Swindon Borough Council

Audit Committee

Tuesday, 15 November 2016

Committee Room 6, Civic Offices

At 6.00 p.m.

Conservative Councillors	**Labour Councillors**
Steve Weisinger (Chair)	Kevin Small
Nick Martin	Chris Watts
Malcolm Davies	Des Moffatt
Mary Friend	

Committee Officer: Steve Jones (01793 463602)
email: stevejones@swindon.gov.uk
Swindon Borough Council, Civic Offices, Euclid Street, Swindon, SN1 2JH
(Telephone 01793 445500)

Access Arrangements - The venue is wheelchair accessible and an infrared receiver hearing system is provided. If you have any special requirements to enable you to attend the meeting or would like to receive any of the pages contained in this agenda in a larger print size, please contact the Committee Officer as soon as possible prior to the date of the meeting.

AGENDA

1. **Apologies for Absence**

2. **Declarations of Interest**
   Members are requested at the start of the meeting to declare any known interests in any matter to be considered, and are reminded that any such interest should also be declared at the start of an item or during any discussion of the matter concerned.

3. **Public Question Time**
   See explanatory note below. Please phone the Committee Officer whose name and number appears at the top of this agenda if you need further guidance).

4. **Minutes** (Pages 5 - 8)
   To receive the minutes of the meeting held on 15th September 2016.

5. **Corporate Risk Management Update** HPP&E (Pages 9 - 26)

6. **External Audit Reports** (Pages 27 - 56)
   a) Annual Audit Letter

b) Progress and Update Report - Year ended 31 March 2016

7. **Mid-Year Treasury Performance 2016-17** ICDR (Pages 57 - 66)

8. **Internal Audit report - Treasury Management** HIA (Pages 67 - 82)

9. **Internal Audit Charter** HIA (Pages 83 - 94)

10. **Changes to arrangements for appointment of an External Auditor** HIA (Pages 95 - 110)

11. **Head of Internal Audit Update** HIA (Pages 111 - 124)

Date of Despatch: 04 November 2016

Key:

Officers:

HPP&E	-	Head of People, Performance and Engagement
ICDR	-	Interim Corporate Director Resources
HIA	-	Head of Internal Audit

Public Question Time - Swindon Borough Council remains committed to increasing its accountability to the public and to promoting active citizenship. 15 minutes will be allowed at the start of all Council meetings for questions to the Chair from the public about the work of the Committee (except for confidential matters, and matters relating to planning and licensing applications). We will give priority to those who submit questions in writing at least two days before the meeting. Questions must be relevant, clear, and concise. You may not use Public Question Time as an opportunity to make speeches or statements.

Questions in writing should be sent to the Committee Officer whose contact details appear on the agenda above or to the Director of Law and Democratic Services, we will publish it, along with the answer, alongside the Minutes. The process associated with asking a public question is set out in the "Public Question Time at Council Meetings Protocol and Guidance" available on the Council's Website. (http://ww5.swindon.gov.uk/moderngov/ecCatDisplay.aspx?sch=doc&cat=13338&path=0) or from the Committee Officer named above.

The Audit Committee - Terms of Reference

(the complete terms of reference and programme of activity for the Audit Committee are set out in Minute 10 of the meeting of the Audit Sub-Committee held on 16 June 2015)

- 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 achievement of the authority's objectives.
- In relation to the authority's internal audit functions:
  - Oversee its independence, objectivity, performance and professionalism
  - Support the effectiveness of the internal audit process

- Promote the effective use of internal audit within the assurance framework
- Consider the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- 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.
- 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.
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

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AUDIT COMMITTEE

THURSDAY, 15 SEPTEMBER 2016

PRESENT:- Councillors Steve Weisinger (Chair), Nick Martin, Malcolm Davies, Mary Friend, Chris Watts and Des Moffatt

An apology for absence was received from Councillor Kevin Small.

14. Declarations of Interest

The Chair reminded Councillors to declare any known interests in any of the matters to be discussed at the meeting. No such declarations were made.

15. Public Question Time

There were no public questions.

16. Minutes

Resolved - That the minutes of the meeting held on 28th June 2016, be confirmed and signed.

17. Annual Statement of Accounts

The Committee received a report introducing the Council's Annual Statement of Accounts for 2015/16 (attached to the report at Appendix 1). The Corporate Director Resources, with the Finance Manager, Housing, Treasury and Growth, presented the report and the key points on the Final Accounts, summarising the main items impacting on the financial statements for 2015/16 and highlighting the material audit adjustments that had been made.

Following their presentation of the report, the Board Director and Finance Manager responded to members' specific queries and observations regarding the accounts.
Resolved – (1) That the report and the Annual Statement of Accounts 2015/165 (attached at Appendix 1 to the report), be approved.
(2) That the Corporate Director Resources and Mr Darren Stevens, the Council's Finance Manager, Housing, Treasury and Growth, and his team, be thanked for their hard work and diligence in compiling the Annual Statement of Accounts.

18. External Audit - findings

The Committee received a report of the Council's External Auditors, Grant Thornton, highlighting the significant findings arising from their audit of the Council's financial statements for the year ended 31 March 2016.

Elizabeth Cave, Director, (Grant Thornton), introduced the report, taking the Committee through the external auditors' key findings and responses in respect of

matters and risks identified at the planning stage of the audit, and additional matters that arose during the course of the work, and also the adjustments to the financial statements arising from the audit work and findings in respect of internal controls.

In particular, Ms Cave drew the Committee's attention to key messages arising from the audit of the Council's financial statements which were:

- £11m of heritage assets which were included in the Council's accounts but were on loan from other entities.
- One school which had converted to an Academy during the year but had not been disposed of in the accounts.
- A number of reclassification adjustments between headings in the accounts.

Ms Cave concluded her presentation by guiding members through the recommendations and proposed management responses set out in the Action Plan (attached to the report at Appendix A).

Resolved – (1) That the report be noted.
(2) That the External Auditors' opinion that for the year ended 31 March 2016 the Council's financial statements:
present a true and fair view of the financial position of the Authority and Group as at 31st March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law, be welcomed.
(3) That a further report concerning the progression of items in the Action Plan be submitted to this Committee in six months time.

19. Risk management: ICT presentation

The Council's Head of ICT, Glyn Peach gave a presentation identifying risks, causes and consequences of the failure of a business critical part of the IT system, including the loss or disclosure of personal data.
He briefly described the following mitigating actions:

- Deliver training to senior management on information asset ownership ands embed processes and principles
- Deploy policy management solution to ensure all staff are trained in information governance
- Implement new firewalls to address the appropriate threat levels
- Achieve Public Service Network accreditation
- Replace telephony system with a more resilient system
- Implement new backup solution
- Migrate failing systems from the Capita Public Cloud
- Adopt Public Cloud infrastructure to add high availability

Resolved – That the Council's Head of ICT, Glyn Peach be thanked for a useful and informative presentation.

20. Internal Audit report - Isambard Community School

The Head of Internal Audit submitted a report providing the Committee with an update on Isambard Community School's progress in relation to the two remaining key objectives outstanding from the first follow on audit review of the School's audit controls. The key finding from the second follow on audit was that the School had made significant improvements to its internal control arrangements since the first audit was carried out in 2014/15.
Mr Mark Edwards, Chair of Governors of Isambard Community School attended the meeting and replied to questions from Councillors concerning the School's audit controls.
Resolved – That the report be noted.

