



## Report of the Chair of the Governance and Audit Committee

Council – 5 September 2024

### Governance and Audit Committee Annual Report 2023/24

<b>Purpose:</b>	This report provides the Governance and Audit Committee Annual Report for the 2023/24 municipal year.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services.
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<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Stephen Holland
<b>Access to Services Officer:</b>	Rhian Millar
<b>For Information</b>	

#### 1. Governance and Audit Committee Annual Report 2023/24

- 1.1 The Governance and Audit Committee Annual Report for 2023/24 prepared by the Chief Auditor, Democratic Services and the Chair of the Governance and Audit Committee can be found in Appendix 1. The report provides an overview of the Governance and Audit Committee's work in the municipal year 2023/24.

#### 2. Integrated Assessment Implications

- 2.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.

- Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
  - Deliver better outcomes for those people who experience socio-economic disadvantage.
  - Consider opportunities for people to use the Welsh language.
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 2.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the ‘well-being goals’.
- 2.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 2.4 The completion of the Integrated Impact Assessment Screening revealed that:
- The Governance and Audit Committee Annual Report has a low positive impact across all groups.
  - It has been subject to consultation with Legal, Access to Services and the Chair of the Governance and Audit Committee.
  - All Well-being of Future Generations Act considerations are positive and any risks identified are low.
  - The overall impact of the Governance and Audit Committee Annual Report is positive as it will support the Authority in its requirement to protect public funds.

### **3. Financial Implications**

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

### **4. Legal Implications**

- 4.1 Part of the role of the Governance and 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 – Governance and Audit Committee Annual Report  
Appendix 2 – Governance and Audit Committee Terms of Reference  
Appendix 3 – Integrated Impact Assessment



# **Governance and Audit Committee Annual Report 2023/24**

**City & County of Swansea**

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

- 1.1 On 14th June 2023 the Governance & Audit Committee considered the election of Chair for 2023/24 Municipal Year where it was resolved that Paula O'Connor be elected Chair. At the same meeting Councillor P R Hood-Williams was elected Vice-Chair for the 2023/24 Municipal Year.
- 1.2 At the July 2023 meeting Committee were informed that Mr Phil Sharman, Lay Member, had submitted his resignation. The Committee recognised the work and value that Mr Sharman had given and wished him well for the future. The Committee were also informed that the Council would reconsider the membership of the Governance and Audit Committee with the option of reducing the membership from 15 to 12 members thus maintaining the one third two third requirements of the Local Government and Election (Wales) Act. This was agreed by Council on 7th September 2023.
- 1.3 In addition, Cllr Lesley Walton was elected by the Governance & Audit Committee to be the Representative on the Council's Strategic Governance Group. This Group ensures that the Annual Governance Statement is complete and accurate and is in harmony with the work of the Governance & Audit Committee. The draft Annual Governance Statement will be presented together with this Annual Report of the Governance & Audit Committee at a future meeting early in 2024-2025.
- 1.4 The Local Government and Election (Wales) Act requires careful co-ordination between Governance & Audit Committee and the Scrutiny Committee. To aide this, the Work Programme of both Committees are appended to every meeting of the Governance & Audit Committee. Also, a number of Elected Members are members of both Committees.
- 1.5 The Chair also attends Scrutiny Work Planning Committee (13th June 2023) and will be attending Scrutiny Planning Committee in May 2024 to discuss the Governance & Audit Committee work and Annual report.
- 1.6 Similarly, arrangements are in place to ensure that the Council's Performance Annual Report is brought to the attention of the Governance & Audit Committee. The Committee considered the draft 2022-23 Annual Report at its meeting on 13 September 2023 following scrutiny by the Service Improvement, Regeneration and Finance Scrutiny Panel early in September 2023.
- 1.7 A formal Training Programme was agreed to ensure the Committee Members understand their roles and responsibilities. The Committee's Training Programme includes Performance Management and the refreshed Risk Management Framework. This also provides a clear understanding of the roles of the Committee and its relationship with Performance and Scrutiny.

1.8 Finally, I would express my thanks to all Elected Members of the Committee and Lay Members for serving on the Committee. All meetings have been well attended and all members have been fully engaged to ensure the Committee remains as effective as possible. I would also like to thank Officers who have professionally supported the work of the Committee with appropriate information.

## **2. Role of the Governance and Audit Committee**

2.1 The Local Government & Elections (Wales) Act became law in January 2021. The Act superseded the Local Government (Wales) Measure 2011. The Act also extended the remit of the Governance and Audit committee, with Members now having additional responsibility to review and assess the Council's performance management and complaints handling procedures.

