the Scrutiny Programme Committee be invited to a future meeting of the Committee in order to provide an update report.	
<b>28/03/17 Min 78 – Procurement Processes</b>	
Procurement procedures being linked to risk.	
<b>14/02/17 Min 63 – Audit Committee – Action Tracker</b>	
The outcome relating to Councillor access to the Section 106 database be reopened due to insufficient information being available.	The action has been reopened pending further information being received from Planning. See Min 41 of meeting on 25/10/16 below - CLOSED
<b>03/01/17 Min 55 – Wales Audit Office Annual Audit Letter 2015/16</b>	
The Wales Audit Office report regarding the key principles to a strategic approach to setting, increasing or introducing charges for local authority services be circulated to the Committee	The report was circulated on 04/01/17 - CLOSED
<b>13/12/16 Min 45 – Training Presentation Risk Management</b>	
An update on the progress of Risk Management be provided in March	Due to the number of items on the agendas for the meetings in March 2017, the Risk Management update has been included on the agenda for the June 2017 meeting
<b>13/12/16 Min 45 – Training Presentation Risk Management</b>	
The presentation be circulated to the Committee	The presentation was circulated on 21/12/16 - CLOSED
<b>13/12/16 Min 46 – Training Presentation Counter Fraud</b>	
The presentation be circulated to the Committee	The presentation was circulated on 21/12/16 - CLOSED
<b>13/12/16 Min 47 – Commercialism Strategy</b>	
Members of the Committee be invited to attend the forthcoming Headteacher Workshops	An e-mail was sent to the Head of Commercial Services on 11/01/17 to register the interest of members of the Committee in the Headteacher Workshops. When the Workshop date has been agreed, details will be circulated to the Committee.
<b>13/12/16 Min 47 – Commercialism Strategy</b>	
The presentation be circulated to the Committee	The presentation was circulated on 21/12/16 - CLOSED
<b>13/12/16 Min 51 – Corporate Fraud Team Investigation Report</b>	

The Chair writes to the Head of Waste Management to seek assurance that the lessons learned from this investigation have been adopted by the service,	A letter was sent to the Head of Waste Management on 13/01/17 - CLOSED
<b>25/10/16 Min 39 – Annual Report of School Audits 2015/16</b>	
The Head of Commercial Services be invited to the next scheduled meeting to discuss the Service Level Agreement	The Head of Commercial Services attended the meeting on 13/12/16 - CLOSED
<b>25/10/16 Min 39 – Annual Report of School Audits 2015/16</b>	
The Chief Education Officer be invited to the next scheduled meeting to discuss the influence the centre can exercise over compliance with procedures by schools	The Chief Education Officer attended the Audit Committee on 14/03/17 - CLOSED
<b>25/10/16 Min 41 – Chair / Wales Audit Office Liaison Meeting</b>	
Confirmation be provided regarding Member access to the Section 106 database	Feedback was provided by the Chief Auditor to the meeting on 03/01/17 and a note circulated to all members. A further request has been made to Planning identifying information members would like to receive regarding Section 106 agreements. The Chair will meet the Head of Planning and City Regeneration to discuss.
<b>30/08/16 Min 25 – Internal Audit Monitoring Report Quarter 1 2016/17</b>	
Self-assessment forms for schools be added to school governing body meeting agendas	Self-assessment questionnaire to be added to agenda of governing body clerks forum meeting to be held in January 2017. A reminder will also be circulated to all schools - CLOSED
<b>30/08/16 Min 26 – Corporate Fraud Team Plan 2016/17</b>	
An update be provided to the Committee in 6 months	Update included on agenda for Committee meeting on 28/03/17 - CLOSED
<b>21/07/16 Min 18 – Internal Audit Monitoring Report Quarter 4 2015/16</b>	
In future, any delays in receiving a response from a service to a draft internal audit report be reported to the Committee.	Any delay in receiving a response to a draft internal audit report will be included in the quarterly Internal Audit Monitoring Report - CLOSED
<b>21/07/16 Min 18 – Internal Audit Monitoring Report Quarter 4 2015/16</b>	
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	When an employee leaves, the line manager is required to complete an exit interview checklist. One of the items on the checklist is to re-cover the employee's flexi card and return it to HR for cancellation - CLOSED
<b>21/07/16 Min 18 – Internal Audit Monitoring Report Quarter 4 2015/16</b>	
The Chair writes to the Head of Service	Letters sent 05/08/16 and copies