21. Head of Audit Annual Report

The Committee received the Head of Internal Audit's Annual Report for 2015/16. It was noted that it was a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit deliver an annual internal audit opinion and report that could be used by the organisation to inform its governance statement and that the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation. The Annual Report provided the Committee with assurance from the Head of Internal Audit regarding the work of the Internal Audit section and his opinion with regard to the Council's overall arrangements for internal control.
Resolved – That the report and, in particular, the Head of Internal Audit's overall opinion that the Council's internal control arrangements relating to its main financial systems during 2015/16 were found to be satisfactory, resulting in an overall risk assessment to the Council as being 'moderate' be noted.

22. Annual Governance Statement

Further to Minute 11, the Committee received the Annual Governance Statement (AGS) 2015/16 for approval. The AGS is the formal statement that recognises, records and publishes an authority's governance arrangements. It was noted that the draft Statement had been approved by the Committee at its meeting on 28th June 2016 and that no additional items for inclusion in the statement had been identified at that meeting or subsequently.
Resolved – That the Annual Governance Statement, appended to the report, be approved for signing by the Leader of the Council and the Chief Executive.

23. PSIAS - external assessment

The Head of Internal Audit submitted a report concerning the requirement for an external assessment of internal audit which must be conducted at least once every five years by a qualified, independent reviewer external to the organisation.
The Committee, at its meeting on 23rd February agreed that the external assessment of the Council's Internal Audit function would be carried out by the Chief Internal Auditor at Bristol City Council. The report contained the results of that external assessment.
Resolved – That the outcome of the external assessment of the Council's Internal Audit section be noted.

24. Head of Internal Audit update

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit reports finalised since the last Audit Committee meeting in June 2016, progress made against the Annual Internal Audit Plan and other key issues.
Resolved – That the report be noted.

Corporate Risk Management Update

Audit Committee **Date: 15th November 2016**

Author:	Corporate Planning Lead
Wards:	All
Locality Affected:	All
Parishes Affected:	All

1. Purpose and Reasons

1.1 To present Audit Committee with a summary of risk management activity in the Council and with the most recently updated Corporate Risk Register.

1.2 Audit Committee provides independent assurance to the Council on the effectiveness of the Council's risk management, internal control and its overall assurance framework. This report summarises the areas that the Committee may wish to consider in gathering this assurance and provides a basis for discussion.

1.3 The risk management processes and the Corporate Risk Register are key components of the successful delivery of the Council's Vision, Priorities and Pledges, ensuring that awareness and management of risk are intrinsic to the Council's approach. Achievement of the Vision is specifically addressed in the Corporate Risk Register.

2. Recommendations

The Committee is recommended to:

2.1 Discuss and gain assurance on the risk management approach and processes and risks captured in the Corporate Risk Register.

3. Detail

3.1 Since the last report and following the input from members of the Audit Committee there have been some adjustments to the corporate risk management process and a number of changes to the Corporate Risk Register

3.2 Process amendments have been designed to provide additional assurance that service risks are captured in the corporate process. Heads of service produce risk registers as part of their business plans. They review their risk registers quarterly, updating the content of their registers and progress with the mitigating actions. All high likelihood risks from the heads of service reviews are escalated to the quarterly risk review at Corporate Management Team to inform the discussion about corporate risks. This process has two main benefits. Corporate Management Team is made aware of the level of risk being held at service level. Additionally, this understanding of service risk is then used to inform the assessment of corporate risk.

Further information on the subject of this report can be obtained from Carmel Burton Direct Dial 01793 466028, carmelburton@swindon.gov.uk.

3.3 There are regular meetings in place between Internal Audit and Risk to ensure both that audit findings are captured in the Corporate Risk Register and that audit priorities reflect corporate risk.

3.4 The Corporate Risk Register has been amended to give more detail about the mitigating actions. This includes making the actions more specific, assigning the action to an owner and giving a target date for the action. Action owners are required to provide an update of progress with their action on a monthly basis. Progress for actions up to the end of September 2016 is attached at Appendix Two.

3.5 The following risks have been added to the Corporate Risk Register by Corporate Management Team as part of the quarterly review process :

3.5.1 Safeguarding Adults was added as a corporate risk in May to reflect the importance of this area of work.

3.5.2 Insufficient Capacity or Capability was also added as a corporate risk in May following the identification of this risk in a number of service areas, reflecting the Council's capacity to deliver change alongside core business in a challenging financial context.

3.5.3 Community Governance Review was added as corporate risk in September to reflect the far reaching nature of the proposed changes

3.5.4 Sustainable Delivery of Adult Social Care Services was added as a corporate risk in September to reflect the scale of the current change

3.5.5 Wichelstowe Development was added as corporate risk to reflect the strategic importance of the development.

3.6 Also as part of the quarterly review process, the risk relating to highways and transport was removed from the Corporate Risk Register as it was felt that progress with the mitigating actions meant that the risk could be held at service level.

3.7 There have been a number of changes to the likelihood rating of corporate risks in the light of the Council's context , internal and external pressures and progress with mitigating actions .These include :

3.7.1 The risk to organisational sustainability being upgraded from medium to high.

3.7.2 The risk to achievement of the vision being upgraded from low to medium

3.7.3 The risk posed by major unplanned expenditure also being upgraded from low to medium

3.7.4 Following improvements in systems, in May the risks relating to IT systems were downgraded from high to medium.

3.7.5 Also in May, following improvements in processes, the risk related to business continuity was downgraded from medium to low.

4. Alternative Options

4.1 Not applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 Risk management activity is a core activity for the Council. As such, costs of risk management are funded from existing budgets.

Legal and Human Rights Implications

5.2 As part of the Accounts and Audit regulations 2006, it is a statutory requirement that the Council maintains a robust, adequate and effective system of risk management in the delivery of its core services.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 Nothing specific for this report.

Diversity Impact Assessment

5.4 A Diversity Impact Assessment has not been completed for this report as it is a summary of actions within service areas to mitigate and address risk. Where applicable, Diversity Impact Assessments have been undertaken which cover the actions within the Corporate Risk Register. These assessments are held in the responsible service areas.

Risk Management

5.5 A risk assessment has not been completed for this report as it is a summary of risk management activity overall. The Corporate Risk Register is the corporate assessment of the key risks facing the Council at this time

6. Consultees

6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

6.2 The Chief Executive and the Head of Internal Audit were also consulted in respect of this report.

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix One – Corporate Risk Register October 2016

8.2 Appendix Two – Progress with Actions September 2016

Further information on the subject of this report can be obtained from Carmel Burton
Direct Dial 01793 466028, carmelburton@swindon.gov.uk.