2.2 The Measure requires the Governance and Audit Committee to:

- Review and scrutinise the Council's financial affairs.
- Make reports and recommendations in relation to the Authority's financial affairs.
- Review and assess the risk management, internal control and corporate governance arrangements of the Authority.
- Make reports and recommendations to the Authority on the adequacy and effectiveness of those arrangements.
- Oversee the Council's internal and external audit arrangements and review the financial statements prepared by the Authority.
- Review the Council's draft response to the Panel Performance Assessment Report and make any appropriate recommendations for changes.
- Review and assess the authority's ability to handle complaints effectively and to make any associated reports and recommendations in relation to the authority's ability to handle complaints effectively.

2.3 The Local Government & Elections (Wales) Act 2021 also stipulates that at least one third of the Governance and Audit Committee must be Lay Members. The current Chair of the Committee is a Lay Member and a further three Lay Member have been appointed to the Committee to satisfy the requirements of the Act.

2.4 The work of the Governance and Audit Committee is structured so that the Committee can gain assurance over the areas identified above and to comply with its terms of reference as amended to reflect the changes introduced by the Local Government and Elections (Wales) Act 2021. The Terms of Reference of the Committee can be found in Appendix 2.

2.5 This report describes the assurance that has been gained by the Governance and Audit Committee from various sources during 2023/24 and also outlines a number of other areas where briefings have been provided to the Committee.

- 2.6 The draft Governance and Audit Committee Annual Report 2023/24 was reported to the Committee in July 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 full Council.

### **3. Work of the Governance and Audit Committee in 2023/24**

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

#### **Standard Items**

##### Internal Audit Assurance

- 3.2 The Governance and Audit Committee approved the Internal Audit Charter 2023/24 as required by the Public Sector Internal Audit Standards.
- 3.3 The Committee also approved the Internal Audit Annual Plan 2024/25 and has received quarterly monitoring reports from the Chief Auditor showing progress against the 2023/24 Audit Plan.
- 3.4 The quarterly monitoring reports identified any audits that received a moderate or limited level of assurance along with an outline of the issues which led to the audit receiving the assurance level. The quarterly reports also include a summary of the follow-up work undertaken to allow members to review and monitor the implementation of the recommendations made in the internal audit reports that had been issued during the year.
- 3.5 From April 2018 the relevant Head of Service and Service Manager (or Headteacher and Chair of Governors) have been required to attend the Governance and Audit Committee following a moderate or limited audit report being issued in order to provide an update to members on the actions being taken to address the issues that have been highlighted by the audit.
- 3.6 The Internal Audit Annual Report for 2022/23 was reported to the Committee in May 2023. The report included a review of actual work completed compared to the Annual Plan.
- 3.7 The Internal Audit Annual Report for 2022/23 also included the Chief Auditor's opinion on the internal control environment which stated that based on the audit testing carried out reasonable assurance could be given that the systems of internal control were operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs or the achievement of its objectives.
- 3.8 The Internal Audit Annual Report of School Audits 2022/23 was presented to the Governance and Audit Committee in July 2023. This report summarised the findings of the thematic audits undertaken during the year.

#### Annual Governance Statement 2022/23

- 3.9 The draft Annual Governance Statement for 2022/23 was presented to the Committee in May 2023, prior to being reported to Council for approval.
- 3.10 A Governance Group was established by the Council in 2018/19 which now comprises of all members of the Corporate Management Team, the Monitoring Officer, the Strategic Delivery and Performance Manager and the Chief Auditor (in an advisory capacity). A member of the Governance and Audit Committee is also a member of the Group. The Group is tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective across the Council.
- 3.11 The presentation of the draft Annual Governance Statement gave the Committee the opportunity to review and comment upon the Statement to ensure it properly reflected the assurances provided to the Committee.

#### Annual Statement of Accounts 2022/23

- 3.12 The Director of Finance & Section 151 Officer presented the draft Statement of Accounts 2022/23 for the Council in December 2023.
- 3.13 Following completion of the audit of the Statement of Accounts 2022/23, Audit Wales presented its ISA 315 report on the audit of financial statements of the Council to the Governance and Audit Committee in March 2024 prior to the report going to full Council. The report presented the detailed findings of the audit and stated that Audit Wales's view was that the accounts gave a true and fair view of the financial position of the Council with an unqualified audit opinion.

#### External Audit Assurance

- 3.14 As well as the Audit of the Statement of Accounts (ISA 260) reports mentioned above, Audit Wales also provided update reports at a number of the scheduled meetings. The reports outlined the progress being made in financial and performance audit work to the Committee providing assurance by presenting the following reports:

- Audit Wales - City & County of Swansea Detailed Audit Plan 2023.
- Audit Wales Work Programme and Timetable – City and County of Swansea Council – Quarters 1-4.
- Setting of Well-being Objectives - City and County of Swansea Council.
- Review of Council's Transformation Programme.
- Audit Wales Digital Strategy Review.
- City & County of Swansea Annual Audit Summary 2023.

