



City and County of Swansea

Minutes of the **Audit Committee**

Committee Room 5 - Guildhall, Swansea

Thursday, 8 March 2018 at 10.00 am

Present: Councillor L James (Vice-Chair) presided

Councillor(s)

C Anderson
J W Jones
T M White

Councillor(s)

L James
S Pritchard

Councillor(s)

P K Jones
L V Walton

Lay Member

P O'Connor

Officer(s)

Simon Cockings
Huw Evans
Jeremy Parkhouse
Sandie Richards
Richard Rowlands
Ben Smith

Chief Auditor
Head of Democratic Services
Democratic Services Officer
Principal Lawyer
Strategic Delivery & Performance Manager.
Head of Financial Services & Service Centre and Section
151 Officer

Also Present: -

Geraint Norman Wales Audit Office
David Williams Wales Audit Office

60 Welcome - New Lay Member of Audit Committee.

The Vice-Chair, on behalf of the Committee, welcomed Paula O'Connor, the newly appointed Lay Member of the Audit Committee to her first meeting.

61 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.67 - Internal Audit Monitoring Report Quarter 3 2017/18 – L A Governor at Pennard Primary and Bishopston Comprehensive Schools – personal.

Councillor J W Jones – Minute No.63 - Wales Audit Office Grants Report 2016/17 and Minute No.64 - Wales Audit Office Audit Plan 2017/18 for City and County of Swansea and the Pension Fund – Member of Swansea Port Health Authority – personal.

Councillor T M White – Minute No. 64 - Wales Audit Office Audit Plan 2017/18 for City and County of Swansea and the Pension Fund and Minute No.67 - Internal Audit Monitoring Report Quarter 3 2017/18 – Member of the Local Pension Board, benefactor of the Local Government Pension Fund, Member of the Association of British Ports Authority and School Governor – personal.

Paula O'Connor – Agenda as a whole - Employee of Velindre NHS Trust – NWSSP – Providing Internal Audit Service as Head of Internal Audit to Abertawe Bro Morgannwg University Health Board – personal.

62 Minutes.

Resolved that the Minutes of the previous meeting of the Audit Committee were approved as a correct record.

63 Wales Audit Office Grants Report 2016/17.

David Williams, Wales Audit Office (WAO) presented the Grants Report 2016/17.

It was summarised that the Authority had generally adequate arrangements in place for the production and submission of its 2016-2017 grants claims. It was added that there was scope for improvement and it was recognised that the co-ordination and management of the submission / audit process was well managed by the grant co-ordinator, Finance. The conclusion for 2016-17 was based on the following overall findings: -

- the Council worked closely with WAO to ensure that an accurate and up-to-date schedule of 2016-17 grants was in place throughout the year; and
- there was some scope to improve the Council's arrangements for managing grants in some service areas.

For 2016-17, WAO certified 12 grant claims, with a total value of £217,261,586. This was five claims less than in 2015-16 (£295,761,884). The Council submitted 75% of its 2016-17 grant claims on time. WAO confirmed that they had certified all of the claims, at a total audit cost of £53,985. Overall, the 2016-17 audits resulted in a reduction of £17,616 being claimable by the Council. Five of the Council's claims were qualified; which was in line with the Council's performance last year and in line with the national average.

The report provided details on timely receipt of claims, certification results, audit adjustments, the Authority's arrangements, WAO fees and a summary of the findings.

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

- 75% of claims received by the required deadline and room for improvement in the submission process;
- Data produced by First Cymru buses;

- Confidence in the Authority's control process to avoid potential significant issues in the future;
- Grants becoming available very late in the financial year and clawback;
- Management of Communities First funds and providing an audit trail;
- Potential increased risk due to the decrease in staff;
- Significant reduction in the Audit fee.

Resolved that the contents of the report be noted.

64 Wales Audit Office Audit Plan 2017/18 for City and County of Swansea and the Pension Fund.

Geraint Norman, Wales Audit Office (WAO) presented the 2018 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 risks of material misstatements were provided at Exhibit 2, the performance work in last year's audit outline still in progress were set out in Appendix 2 and the proposed audit fee for this work was set out in Exhibit 6. Exhibit 5 summarised the more significant and/or recurring issues identified when undertaking grant certification work in 2016-17. The components of the performance audit work were shown in Exhibit 4 and the timetable of the proposed audits was provided at Exhibit 8.

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

The Committee discussed the following: -

- Management of data and potential areas of risk;
- Financial / Contract Procedure Rules;
- Management of Council General Reserves / amount of Reserves held by schools;
- The impact of possible Local Government Re-organisation in Wales;
- Delivery of the Well-being of Future Generations Act;
- Corporate Safeguarding Arrangements;
- Bring forward Assurance and Risk Assessment in the performance programme;
- Tackling Poverty Strategy;
- Role of the Public Service Board.