Appendix One Corporate Risk Summary – October 2016 (Reviewed at CMT on October 4th)

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
1. Organisational Sustainability	Chief Executive	M	H	• Inability to deliver services • Loss of local decision making	• Scale of austerity measures • Level of funding from new income sources including business rates • Difficulty in succession planning in key roles across the organisation • High levels of expenditure due to escalating demand on services, • Inability to recruit key/critical roles across the council	• Monitor savings from change programmes quarterly and adjust programme accordingly	Interim Corporate Resources Director	On-going
						• Commission research into opportunities for revenue generating opportunities and drive forward a commercialisation programme		Management scoping meeting October 2016
						• Continue to deliver a new business retention and expansion service	Corporate Director Economy, Regeneration & Skills	Ongoing
						• Commission a business support service for businesses with the potential for high growth		Start of project - Nov 2016
						• Hold meetings with CEO's of the top 20 businesses in the Borough • Use the existing Council Customer Relationship Management (CRM) system and work with the Swindon & Wiltshire LEP (SWLEP) to establish a wider county-wide CRM		September 2016 August 2017
						• Launch Place Marketing Board and branding		October 2016
						• Implement new Adult social care structure • Continue to hold weekly exception panels to scrutinise learning disability packages • Put in place review teams for discharge to assess learning disability and domiciliary care packages. • Implement the findings of the LGA consultancy report on learning disability	Director of Adult Services	December 2016
						• Use the JSNA which highlights inequalities to inform commissioning and development of preventative services to reduce future demand	Director of Public Health	September 2016

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Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
10. Achievement of Vision	Chief Executive	L	M	• Loss of key businesses • Inability to attract inward investment • Reduced income from business rate • Needs of community and stakeholders not met • Increased demand on fewer resources • Loss of valued local services • Unwanted development	• Quality of education and skills provision • Recruitment / retention of sufficient skilled staff • Inability to maximise geographic advantage • Lack of community capacity • Lack of infrastructure planning/ funding • Rate of growth and development • Poor skills growth • Lack of land for housing need • Lack of employment land • Poor health, increasing health inequalities. • Mismatch between resource and funding • Alignment of partners to the Vision	• Ensure the Education Strategy Board monitors and takes action so that improvement plans are in place for schools causing concern. • Ensure Education Commissioners review school data and take action to support and challenge schools and work with teaching schools to address issues and improve attainment/OFSTED outcomes. • Work with the School Heads Associations to support and challenge schools to improve outcomes. • Secure Multi-Academy Trust status for schools graded Requires Improvement • Deliver conferences to target low aspirations and behaviour.	Head of Education	Five meetings to take place in 2016/17 Termly Termly As required Conference in October 2016 on the subject of behaviour
						• Launch Place Marketing Board and branding	Corporate Director Economy, Regeneration & Skills	October 2016
						• Map and baseline existing volunteering opportunities in Swindon • Set up and go live with the Volunteering Website and Database	Head of Localities, Community Involvement & Volunteering	October-December 2016 October-December 2016
						• Work with FSL and monitor project progress so that we achieve Swindon town centre regeneration and increase levels of inward investment. • Use the Leader's membership of the LEP Board and the Chief Executive's membership of the LEP's Commissioning Group to ensure that we have a strong influence in the LEP's decision making.	Corporate Director Economy, Regeneration & Skills	Recruitment of key staff is ongoing. The new Director is expected to be in place by November/ December 2016 Regular meetings with FSL to monitor project progress
						• Monitor performance against outcomes from the Health & Wellbeing Strategy and implement changes.	Director of Public Health	March 2017

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
						• Set up monthly sessions of LAG and CMT to monitor progress in delivering the vision	Director of Law & Democratic Services	September 2016
3. Safeguarding Children	Director of Children's Services	M	M	• Preventable Injury or death • Standard of care suffers • Reputational damage • Challenge/change to delivery arrangements • Potential damages • Loss of public and member confidence	• Recruitment/retention of sufficient skilled staff • Inadequate processes • Error • Limitations of case management system • Inadequate supervision • Inherently unpredictable client behaviour • National Policy/Guidance changes	• Implement an enhanced Quality Assurance Framework (QAF) and plan	Director of Children's Services	Currently in place embedding the plan over next 12 months
						• Carry out a Multi-Agency Safeguarding Hub Threshold review		Ongoing via the Local Safeguarding Children Board Task and Finish Group
						• Deliver a targeted recruitment campaign. • Review social work caseloads		September 2016
						• Ensure that there is constant review of the OFSTED Action Plan and targeting of key areas which require improvement.		September 2016
						• Identify improvements to the Integrated Children's Services (ICS) and Early Help CAPITA One Solution to meet future business needs	Head of Customer & Business Services/Chief Information Officer	March 2017
						• Deliver workshops and training to promote improved performance with a focus on practice gaps.	Director of Children's Services	September to December 2016
4. Failure/ unavailability of business critical IT system	Corporate Director Resources	M	M	• Service disruption • Serious safeguarding issue • Financial cost • Reputational damage with loss of public and member confidence	• Inadequate systems and processes • Unstable platforms	• Replace telephony system with a more resilient solution • Implement new backup solution • Increase DR covered systems at Waterside • Migrate failing systems off CPC • Adopt Public Cloud infrastructure to add high availability	Chief Information Officer	June 2017
6.Major unplanned expenditure	Corporate Director Resources	M	M	• Depletion of reserves • Consequential impact on other areas to mitigate impact	• Sudden unpredicted increase in demand for services • Government initiative/national budgetary changes	• Plan and agree a robust financial plan and budget supported by effective budgetary control arrangements	Interim Corporate Resources Director	February 2017 Cabinet
						• Monitor and report on how the change programme delivers progress and		Regular reporting to

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
					• Delay in implementing change programmes • Partner or subsidiary financial difficulties	benefits.		CMT
						• Review governance arrangements for wholly owned subsidiaries	Director of Law and Democratic Services	September 2016
7. Health and Safety	Chief Executive	M	M	• Injury or death • HSE prosecution • Financial impact (damages/costs) • Reputational damage	• Managerial Accountability and Responsibility • Condition of the site infrastructure at Waterside • Site suitability for current portfolio of activity at Waterside • Gaps in compliance management	• Deliver H&S Training for: ○ New Starters ○ Managers/Supervisors ○ Staff ○ Lone Workers	Head of Customer & Business Services	Annual Training Programme on the Intranet
						• Hold meetings of the Joint Safety Committee and Waterside Depot Safety Committee		October 2016
						• Deliver the Waterside integration programme and depot improvements	Corporate Director Communities & Place	In line with programme milestones
						• Support the culture of performance management and compliance through: ○ Training ○ Audit ○ Policy	Head of Customer & Business Services	Annual Training Programme on the Intranet Audit & Policy review Nov2016
9. Governance	Director of Law & Democratic Services	M	M	• Non-compliance with legislative and statutory obligations • Successful legal challenge • Financial consequences / additional costs • Loss of public and member confidence / Reputational damage • Partnership / Commissioned service collapse leading to service disruption / critical service not delivered • Court sanctions	• Legislative changes • Lack of timely / appropriate legal advice • Inability to transfer risk • Lack of oversight/visibility • Staff not understanding impact of devolved delivery • Financial and demand pressures / Resource constraints	• Maintain level of staff with appropriate qualifications and training	Director of Law & Democratic Services	September 2016
						• Deliver regular training sessions for Members and Officers focussing on key issues such as their role in arm's length bodies.		6 September 2016 – Chairing Skills
						• Take part in an LGA Peer Review of Corporate Performance.		September 2016