#### Implementation of Audit Recommendations

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



- 3.16 The implementation of any Internal Audit recommendations arising from fundamental audits is reported to the Governance and Audit Committee in the Recommendations Tracker Report which was presented to the Committee in January 2024. For 2022/23, the results of the tracker exercise showed that 66% of agreed recommendations had been implemented by September 2022.
- 3.17 The implementation of any high or medium risk recommendations arising from non-fundamental audits that received a moderate or limited level of assurance are subject to follow up visits by Internal Audit to confirm they have been implemented. The results of the follow up audits are reported to the Governance and Audit Committee in the Quarterly Internal Audit Monitoring Reports.
- 3.18 The Internal Controls Report presented to the Governance and Audit Committee by the external auditors includes any recommendations made as a result of their work and the action taken by management to implement the recommendations.

#### Governance and Risk Management

- 3.19 The Local Government & Elections (Wales) Act 2021 makes the overview of risk management a function of the Governance and Audit Committee
- 3.20 The Strategic Delivery & Performance Manager provided regular updates to the Committee in relation to Risk Management throughout the year via the Quarterly Overall Status of Risk Reports.
- 3.21 A new Risk Management System was introduced in December 2019. Following the introduction of the new system, work was undertaken to embed in the new risk management processes across the Council. The Strategic Delivery and Performance Manager began presenting reports outlining the contents of the new Risk Management System from February 2021 and work has continued in year to enhance the reporting functionality of the system.

#### Relationship with Scrutiny Function

- 3.22 The Governance and 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 Governance and Audit Committee.
  - Respective workplans are coordinated to avoid duplication / gaps.
  - Clear mechanism for referral of issues if necessary.
- 3.23 The Chair of the Scrutiny Programme Committee attended the Governance and Audit Committee to provide an update on the work of Scrutiny in October 2023. The Chair of the Scrutiny Committee is Councillor Peter Black.

- 3.24 The Chair of the Governance and Audit Committee also attended the Scrutiny Programme Committee Conference and provided an update on the Governance & Audit Committee / Scrutiny Relationship in June 2023. This was part of ongoing efforts to strengthen that relationship and closer working.

#### Anti-Fraud

- 3.25 A Corporate Fraud Function was established during 2015/16 within the Internal Audit Section. The Corporate Fraud Function Annual Report 2022/23 and Corporate Fraud Anti-Fraud Plan for 2023/24 were presented to the Governance and Audit Committee in July 2023. The Fraud Function Annual Report for 2023/24 is due to be presented later in the 2024/25 Municipal Year. The Governance and Audit Committee also received a Mid-Year Fraud Function Update Report in December 2023.

#### Governance and Audit Committee Reports

- 3.26 The Governance and Audit Committee received a number of reports during 2023/24, agendas and reports can be located at: - <https://democracy.swansea.gov.uk/ieListMeetings.aspx?CId=123&Year=0&LLL=0>
- Internal Audit Monitoring Report - Quarter 4 - 2022/23.
  - Fleet Maintenance Audit Report 2022/23.
  - Accounts Receivable.
  - Disclosure and Barring Service (DBS) 2022/23.
  - Internal Audit Recommendation Follow-Up Report - Quarter 4 2022/23.
  - Appointment of Governance & Audit Committee Representative on the Strategic Governance Group.
  - Governance & Audit Committee Action Tracker Report.
  - Governance & Audit Committee Work Plan.
  - Annual Complaints Report - Six Month Update.
  - Annual Report of School Audits 2022-23.
  - Internal Audit Section - Fraud Function Annual Report for 2022/2023.
  - Internal Audit Section - Fraud Function Anti-Fraud Plan for 2023/2024.
  - Internal Audit Monitoring Report - Quarter 1 - 2023/24.
  - Moderate Report - Catering and Cleaning Team 2023/24.
  - Internal Audit Recommendation Follow-Up Report Quarter 1 2023/24.
  - Corporate Risk Overview 2023/24 - Quarter 1.
  - Education Directorate: Internal Control Environment 2023/2024.
  - The Annual Review of Performance 2022-23 (including Self-Assessment Report).
  - Clydach Primary School Audit Report 2023.
  - External Assessment Report 2023/24.
  - Social Services Directorate: Internal Control Environment 2023/24.
  - Public Services Ombudsman of Wales Annual Letter 2022-23.
  - Scrutiny Annual Report 2022-23 & Scrutiny Work Programme.
  - The Governance and Assurance Arrangements of Swansea Council's Strategic Partnerships.
  - Employment of Agency Staff - 2023 Update.
  - Absence Management Audit Report Update.