Geraint Norman, WAO also presented the 2018 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 of material misstatement which required audit consideration and the work plan was shown at Exhibit 2. The

estimated fee was provided at Exhibit 3 and was a reduced fee due to the efficiencies of the Council.

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 contained 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 Committee discussed the following: -

- Auditors seeking absolute assurance;
- Scrutiny role of the Local Pension Board;
- Well-being of Future Generations Act, the ethical use of investment and the sustainability of the Pension Fund going forward.

Resolved that the Audit Plan 2017/18 and the City & County of Swansea Pension Fund be noted.

65 Overview of the Status of Risk Quarter 3 2017/18 and Update on Risk Register Access.

The Strategic Delivery and Performance Manager presented a report which provided an overview of the status of risk in the Council. This provided assurance to the Committee on the effectiveness of the risk management policy and framework and its operation within the Council.

The report covered the Quarter 3 2017/18 period and compared a snapshot of the Council's risk registers taken at 03/10/17 with another snapshot taken on 28/12/17. Details were provided at Appendix A.

It was added that a review of risk and the Council's risk registers was underway following the approval of a new risk policy and framework by Cabinet on 17 August 2017 and the publication of the Corporate Plan 2017/22. It was also confirmed that following the meeting, Committee Members would also have direct access to the Corporate Risk Register.

The Committee discussed the following: -

- The delay in Committee Members having direct access to the Risk Register;
- The need to establish / improve / record audit trails / reasons for making changes to risks;

- Regularly reviewing and managing risks;
- The impact of the risks being made available to Committee Members and considerations / protocols when discussing risks at committee.

Resolved that the contents of the report be noted.

66 Internal Audit Annual Plan Methodology Report 2018/19.

The Chief Auditor presented the report which provided a briefing to the Audit Committee on the methodology used to prepare the Internal Audit Annual Plan in advance of the Annual Plan 2018/19 being reported to the Committee for approval on 10 April 2018.

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 highlighted the reduction in Audit Section staff members and questioned their capacity to deal with potential high volume areas of work. The Chief Auditor explained that work would be prioritised accordingly, dependent upon the risk and new methods of working would be introduced such as providing questionnaires.

The Section 151 Officer stated that the Council had agreed the budget for 2018-2019 and significant cuts were expected within the Resources Department. Internal Audit were part of the Department and some very difficult decisions had to be made. He added that any reductions had to be reasonable and balanced.

Resolved that the contents of the report be noted.

67 Internal Audit Monitoring Report Quarter 3 2017/18.

The Chief Auditor presented the report which provided the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2017 to 31 December 2017.

It was reported that the Internal Audit Section had seen a significant reduction in the levels of sickness in the 3rd quarter of 2017/18 compared with previous quarters, with a total of 8 days sickness absence. However, cumulative sickness absence to date stood at 117 days against a projected annual budget of 80 days.

A total of 34 audits were finalised during Quarter 3. The audits finalised were provided at Appendix 1, which also showed the level of assurance given at the end of the audit and the number of recommendations made and agreed. A total of 275 audit recommendations were made and management agreed to implement all of the recommendations i.e. 100% against a target of 95%. It was noted that there were 6 moderate reports and some included repeat offenders.

Details of classifications and grants audited were also provided.

An analysis of the details in Appendix 2 showed that by the end of December 2017, approximately 65% of the Audit Plan was either completed or in progress.

Details of additional work done by Internal Audit and follow-ups completed between 1 October 2017 to 31 December 2017 were also provided.

The Committee discussed the following: -

- Dealing with repeat offenders and comparing what happens in other organisations;
- Taxi framework contracts;
- Computer audits.

Resolved that: -

- 1) The contents of the report be noted;
- 2) The Head of Service / Manager be instructed to attend the following Audit Committee when moderate level audits are reported;
- 3) The Chief Auditor informs all Heads of Service and Directors of the change in procedures;
- 4) The appropriate Cabinet Member be informed when a moderate level audit report is issued.
- 5) An e-mail be forwarded to all Committee members confirming the change in procedure following publication of the Minutes.

68 Audit Committee Action Tracker Report. (For Information)

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

The Chief Auditor stated that the Contract Procedure Rules (CPR) were currently being reviewed by Procurement. The review would be finalised in April 2018 and the amended version would be available for schools to use from September 2018.

Members requested that the amended CPR be forwarded to all school governing bodies to make them aware of the changes.

Resolved that: -

- 1) The amended Contract Procedure Rules be forwarded to all school governing bodies in order to make them aware of the changes;

- 2) It be requested that the amended Contract Procedure Rules be placed on the agendas of school Finance & Building / Property Committee's.

69 Audit Committee Work Plan. (For Information)

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

The meeting ended at 12.35 pm

Chair