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
11. Safeguarding Adults	Director of Adult Services	M	M	• Adults in need for care and support are harmed • Reputational damage • Loss of public and member confidence • Challenge/change to delivery arrangements	• Recruitment/retention of skilled staff • Lack of timely compliance with adults safeguarding processes • Inadequate processes • Human Error • IT limitations • Inadequate supervision • Inherently unpredictable client behaviour • Lack of identification of adults at risk by some agencies • Insufficient capacity to meet statutory needs in appropriate timescales	• Address recruitment and retention of skilled staff by reviewing staff workloads and recruiting social workers within SEQOL.	Director of Adult Services	From August 2016
						• Deliver workshops and training to promote improved performance amongst social care and partner agency staff		Bi-monthly from September 2016
						• Monitor demand and implement robust performance management and improved systems. • Monitor performance information monthly through consideration with Managers/Joint Care Management Team		September 2016
						• Upgrade SWIFT		December 2016
12. Insufficient Capacity or Capability	Chief Executive	M	M	• Change not delivered • Essential work not carried out • Need to use high cost agency staff/ consultants • Serious practice error/ accident • Reputational damage	• Effective and knowledgeable staff leave • Lack of succession planning in key roles across the organisation • Poor performance management culture • Difficulties in recruitment to key roles • Levels of staff absence • Lack of development opportunities • Financial pressures on staffing/ training budgets • Capacity of partnership/ commissioned services	• Hold quarterly review s of Corporate Health measures and targets and implement plans for measures which need improvement • Develop Extended and Wider management Team meetings across the organisation to help galvanise awareness and capacity.	Head of Performance, People & Engagement	Next review in September 2016
						• Implement a recruitment and retention strategy, including approach to identifying and promoting talent and succession planning.		Draft produced. To be considered by Senior Management in September 2016

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
						• Put in place an effective Learning & Development plan and a range of training and other solutions to address identified and future needs		Dates are available on the intranet
13. Community Governance Review	Director of Law & Democratic Services	M	M	• Reputational damage • Savings not realised • Gaps in service / dip in service standards • Redundancies	• Different political pressures • Parish councils are unable to take on services / can't take them on in time • Parish Councils are not sustainable in the long term • Lack of business contributions lead to higher charges for residents • Nature and location of the current workforce	• Ensure that there is robust and effective engagement & communication with members	Director of Law & Democratic Services	
						• Ensure that there is robust and effective engagement with residents , parish and town councillors • Ensure that there is good support for parish councils including delivery and budgetary support and transfer of assets • Ensure that there is good engagement with existing staff and opportunities to broaden skills. • Ensure transfer of staff and/or TUPE arrangements are well communicated and robust • Set up shadow councils using the skills and experience of existing ward councillors	Corporate Director Resources Corporate Director Communities and Place	
14. Sustainable Delivery of Adult Social Care Services	Director of Adult Services	M	M	• Gaps in Service • Standards in Care suffers • Reputational Damage • Financial liabilities to the Council	• Workforce instability and recruitment challenges • Financial pressures	• Implement weekly transition board with CCG, SBC, GWH and Seqol to ensure safe transfer of services	Director of Adult Services	September 2016
						• Oversee TUPE of staff into Swindon Borough Council • Develop and deliver a comms strategy to inform staff		End of September 2016
						• Monitor service performance through monthly reports		Monthly management meetings.
						• Implement management arrangements for insourced services to ensure safe and well performing services		

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
15.Wichelstowe development	Board Director Resources	M	M	• Increased costs • Debt does not start to be repaid / impacts on revenue budget • Programme delays • Borough-wide benefits not delivered • Reputational damage • Loss of public and member confidence • Development not of desired quality •	• Insufficient delivery capability and capacity to progress new strategy • Competing priorities for key staff • Strength of housing market • Additional infrastructure burden on SBC • Delivery of houses beyond district centre	• Develop detailed business cases for each phase • Recruitment of new staff • Monitor and adjust programme delivery and progress through the programme board • Set out quality aspirations in the approach to market • Ensure that Wichelstowe is intrinsic in the place marketing work. • Continue discussions with major employers • Ensure that the JV sets out the detail of the economic development expected, based on demographic and economic analysis • Maintain positive relationship with BDW	Wichelstowe Programme Director	December 2016
2. Political Climate	Chief Executive	L	L	• Variations to priorities • Ambitions not realised • Financial impact of change • Destabilising relationship between members and officers • Reputational damage	• Competing political pressures • Lack of good communication between officers and members • Actions of individual or group have negative impact • National policy changes • Wide range of challenging issues being taken forward • Roll-out- out of Community Governance Review implementations	• Ensure that there are regular meetings of LAG focussing on key issues	Chief Executive	Weekly
						• Arrange regular cross party briefings focussed on key issues	Chief Executive	20 September 2016
						• Provide Members with regular communications via ○ A daily media round up ○ The weekly Members' bulletin ○ Dissemination of reports and meeting documentation	Director of Law & Democratic Services/ Head of Performance, People & Engagement	Daily/Weekly and as required in advance of meetings
						• Arrange regular training sessions for Members and Officers focussing on key issues.	Director of Law & Democratic Services	17 October 2016 – subject to be agreed
						• Provide Members with relevant policy information and bulletins focussing on key issues	Head of Performance, People & Engagement	September 2016

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date
5. Disclosure or loss of personal data	Corporate Director Resources	L	L	• ICO Prosecution (and fine) • Damages • Reputational damage with loss of public and member confidence	• Human Error • Malicious action	• Implement new firewalls to address the appropriate threat levels • Deploy policy management solution to guarantee staff compliance on mandatory training		December 2016
8. Emergency management, business continuity and disaster recovery	Chief Executive	L	L	• Inability to maintain services to customers • Disjointed response • Financial consequences • Reputational damage • Loss of public confidence	• Lack of clear roles and responsibilities for planning & implementation to manage during and after an incident • Lack of up to date business continuity plans in key service areas	• Undertake regular reviews of guidance and amending of Business Continuity plans, guides and procedures.	Head of Customer & Business Services	Ongoing with Services – last reviews were in July 2016
						• Work with business areas to test and refine Business Continuity plans.		September 2016
						• Deliver training/updates on resilience response		Dates TBC
						• Practice Council Command and Control and Recovery Procedures including training/exercising in line with existing Local Resilience Forum (LRF) and Local Health Resilience plans.	Director of Public Health and Head Customer & Business Services	Dates TBC Waterside exercise completed July 2016

Appendix Two - Actions due in September / Ongoing Actions

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date	Progress
1. Organisational Sustainability	Chief Executive	M	H	• Inability to deliver services • Loss of local decision making	• Scale of austerity measures • Level of funding from new income sources including business rates • Difficulty in succession planning in key roles across the organisation • High levels of expenditure due to escalating demand on services, • Inability to recruit key/critical roles across the council	• Monitor savings from change programmes quarterly and adjust programme accordingly	Head of Finance & Change	On-going	In place
						• Hold meetings with CEO's of the top 20 businesses in the Borough	Corporate Director Economy, Regeneration & Skills	September 2016	Work has started
						• Use the JSNA which highlights inequalities to inform commissioning and development of preventative services to reduce future demand	Director of Public Health	September 2016	*A number of JSNA reports have been produced over the last year and published on the JSNA website http://www.swindonjsna.co.uk/dna. These include Falls and Bone Health JSNA, the Swindon Inequalities report and the Oral health JSNA. These reports are discussed at the Swindon Health and Wellbeing Board (HWB) and at the Joint Commission Group to inform commissioners and service provision. The JSNA Steering group (Sub group of the HWB) has a forward workplan that identifies future JSNA development based on our local challenges and issues. Other JSNAs under development include the Diabetes JSNA and the Economic JSNA.*
2. Political Climate	Chief Executive	L	L	• Variations to priorities • Ambitions not realised • Financial impact of change • Destabilising relationship between members and officers • Reputational damage	• Competing political pressures • Lack of good communication between officers and members • Actions of individual or group have negative impact • National policy changes • Wide range of challenging issues being taken forward • Roll-out- out of Community Governance Review implementations	• Ensure that there are regular meetings of LAG focussing on key issues	Chief Executive	Weekly	In place
						• Arrange regular cross party briefings focussed on key issues	Chief Executive	20 September 2016	In place
						• Provide Members with regular communications via ○ A daily media round up ○ The weekly Members' bulletin ○ Dissemination of reports and meeting documentation	Director of Law & Democratic Services/ Head of Performance, People & Engagement	Daily/Weekly and as required in advance of meetings	Daily media briefing is happening, every day for about a month now
						• Provide Members with relevant policy information and bulletins focussing on key issues	Head of Performance, People & Engagement	September 2016	In place