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.	reported to Audit Committee on 30/08/16 for information - CLOSED
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<b>28/06/16 Min 8 – Corporate Governance Review Report</b>	
The recommendations contained within the report be regularly monitored and where appropriate feedback be provided by the Deputy Head of Legal and Democratic Services	The recommendations included in the Corporate Governance report as well as those arising from the WAO's Corporate Assessment and the Peer Review are being monitored on a regular basis by the Corporate Management Team. Work is progressing to implement the recommendations and will continue to be monitored by the Interim Head of Legal and Democratic Services
<b>28/06/16 Min 9 - Certification of Grants and Returns 2013/14 and 2014/15</b>	
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
<b>28/06/16 Min 9 - Certification of Grants and Returns 2013/14 and 2014/15</b>	
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 and an e-mail was sent to all schools on 09/11/16 - CLOSED
<b>28/06/16 Min 11 – YGG Lon Las Draft Response to Cabinet</b>	
Additional comments be forwarded to the Chair/Chief Auditor	No further comments were received - CLOSED
<b>28/06/16 Min 11 – YGG Lon Las Draft Response to Cabinet</b>	
The updated report be forwarded to Cabinet	Report was presented to Cabinet on 19/01/17 - CLOSED
<b>28/06/16 Min 12 – Final Audit Committee Annual Report 2015/16</b>	
The Audit Committee Annual Report 2015/16 be approved and be presented to Council in July/August 2016	Report was presented to Council on 22/09/16 - CLOSED
<b>14/06/16 Min 5 – Audit Committee Training</b>	
The training presentations regarding risk management and counter fraud be deferred to a future Audit Committee meeting	Training presentations delivered at meeting on 13 December 2016 - CLOSED

<b>AUDIT COMMITTEE ACTION TRACKER 2015/16</b>	
<b>Action</b>	<b>Outcome</b>
<b>19/04/16 Min 79 – Internal Audit Charter 2016/17</b>	
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
<b>22/03/16 Min 72 – New Build for YGG Lon Las – Referral from Cabinet</b>	
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
<b>16/02/16 Min 63 - Risk Management Update</b>	
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
<b>16/02/16 Min 63 - Risk Management Update</b>	
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 as part of the current review of the Risk Management Policy and Framework
<b>16/02/16 Min 64 – Recommendations Tracker Report 2014/15</b>	
An update report on the level of write offs be added to the Workplan	Update provided to Audit Committee on 25/10/16 - CLOSED
<b>16/02/16 Min 65 – Internal Audit Monitoring Report Quarter 3 2015/16</b>	
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
<b>16/02/16 Min 67 – Audit Committee Self-Assessment of Good Practice Questionnaire</b>	
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
<b>16/02/16 Min 70 – YGG Lon Las Lessons Learned – Referral from Cabinet</b>	
Item be deferred to a Special Meeting of the Audit Committee	Report presented to Special Meeting held on 22 March 2016 - CLOSED
<b>15/12/15 Min 52 – Briefing Cabinet Advisory Committee</b>	
The Leader be invited to a future meeting in order to provide an update report	Update provided to the Audit Committee meeting on 03/01/17 - CLOSED

<b>Action</b>	<b>Outcome</b>
<b>15/12/15 Min 53 – Chair Scrutiny Programme Committee</b>	
The Chair of the Scrutiny Programme Committee be invited to a future meeting in order to provide an update report	The Chair of the Scrutiny Programme Committee is attending the meeting on 28/03/17 – CLOSED
<b>15/12/15 Min 56 – Risk Management Update</b>	
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
<b>15/12/15 Min 56 – Risk Management Update</b>	
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
<b>17/11/15 Min 47 – Housing Benefit Investigation Team Annual Report 2014/15</b>	
An interim report be provided in 6 months	Corporate Fraud Team Annual Report was presented to Audit Committee on 30/08/16 - CLOSED
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
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
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
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
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
The Chief Auditor circulates the details of the Section 106 Agreements follow up audit to the Committee	Details circulated 19/11/15 - CLOSED
<b>17/11/15 Min 48 – Internal Audit Monitoring Report Quarter 2 2015/16</b>	
The Chief Auditor circulates the link to the Section 106 Agreements database to the Committee	Link circulated 22/12/15 - CLOSED
<b>20/10/15 Min 37 – Chair of Scrutiny Programme Committee</b>	
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
<b>20/10/15 Min 38 – Corporate Governance Review – Update</b>	
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
<b>20/10/15 Min 39 – Annual Report of School Audits 2014/15</b>	
A review be undertaken to ensure that school audit reports are placed upon school governor meeting agendas	The review was reported to the Audit Committee on 25/10/16 - CLOSED

<b>Action</b>	<b>Outcome</b>
<b>20/10/15 Min 40 – Audit Committee Annual Report 2014/15 Follow Up</b>	
The Chief Auditor circulates the Audit Committee Knowledge and Skills Framework questionnaire to the Committee.	Framework circulated 19/11/15 - CLOSED
<b>18/08/15 Min 17 - Presentation Corporate Fraud Team</b>	
The Corporate Fraud Team Manager provides a future update report to the Committee	Corporate Fraud Team Annual report was presented to Audit Committee on 30/08/16 - CLOSED
<b>18/08/15 Min 20 - WAO Audit of Financial Statements Progress Report</b>	
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
<b>16/06/15 Min 9 - Internal Audit Monitoring Report Quarter 4 2014/15</b>	
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