



**53 Presentation - Update on Internal Control Environment (Including Risk Management) – Director of Social Services.**

Dave Howes, Director of Social Services, provided the Audit Committee with a detailed and informative presentation on Governance and Assurance within the Social Services Directorate. Details provided included: -

- Overview;
- Assurance Framework;
- Financial Control;
- Performance Management;
- Scrutiny & Assurance;
- Business and Improvement Planning;
- Evidence of What's Working.

The Committee asked a number of questions of the Director, which were responded to accordingly. The following were discussed: -

- Staff costs, including care and support staff not directly managed by the Council;
- The most cost effective way of managing staff;
- Inflationary pressures, particularly in the last few years which were at approximately 5%;
- Social care inflation, e.g. cost of the living wage and the bulk of Social Services staff being at the bottom of the pay scale;
- Recovery savings plan to counter any projected overspends and balancing the Social Services budget at the end of the financial year;
- Main areas of risk within the department, including the recruitment / retention of staff;
- Work of the internal Community Hub Team in obtaining grant funding / organising the department to comply with Welsh Assembly Government (WAG) requirements;
- System of WAG funding, the potential impact of Brexit and the need to have the money up front instead of via grant funding;
- Essential link between NHS and Social Services;
- The provision of recovery plans by the Director to the Section 151 Officer and confirmation that the officers continued working together to balance the Social Services budget.

The Chair thanked the Director of Social Services for his presentation and stated that it had provided the Committee with a thorough understanding of procedures within the Social Services Directorate. She added that the presentation had also provided assurance in relation to management controls that are operating within Social Services and the risks around financial pressures that were being worked through, in conjunction with the Section 151 Officer.

**Resolved** that the content of the presentation be noted.

**54 Fundamental Audits 2018/19 - Recommendation Tracker.**

Simon Cockings, Chief Auditor presented a report which provided a summary of the recommendations made following the fundamental audits in 2018/19 and identified whether the agreed recommendations had been implemented.

Appendix 1 showed, for each fundamental audit, the number of recommendations made following the 2018/19 audits and whether they had been implemented, partly implemented, not implemented or were not yet due. A summary of the latest position on the 46 recommendations made was provided and the percentage of recommendations implemented by 30 September 2019 was 76%.

An analysis of the 11 recommendations, which had been partly or not implemented over the classification of audit recommendations used by the Internal Audit Section, was provided at Appendix 2. The Appendix showed that of the five recommendations that had been partly implemented, one was classed as high risk, two were medium risk, one was low risk and one was a good practice recommendation and were in relation to the Accounts Receivable audit. The Accounts Receivable audit continued to be completed on an annual basis and as a result, the implementation of the outstanding recommendations would be reviewed as part of the 2019/20 audit. The remaining six recommendations that had not been implemented were classed either low risk or good practice and were in relation to the Accounts Payable audit. The recommendations which had been partly or not implemented were provided at Appendix 3.

The Accounts Receivable Audit was issued with a moderate level of assurance in March 2019, with a summary of the key issues that resulted in the assurance rating being reported to Audit Committee in June 2019 as part of the Internal Audit Quarterly Monitoring Report.

The Audit Committee also received an update report from the Service Centre Manager and Cash Management & Accounts Receivable Manager, which detailed the progress that had been made in implementing the recommendations made as at May 2019. The Chair of the Audit Committee queried whether the 'decentralisation' of debt recovery was prolonging the recovery process and assurances were sought in relation to the effectiveness of the debt recovery process via the follow up exercise.

The results of the follow up exercise revealed that the actual recovery of debt had not been 'decentralised' as such, as the Accounts Receivable (AR) Team, in collaboration with the Legal Department, still retained overarching responsibility for the debt recovery process. This process and the associated time limits, had not changed. However, it was confirmed that the Accounts Receivable Team relied on Service Department (SD) involvement at various stages during the process. The steps involved in the invoicing and debt recovery process were summarised at Appendix 4.

The Committee were updated on the progress made. It was noted that that due to Oracle Cloud testing that commenced in November 2019, three of the six existing AR staff had been seconded to this project for a year. It was envisaged that the

three vacancies in the AR team would be filled and the remaining staff would be required to provide training. This would have a further immediate impact on the department's capacity to undertake recovery activities.

Sian Williams, Service Centre Manager and Michelle Davies, Cash Management & Accounts Receivable Manager informed the Committee regarding the positive progress made.

The Committee discussed the following: -

- Procedure for dealing with disputed invoices and how they were the responsibility of the Service Department;
- Debt recovery procedure involving Accounts Receivable / Legal;
- Reasons why staff were transferred to assist with Oracle Cloud testing;
- Timelines of the debt recovery process;
- Complexities of Social Services debt;
- Reliance of AR upon Service Department;
- Responsibility of Heads of Service' regarding outstanding disputes;
- Debt write off procedure;
- Escalating issues to Corporate Management Team;
- Reduction in resources of AR Team and the impact upon the service.

The Chair expressed concern over staffing in the AR Team and the risks associated with the further delays in debt collection processes.

It was concluded that overall the results of the Recommendations Tracker exercise to the end of September 2019 were positive with 35 (75%) of agreed recommendations due for implementation being implemented. A small number of recommendations still required work to implement or were due for implementation prior to the end of the financial year. Progress on the implementation of these recommendations would be reviewed during the fundamental audits for 2018/19.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) Lists of disputes of over 60 days old be forwarded to Corporate Management Team;
- 3) The Service Centre Manager provides details of written off debt from the last 3 years to the Committee.