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date	Progress
3. Safeguarding Children	Director of Children's Services	M	M	• Preventable Injury or death • Standard of care suffers • Reputational damage • Challenge/change to delivery arrangements • Potential damages • Loss of public and member confidence	• Recruitment/retention of sufficient skilled staff • Inadequate processes • Error • Limitations of case management system • Inadequate supervision • Inherently unpredictable client behaviour • National Policy/Guidance changes	• Implement an enhanced Quality Assurance Framework (QAF) and plan	Director of Children's Services	Currently in place embedding the plan over next 12 months	A QA framework is embedded and remain to be built on – a QA Board is in place and analysis of all QA activity are reviewed and actions agreed on a quarterly basis
						• Carry out a Multi-Agency Safeguarding Hub Threshold review		Ongoing via the Local Safeguarding Children Board Task and Finish Group	LSCB has commenced with this review but has had little multi-agency support. Early Help and Social Care appear to be the consistent attendees and are working on revised threshold criteria
						• Deliver a targeted recruitment campaign. • Review social work caseloads		September 2016	Vacancies have continued to reduce due to targeted recruitment of newly qualified social workers within an 'academy' supporting them for a 6 month period through an aspiring manager. This review has concluded and it was agreed for caseloads to be reduced to approximately 15 children per social worker. Caseloads are in the process of reducing due to the introduction of newly qualified social workers
						• Ensure that there is constant review of the OFSTED Action Plan and targeting of key areas which require improvement.		September 2016	The Ofsted Action Plan is incorporated within Team Improvement Plans and is reviewed on a bi-annual basis
						• Deliver workshops and training to promote improved performance with a focus on practice gaps.	Director of Children's Services	September to December 2016	Mandatory training has been identified and training has been quality assured to ensure they meet the identified learning needs.
6Major unplanned expenditure	Corporate Director Resources	M	M	• Depletion of reserves • Consequential impact on other areas to mitigate impact	• Sudden unpredicted increase in demand for services • Government initiative/national budgetary changes • Delay in implementing change programmes • Partner or subsidiary financial	• Monitor and report on how the change programme delivers progress and benefits.	Head of Finance & Change	Regular reporting to CMT	In place
						• Review governance arrangements for wholly owned subsidiaries	Director of Law and Democratic Services	September 2016	As part of response to external audit
7Health and Safety	Chief Executive	M	M	• Injury or death • HSE prosecution • Financial impact (damages/costs) • Reputational damage	• Managerial Accountability and Responsibility • Condition of the site infrastructure at Waterside • Site suitability for current portfolio of activity at Waterside • Gaps in compliance management	• Deliver H&S Training for: ○ New Starters ○ Managers/Supervisors ○ Staff ○ Lone Workers	Head of Customer & Business Services	Annual Training Programme on the Intranet	In place
						• Deliver the Waterside integration programme and depot improvements	Corporate Director Communities & Place	In line with programme milestones	Integration in place. Regular health and Safety meetings , team meetings , staff briefings and tool box talks.

Risk /Area	Owner	Likelihood Last Qtr	Likelihood This Qtr	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date	Progress
8Emergency management, business continuity and disaster recovery	Chief Executive	L	M	• Inability to maintain services to customers • Disjointed response • Financial consequences • Reputational damage • Loss of public confidence	• Lack of clear roles and responsibilities for planning & implementation to manage during and after an incident • Lack of up to date business continuity plans in key service areas	• Undertake regular reviews of guidance and amending of Business Continuity plans, guides and procedures.	Head of Customer & Business Services	Ongoing with Services – last reviews were in July 2016	Reviews ongoing – annual review cycle in place and work underway to refresh the information on the Councils intranet. New Plan and Guide Repository developed and created in August
						• Work with business areas to test and refine Business Continuity plans.		September 2016	Work continuing – main focus area; Children's & Adults Services (incl areas of SEQOL and Care Homes that have come to the Council, as well as Care Homes that are not Council run); and Waterside. New site Emergency Response Plans being developed for all Major SBC sites using the Template developed for Waterside.
						• Deliver training/updates on resilience response		Dates TBC	Loggist Training.Operation Griffin - Counter terrorism awareness training Defibrillator training Firearms awareness training (Feb 2016): Introduction to Integrated Emergency Management training materials updated and training course run September 2016. Four courses are run per year, for two at Tactical and two at Operational level.
						• Practice Council Command and Control and Recovery Procedures including training/exercising in line with existing Local Resilience Forum (LRF) and Local Health Resilience plans.	Director of Public Health and Head Customer & Business Services	Dates TBC Waterside exercise completed July 2016	Residential Care Home and Nursing Home Workshop and Exercise July. Exercises planned - further Exercise Bastille's before January 2017 for Waterside targeting any Waterside managers that did not attend Exercise Bastille July 2016, and Exercises and Workshops for Care Homes – work continues to support ICT outages (internally & externally). An Exercise Day is being developed for young people & apprentices.
9. Governance	Director of Law & Democratic Services	M	L	• Non-compliance with legislative and statutory obligations • Successful legal challenge • Financial consequences / additional costs • Loss of public and member confidence / Reputational damage • Partnership / Commissioned service collapse leading to service disruption / critical service not delivered • Court sanctions	• Legislative changes • Poor advice • Inability to transfer risk • Lack of oversight/visibility • Staff not understanding impact of devolved delivery • Financial and demand pressures / Resource constraints	• Maintain level of staff with appropriate qualifications and training	Director of Law & Democratic Services	September 2016	In place
						• Deliver regular training sessions for Members and Officers focussing on key issues such as their role in arm's length bodies.		6 September 2016 – Chairing Skills 17 October 2016 – subject to be agreed	In place
						• Take part in an LGA Peer Review of Corporate Performance.		September 2016	Completed

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date	Progress
10. Achievement of Vision	Chief Executive	L	M	• Loss of key businesses • Inability to attract inward investment • Reduced income from business rate • Needs of community and stakeholders not met • Increased demand on fewer resources • Loss of valued local services • Unwanted development	• Quality of education and skills provision • Recruitment / retention of sufficient skilled staff • Inability to maximise geographic advantage • Lack of community capacity • Lack of infrastructure planning/ funding • Rate of growth and development • Poor skills growth • Lack of land for housing need • Lack of employment land • Poor health, increasing health inequalities. • Mismatch between resource and funding • Alignment of partners to the Vision	• Ensure the Education Strategy Board monitors and takes action so that improvement plans are in place for schools causing concern. • Ensure Education Commissioners review school data and take action to support and challenge schools and work with teaching schools to address issues and improve attainment/OFSTED outcomes. • Work with the School Heads Associations to support and challenge schools to improve outcomes. • Secure Multi-Academy Trust status for schools graded Requires Improvement • Deliver conferences to target low aspirations and behaviour.	Head of Education	Five meetings to take place in 2016/17 Termly Termly As required Conference in October 2016 on the subject of behaviour	In place (for further details see performance report.)
						• Work with FSL and monitor project progress so that we achieve Swindon town centre regeneration and increase levels of inward investment. • Use the Leader's membership of the LEP Board and the Chief Executive's membership of the LEP's Commissioning Group to ensure that we have a strong influence in the LEP's decision making.	Corporate Director Economy, Regeneration & Skills	Recruitment of key staff is ongoing. The new Director is expected to be in place by November/ December 2016 Regular meetings with FSL to monitor project progress	In place
						• Set up monthly sessions of LAG and CMT to monitor progress in delivering the vision	Director of Law & Democratic Services	September 2016	In place