- Report on the Audit Wales 'A Missed Opportunity' - Social Enterprises Report Recommendations.
- Report on the Audit Wales 'Together We Can' - Community Resilience and Self-Reliance Report Recommendations.
- Draft Statement of Accounts 2022/23.
- Finance Directorate: Internal Control Environment 2023/2024.
- Internal Audit Monitoring Report - Quarter 2 - 2023/24.
- Internal Audit Section - Corporate Fraud Function Mid-Year Update Report for 2023/2024.
- Corporate Risk Overview 2023/24 - Quarter 2.
- Audit Wales Recommendations Tracker.
- Audit Wales - Setting of Well-being Objectives - City and County of Swansea Council.
- Audit Wales Letter - Review of Council's Transformation Programme.
- Fundamental Audits 2022/23 Recommendation Tracker.
- Implementation of Accounts Receivable Internal Audit Service's (IAS) Follow Up Review Recommendations.
- Audit Wales Digital Strategy Review.
- Internal Audit Monitoring Report - Quarter 3 - 2023/24.
- Place: Internal Control Environment 2023/24.
- Risk Management Review.
- Internal Audit Annual Plan Methodology Report 2024/25.
- Annual Complaints & Compliments Reports 2022-23.
- Corporate Risk Overview - Quarter 3 2023/24.
- Audit Wales Recommendation Tracker.
- Draft Statement of Accounts 2022/23.
- Internal Audit Strategy & Draft Annual Plan 2024/25.
- Internal Audit Charter 2024/25.
- Update on Internal Control Environment - Director of Corporate Services.
- Absence Management & Employment of Agency Workers Audits - Update Report.
- Risk Management Policy and Framework.

#### **4. Looking Forward**

- 4.1 Looking forward to 2024/25 it is anticipated that the challenges facing the Council, public services as well as the Community will be significant. The importance of assurance and challenge will remain critical as the Committee discharges its responsibilities.
- 4.2 In October 2023 the Chair attended the All-Wales Chairs Network to ensure the greatest benefit of sharing knowledge and good practice is gained. In May 2024 the Chair will also be attending an Audit Wales Seminar where further insight will be gained in ensuring effective and efficient Governance & Audit Committees.

## 5. Committee Membership & Attendance

- 5.1 The membership of the Governance & Audit Committee at the start of the 2023/24 Municipal Year consisted of 5 Lay Members and 10 Non-Executive Councillors elected by Council. Lay Members are appointed for no more than two administrative terms with Council Members reappointed annually.
- 5.2 The membership reduced to 4 Lay Members and 8 Non-Executive Councillors in September 2023.
- 5.3 The Committee is serviced by Council Officers, principally the Director of Corporate Services, Director of Finance / Section 151 Officer, Deputy Chief Legal Officer, Strategic Delivery & Performance Officer, Chief Auditor and Democratic Services. Representatives from the Audit Wales also attend Committee meetings.
- 5.4 During 2023/24 the Committee has followed a structured workplan which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee now includes 4 Lay Members as required by the Local Government and Elections (Wales) Act 2021. A Lay Member is also the Chair of the Committee.
- 5.5 The Governance and Audit Committee met on 9 occasions up to 10 April 2024, during the 2023/24 Municipal year. The meeting agendas, minutes and recordings can be located at:

<https://democracy.swansea.gov.uk/ieListMeetings.aspx?CId=123&Year=0&LLL=0>

- 5.6 Committee Member attendance in 2023/24 is shown in the following table:

<b>Attendance 2023/24</b>	<b>Possible</b>	<b>Actual</b>
<b>Independent Lay Members</b>		
Mrs Paula O'Connor (Chair)	9	9
Gordon Anderson	9	5
Julie Davies	9	7
Phil Sharman	1	1
David Roberts	9	8
<b>Non-Executive Councillors</b>		
Councillor Adam Davis	9	5
Councillor Paxton Hood-Williams (Vice Chair)	9	8

Councillor Alan Jeffrey	3	2
Councillor Jeff Jones	9	7
Councillor Mike Lewis	9	6
Councillor Michael Locke	9	8
Councillor Sam Pritchard	9	9
Councillor Kelly Roberts	3	0
Councillor Lesley Walton	9	9
Councillor Mike White	9	8

## 6. Future Governance and Audit Committee Meetings

- 6.1 As agreed by the Head of Democratic Services, the Council Diary for the 2024/2025 Municipal year includes Governance and Audit Committee meetings on a six-weekly basis. The Chair has confirmed that the impact of the six weekly meetings will be kept under review as it is likely that the meetings will extend beyond the current two-hour timeframe.
- 6.2 Additional/special meetings may need to be held at certain times of the year to ensure the smooth delivery of the Committee's work programme. The Committee also has the ability to call further additional meetings when required.

## 7. Governance and Audit Committee Contact Details

<b>Paula O'Connor</b> Chair of Governance and Audit Committee	<a href="mailto:Chair.Audit@swansea.gov.uk">Chair.Audit@swansea.gov.uk</a>
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