**55 Wales Audit Office Proposals for Improvement: Six-month Status Update - December 2018 to June 2019.**

Richard Rowlands, Strategic Delivery & Performance Manager presented a 'for information' report on the overview of the status of Swansea Council's response to earlier proposals for improvement made by Wales Audit Office, to provide assurance to the Committee on progress.

He added that a further update would be reported to the Committee early in the New Year.

The Chair expressed concern with the timeliness in completing actions as several remained outstanding / incomplete.

## **56 Overview of the Overall Status of Risk - Quarter 2 2019/20.**

Strategic Delivery & Performance Manager presented a 'for information' report which presented an overview of the status of risk in the Council during Quarter 2, 2019/20 to provide assurance to the Committee on the operation of the risk management policy and framework within the Council.

Appendix A provided the Quarter 2, 2019/20 period and compared an overview of the position to Quarter 1, 2019/20. The Corporate Risk Register was provided at Appendix B and the Directorate Risk Register at Appendix C.

The Committee discussed the following: -

- CR 88 – Health and safety / CR101 – Regional working being the responsibility of the officer with responsibility for the risk and how many Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) cases were reported to Health & Safety Executive in 2018 and 2019;
- CR 90 / 102 – Decision to leave the European Union (Brexit) – uncertainty regarding the Shared Prosperity Fund and work of the Brexit Steering Group which had looked at new controls required – particularly the uncertainty surrounding the shared prosperity fund;
- CR89 – New legislative and statutory requirements – Section 6 of the Environment Act 2016;
- CR101 – Regional working – particularly partnership governance;
- PE85 – Workforce planning – what systems failures had occurred;
- PE98 – availability of domiciliary care – what systems failures had occurred;
- Summary – Changes to Risk Registers – changes not being recorded / risks not being reviewed / procedures not being adhered to / providing feedback to risk owners / lack of resources to follow-up effectively;
- Risk owners being asked to explain to the Committee why they had not complied with procedures;
- New risk app requiring further development in order to produce reports that can provide the committee with assurance on the management of risks;
- All risks being the responsibility of risk owners, particularly high-level risks and being provided with assurances regarding those risks.

The Wales Audit Office representative offered advice on exception reporting and would liaise with officers going forward.

The Chair stated that the risks should be closely monitored to ensure progress is made. She also expressed ongoing concern with the format and content of the Risk Report but noted the efforts of the Strategic Delivery & Performance Manager to develop a report that would enable the Committee to fulfil its terms of reference.

**57 Treasury Management - Interim Year Review Report 2019/20.**

The Section 151 Officer provided 'for information' the Treasury Management – Interim Year Review Report that was presented to Council on 27 November 2019.

He confirmed that no additional borrowing had been undertaken in 2019/20 and that the total external debt is £554m at an average interest rate of 4.22%.

Reference was also made to the decision of HM Treasury to make Public Works Loans Board (PWLB) loans subject to an additional 1% premium over and above existing margins above prevailing Gilt yields. It was added that representations were being made via Welsh Local Government Association (WLGA) and Welsh Government about the negative impact this change will have upon capital programmes in progress throughout local authorities in Wales.

**58 Revenue and Capital Budget Monitoring - 2nd Quarter 2019/20.**

The Section 151 Officer, supported by the Cabinet Member for Economy & Strategy provided 'for information' the Revenue and Capital Budget Monitoring Report that was presented to Cabinet on 21 November 2019.

The forecast overspend was highlighted and it was noted that it was less than in previous years. Savings of £45m in respect of interest charges were also noted. The Cabinet Member emphasised that robust savings plans were in place and he was confident that the targets would be achieved.

The Committee discussed the following: -

- Comments of Directors, the little appetite for exploring new ways of working and challenging their positions;
- Directors looking deeper into services which were under pressure;
- Obligation of Directors to end the financial year with balanced budgets;
- Transfer and review of the Welsh Translation Unit, including cost and charges;
- Staff resource and how this would affect front-line services if reductions were made;
- How the settlement received from Welsh Government would ultimately influence the position of the Authority;
- Directorates not achieving their identified savings in previous years.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) Figures regarding the Welsh Translation Service be circulated to the Committee.

**59 Review of Revenue Reserves.**

The Section 151 Officer presented the Review of Revenue Reserves report 'for information'.

**60 Appointment of Additional Lay Member to Audit Committee.**

The Chief Auditor presented a report, which requested the Committee to consider the appointment of an additional Lay Member to the Audit Committee.

It was added that the Local Government (Wales) Measure 2011 required that each council should appoint an Audit Committee in line with the recommendation made by CIPFA in 2005. The Welsh Government had provided statutory guidance covering the functions and membership of the Audit Committee and a copy of the guidance was provided at Appendix 1.

Furthermore, following the completion of a benchmarking exercise comparing the number of Lay Members appointed to other Local Authority Audit Committees across Wales, it was proposed that the Council appointed one additional Lay Member to the City and County of Swansea's Audit Committee. Members were advised that adding an additional lay member would help ensure the Committee was better equipped to meet possible proposed legislative changes to the committee structure by Welsh Government that were currently out for consultation, which initially suggested that the Committee would require a third of its members to be lay members.

**Resolved** that the appointment be deferred subject to the proposed legislative changes being finalised.

**61 Audit Committee Action Tracker Report.**

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

It was noted that substantial progress had been made in respect of the Young People's Service Moderate Rating Follow-up update. Progress would be provided in the Quarter 3 Monitoring Report.

**62 Audit Committee Work Plan.**

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

It was noted that the Mid-Term Budget Statement 2019/20 would be deleted from the Plan, as it would not be reported to Council.

The meeting ended at 4.05 pm

**Chair**