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date	Progress
11. Safeguarding Adults	Director of Adult Services	M	M	• Adults in need for care and support are harmed • Reputational damage • Loss of public and member confidence • Challenge/change to delivery arrangements	• Recruitment/retention of skilled staff • Lack of timely compliance with adults safeguarding processes • Inadequate processes • Human Error • IT limitations • Inadequate supervision • Inherently unpredictable client behaviour • Lack of identification of adults at risk by some agencies • Insufficient capacity to meet statutory needs in appropriate timescales	• Address recruitment and retention of skilled staff by reviewing staff workloads and recruiting social workers within SEQOL.	Director of Adult Services	From August 2016	Ongoing work within the teams while addressing need for recruitment within social work teams. Supervision process for social workers amended to fall in line with Council Procedures (for staff returning from SEQOL). Contracts and Commissioning have a schedule of visits to provider services that includes monitoring staff training and monitoring progress with recruitment practices.
						• Deliver workshops and training to promote improved performance amongst social care and partner agency staff		Bi-monthly from September 2016	SBC still offers free basic awareness training. Attendance has improved after imposing non-attendance fees at training sessions. New training for provider managers is underway funded by the Care Skills Partnership.
						• Monitor demand and implement robust performance management and improved systems. • Monitor performance information monthly through consideration with Managers/Joint Care Management Team		September 2016	Systems are being reviewed and amended data collection processes are being implemented. Data collection on other stages of the safeguarding procedures needs to be improved. There appears to be a slight decrease in the number of safeguarding concerns raised compared with the first six month of 15/16 Safeguarding continues to be a standing agenda item at these meetings. LSAB also receives 1/4ly information on safeguarding activity.
12. Insufficient Capacity or Capability	Chief Executive	M	M	• Change not delivered • Essential work not carried out • Need to use high cost agency staff/ consultants • Serious practice error/ accident • Reputational damage	• Effective and knowledgeable staff leave • Lack of succession planning in key roles across the organisation • Poor performance management culture • Difficulties in recruitment to key roles • Levels of staff absence • Lack of development opportunities • Financial pressures on staffing/ training budgets • Capacity of partnership/ commissioned services	• Hold quarterly review s of Corporate Health measures and targets and implement plans for measures which need improvement • Develop Extended and Wider management Team meetings across the organisation to help galvanise awareness and capacity.	Head of Performance, People & Engagement	Next review in September 2016	In place
						• Implement a recruitment and retention strategy, including approach to identifying and promoting talent and succession planning.		Draft produced. To be considered by Senior Management in September 2016	Work has started as part of the enabling programme

Risk /Area	Owner	Last Qtr Likelihood	This Qtr Likelihood	Impact	Possible Causes	Mitigating Actions	Action Owners	Target date	Progress
						• Put in place an effective Learning & Development plan and a range of training and other solutions to address identified and future needs		Dates are available on the intranet	In place
13. Community Governance Review	Director of Law & Democratic Services	M	M	• Reputational damage • Savings not realised • Gaps in service / dip in service standards • Redundancies	• Different political pressures • Parish councils are unable to take on services / can't take them on in time • Parish Councils are not sustainable in the long term • Lack of business contributions lead to higher charges for residents • Nature and location of the current workforce	• Ensure that there is robust and effective engagement & communication with members	Director of Law & Democratic Services		In place
						• Ensure that there is robust and effective engagement with residents , parish and town councillors • Ensure that there is good support for parish councils including delivery and budgetary support and transfer of assets • Ensure that there is good engagement with existing staff and opportunities to broaden skills.	Corporate Director Resources Corporate Director Communities and Place		In place
14. Sustainable Delivery of Adult Social Care Services	Director of Adult Services	M	M	• Gaps in Service • Standards in Care suffers • Reputational Damage • Financial liabilities to the Council	• Workforce instability and recruitment challenges • Financial pressures	• Implement weekly transition board with CCG, SBC, GWH and Seqol to ensure safe transfer of services	Director of Adult Services	September 2016	Implement weekly transition board with CCG, SBC, GWH to deliver safe services following tupe Review all insourced services to ensure services are effective and efficient Implement induction programme Monitor service performance through monthly reports Implement management arrangements for insourced services to ensure safe and well performing services Implement LD care package review programme
						• Oversee TUPE of staff into Swindon Borough Council • Develop and deliver a comms strategy to inform staff		End of September 2016	
						• Monitor service performance through monthly reports		Monthly management meetings.	
						• Implement management arrangements for insourced services to ensure safe and well performing services			

Grant Thornton

The Annual Audit Letter for Swindon Borough Council

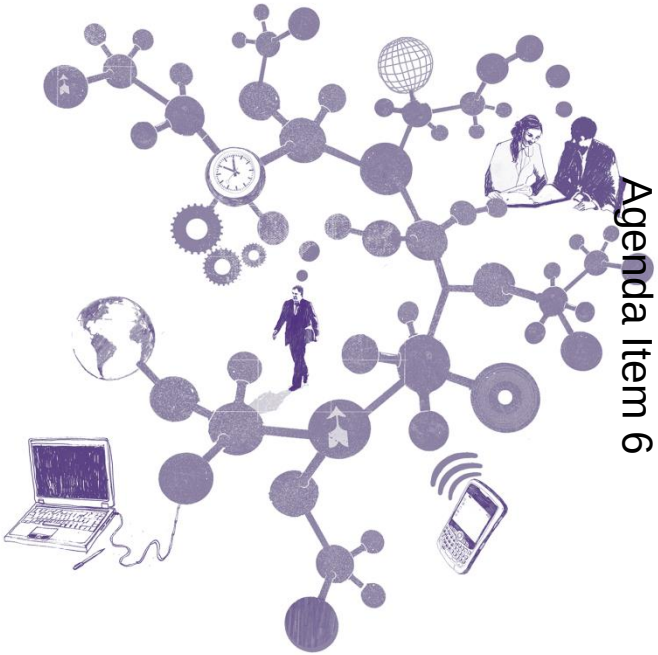
Year ended 31 March 2016

28 September 2016

Elizabeth Cave
Director
T +44 (0)117 305 7885
E Liz.A.Cave@uk.gt.com

Chris Hackett
Audit Manager
T +44 (0)117 305 7876
E Chris.I.Hackett@uk.gt.com

Sophie Morgan
Executive
T +44 (0)117 305 7757
E Sophie.J.Morgan@uk.gt.com



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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Swindon Borough Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on September 15.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 22 September 2016.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 22 September 2016.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 22 September 2016

Certificate

We certified that we had completed the audit of the accounts of Swindon Borough Council in accordance with the requirements of the Code on 22 September 2016.

Certification of grants

We carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete but will be finalised by the deadline of 30 November 2016. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

We are also due to complete work on three smaller returns, the Teachers Pension Return, the Pooled Capital Receipts Return and a grant claim for funding from the Homes and Communities Agency. This work will be completed in advance of the November deadlines and reported to the Audit Committee.

Working with the Council

As part of our work to issue our Conclusion on the Council's arrangements for ensuring value for money we have reviewed the strategies and plans that were in place during the financial year 2015/16. In common with other local authorities the Council continues to face significant financial challenges arising from funding pressures and increased demand for services. The Council is seeking innovative ways of working in meeting these challenges. The Council needs to ensure it continues to review and develop its financial plans and works robustly with partners to ensure value for money.

The local authority accounting requirements are changing in 2016/17. The accounts are required to include additional information on the cost of the Council's highways assets. Officers are currently reporting further work is required to compile supporting information and the Council will not be able to meet the requirements of the Accounts Code.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
September 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £10,277,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality of £20,000 for certain areas such as senior officer remuneration and Councillor's allowances.

We set a lower threshold of £513,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based. We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
Valuation of property plant and equipment The Council's property, plant and equipment, including its housing stock, represents 86% of its total assets. Their value is estimated by property valuation experts. The Council revalues these assets on a rolling basis.	We completed the following work: • Review of the controls put in place by management to ensure that the Property Plant and Equipment valuation is done correctly. • Review of the instructions issued to the Valuer and the scope of their work • Review of the competence, expertise and objectivity of the Council's management expert who did the valuation. • Discussion with the Valuer regarding the basis on which the valuation is carried out, the key assumptions made and information provided to them. • Test on the revaluations made during the year to ensure they are input correctly into the Council's asset register **We did not identify any issues to report.**
Valuation of pension fund net liability The Council's pension fund asset and liability, as reflected in its balance sheet, represents a significant estimate in the accounts and comprises 42% of its total liabilities. The value of the pension fund net liability is estimated by specialist actuaries.	We have: • Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. Assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. Gained an understanding of the basis on which the valuation is carried out. • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. **We did not identify any issues to report.**

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 22 September 2016, in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 15 September 2016.

In addition to the key audit risks reported above, we identified:

- £11m of heritage assets which were incorrectly included in the Council's accounts but were actually on loan from other entities.
- One school which had converted to an Academy during the year but the assets had not been removed from the Council's accounts.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. The Council published them on its website along with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO . A number of amendments were made to the return. We issued a group assurance certificate which did not identify any issues for the group auditor to consider.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We have not taken or been required to take action under these powers.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. The key risks we identified and the work we performed are set out in the table overleaf.

As part of our Audit Findings report agreed with the Council in September 2016, we agreed recommendations to address our findings.

- The Council needs to ensure there is capacity across its management teams to support delivery of the change programmes.
- Members should consider an annual report on the Council's key partners setting out the governance arrangements and the related risks and mitigations to those risks.
- The Council is seeking to take forward the housing development at Wishelstowe. Members should continue to be informed of progress and how the scheme and future investments in it ensures value for money and that there is capacity for managing the development.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Value for Money

Table: Value for money risks

Risk identified	Work carried out	Findings and conclusions
Financial health Between 2017/18 and 2019/20 the Council is anticipating cost pressures of £63.5m which after assumed increases in income (eg council tax) leaves a gap of £49m. Key actions to address the gap including service reductions, and early interventions in areas such as social care to avoid costs have been identified. The overall financial challenge raises significant risks to the Council's medium term financial stability.	We reviewed and discussed the risks in the Council's medium term financial plans.	The Council set a balanced budget for 2016/17 in February 2016. Since then the Council has continued to develop its Vision which is feeding into a new four year plan due to be completed in September. Key themes in Council plans include: - Developing income sources - The local delivery of services and - Controlling costs, for example through managing the social care market Our review of Council plans indicates assumptions are robust and detailed. The Council consults on its plans and also considers the national context as well as the local position. Current plans are realistic and the Council is being innovative in seeking solutions to its financial challenges, although delivery will be challenging. The current budget gap for 2017/18 is £6m, work is on-going to address the gap. **On this basis we concluded that the risks were sufficiently mitigated and the Council has proper arrangements.**
Oversight of Council subsidiaries and partner bodies In response to growing financial pressures and to deliver high quality services in a changing environment, the Council is engaging with increasing numbers of partner bodies. These vary significantly in the nature of the arrangement. Recent examples include the solar farm project linked to Swindon Common Farm Community Interest Company and the financing arrangement for the related bond issue. Also the Wichelstowe Joint Venture Partnership to oversee a key development project in the Borough. The Council and those charged with governance need to ensure they have on-going robust oversight arrangements in place.	We reviewed corporate arrangements at the Council for monitoring and reporting on the performance of its subsidiaries and partners.	Current arrangements vary. Councillors are appointed as non-executive directors to the main subsidiary companies, Thamesdown Transport Limited and Public Power Solutions. There are also shareholder panels. These arrangements provide oversight in specific areas. Overall, however, arrangements are not consistent across all areas. For example there is no direct link to Forward Swindon. There is insufficient evidence of Council governance and monitoring to ensure that arrangements for oversight are sufficiently challenging and that risks are minimised and services are delivered as intended. There is no overall summary record of how individual partner arrangements are managed. **We concluded overall that the risk was sufficiently mitigated and the Council has proper arrangements.**

Value for Money

Table: Value for money risks

Risk identified	Work carried out	Findings and conclusions
Financial close of the Wichelstowe development joint venture contract Negotiations to agree a joint venture development using Council land and previous infrastructure investment have been on-going for two years. Financial close is expected imminently to enable the Council to recover debt of £43m and realise additional gains. There have been some late changes to the financial model, for example to reflect the need for additional piling at the site. The risk to the Council is that it does not obtain the best deal in the circumstances.	We will review the changes to the Model, the impact on expected returns and the information reported to Members.	Negotiations have remained at the final stage since the beginning of 2016 but the contract remains unsigned. Officers have continued to monitor risks and keep the Leader's advisory group and the cross party advisory group up-dated. The Council has reassessed options for the early stages of the development. The option being proposed is the Council developing the district centre independently. At the same time they would continue to negotiate with the joint venture partnership on the house building. **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.**

Working with the Council

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit before the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Improved financial processes – during the year we reviewed your financial systems and processes including employee remuneration, non- pay expenditure and property plant and equipment. We worked with you to strengthen your processes including controls over journals.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need for you to continue to review and develop the Council's financial plans and work robustly with partners to ensure value for money.

Sharing our insight – we provided regular audit committee updates covering best practice. Areas we covered included:

- Knowing the Ropes – Audit Committee; Effectiveness Review
- Re-forging local government – summary findings of financial health checks and governance reviews across the local authority sector.
- Local Authority Trading Companies.

We have also shared with you our insights on advanced closure of local authority accounts, in our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

Providing training – we provided your teams with training on financial accounts and annual reporting.

Providing information – We provided you with access to CFO insights, our online analysis tool providing you with access to insight on the financial performance, socio-economic context and service outcomes of councils across the country.

Working with the Council

Working with you in 2016/17
Highways Network Asset

The Code of Practice on Local Authority Accounting (the Code) requires authorities to account for Highways Network Asset (HNA) at depreciated replacement cost (DRC) from 1 April 2016. The Code sets out the key principles but also requires compliance with the requirements of the recently published Code of Practice on the Highways Network Asset (the HNA Code), which defines the assets or components that will comprise the HNA. This includes roads, footways, structures such as bridges, street lighting, street furniture and associated land. Previously these assets should always have been recognised within Infrastructure Assets.

The Code includes transitional arrangements for the change in asset classification and the basis of measurement from depreciated historic cost (DHC) to DRC under which these assets will be separated from other infrastructure assets, which will continue to be measured at DHC.

This is expected to have a significant impact on the Council's 2016/17 accounts, both in values and levels of disclosure, and may require considerable work to establish the opening inventory and condition of the HNA as at 1 April 2016.

Under the current basis of accounting values will only have been recorded against individual assets or components acquired after the inception of capital accounting for infrastructure assets by local authorities. Authorities may therefore have to develop new accounting records to support the change in classification and valuation of the HNA.

The nature of these changes means that Finance officers will need to work closely with colleagues in the highways department and potentially also to engage other specialists to support this work.

Some of the calculations are likely to be complex and will involve the use of external models, a combination of national and locally generated rates and a number of significant estimates and assumptions.

We have been working with the Council on the accounting, financial reporting and audit assurance implications arising from these changes. We have issued two Client Briefings which we have shared with your officers and are arranging a seminar with councils in the area to discuss issues and progress. We will issue further briefings during the coming year to update the Council on key developments and emerging issues.

This significant accounting development is likely to be a significant risk for our 2016/17 audit, so we have already had some preliminary discussions with the Council to assess the progress it is making in this respect.

Officers recognise this will be a major challenge but they consider that the requirements of the Code will be implemented for 2016/17. To achieve this they anticipate estimating the value of certain assets as the Council does not hold a comprehensive inventory across the network in line with the categorisation of assets set out in the Code, for example in relation to verges.

Working with the Council

We will continue to liaise closely with the senior finance team during 2016/17 on this important accounting development, with timely feedback on any emerging issues.

The audit risks associated with this new development and the work we plan to carry out to address them will be reflected in our 2016/17 audit plan.

We will also continue to work with you and support you over the next financial year. In 2018 the Council will be required to prepare its accounts by May 31 and we will be required to complete the audit by July 31. To assist the Council to meet these earlier deadlines we have shared our national report on earlier close and will be arranging workshops with officers.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	128,378	128,378	171,170
Housing Benefit Grant Certification	10,476	10,476	18,000
Total fees (excluding VAT)	**138,854**	**138,854**	**189,170**

Fees for other services

Service	Fees £
Audit related services:	
• Review of Teachers Pensions Agency Return	4,200
• Review of Pooling of Housing Capital Receipts Return	2,200
• Review of Homes and Communities Agency claim	2,500
Non-audit services	
• Place analytics data service	6,900
• Review of PFI contract	5,600

Reports issued

Report	Date issued
Audit Plan	19 April 2016
Audit Findings Report	15 September 2016
Annual Audit Letter	28 September 2016

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Grant Thornton

Audit Committee
Progress and Update Report for Swindon Borough Council
Year ended 31 March 2016

1 November 2016

Elizabeth Cave
Director
T 0117 3057855
E Liz.A.Cave@uk.gt.com

Chris Hackett
Audit Manager
T 0117 3057876
E Chris.I.Hackett@uk.gt.com

Sophie Morgan
Executive
T 0117 3057757
E Sophie.J.Morgan@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company; http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Re-forging local government: Summary findings of financial health checks and governance reviews (December 2015) http://www.grantthornton.co.uk/en/insights/reforging-local-government/,
- Knowing the Ropes – Audit Committee; Effectiveness Review ; www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Elizabeth Cave
Engagement Lead
T 0117 3057885
M 07880 456128
E Liz.A.Cave@uk.gt.com

Chris Hackett
Manager
T 0117 3057876
M 07880 456130
E Chris.I.Hackett@uk.gt.com

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Progress at 1 November 2016

Progress against plan
On track

Opinion and VfM conclusion
Accounts opinion and VFM conclusion provided on 22 September in advance of the deadline of 30 September 2016

Outputs delivered
Fee letter, Opinion, Conclusion and Annual Audit Letter and Progress Reports, delivered to plan

2015/16 work	Completed	Comments
Fee Letter We issued the 'Planned' fee letter for 2015/16 in April 2015.	April 2015	
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements. We also inform you of any subsequent changes to our audit approach.	April 2016	We did not alter or change our audit approach, which we communicated to you in our Audit Plan dated 19th April 2016 and presented to the Audit Committee in April.
Interim accounts audit Our interim fieldwork visit includes: • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing	April 2016	This was presented to the Audit Committee in April, findings were included within the Audit Plan.

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Progress at 1 November 2016

2015/16 work	Completed	Comments
Final accounts audit Including: • Audit of the 2015-16 financial statements • proposed opinion on the Council's accounts	Completed July - August and reported in September	The matters arising from our work were reported in our Audit Findings Report to the Audit Committee on September 15th.
Value for Money (VfM) conclusion The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: • Informed decision making • Sustainable resource deployment • Working with partners and other third parties	Completed and reported in September	We set out the result of our risk assessment and the proposed
Other activities		
We provide a range of workshops, along with network events for members and publications to support the Council.	Completed	We have provided local workshops covering the accounting treatment of the Better Care Fund and the Local Authority Accounts Code.
Annual Audit Letter	October 2016	The Annual Audit Letter was completed and agreed with Officers in October 2016.

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Progress at 1 November 2016

2015/16 work	Completed	Comments
Grant Certification We are required to complete work on the following returns: - Housing Benefit - Homes and Communities Agency return - Teachers Pension Return - Pooled capital receipts return	N/A	Our work is on-going and will be completed by the deadline of 30 November 2016. The outcome will be reported to the next Audit Committee Meeting.

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Advancing closure: the benefits to local authorities

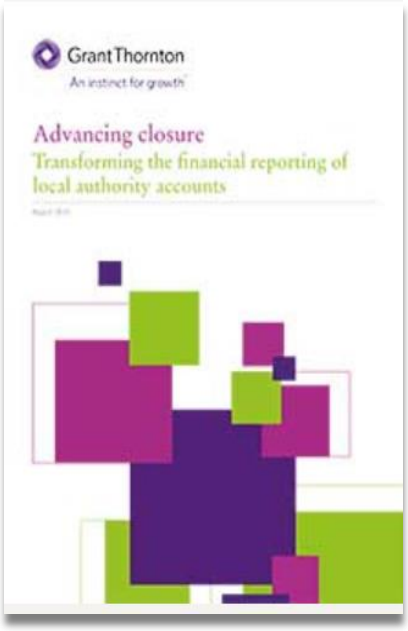
Grant Thornton reports

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;
- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.
- While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further details:
- Enabling sustainable change requires committed leadership underpinned by a culture for success
- Efficient and effective systems and processes are essential
- Auditors and other external parties need to be on board and kept informed throughout



http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/

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Grant Thornton reports

Partnership working in mental health
Joining up the dots, not picking up the pieces

Mental ill health costs the economy over £100 billion each year and affects one in four people. However, responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. With many parts of the public sector needing to respond, and each facing significant financial pressures, collaboration around this issue is essential if savings are to be found and the best care provided.

This paper draws together examples of successful collaboration between public services and feedback from a Midlands round table discussion – where the West Midlands Combined Authority has set up a mental health commission – to look at how different services have overcome some of the traditional barriers and demarcation lines between organisations

There are four key messages:

The unpredictable nature of mental health symptoms can mean that the first point of contact is via emergency services, with ambulance, fire and rescue or police officers being present. The cost of services not being available at the right place at the right time can be huge, in terms of the personal suffering of individuals and costs to the wider system.

Often relatively modest amounts of money targeted at specific initiatives such as street triage or community cafes can make a huge difference in improving the availability of important services.

An impact can be made without the need for expensive structural change. Most importantly, it requires a genuine approach to collaboration and a culture of putting the patient first.

Investing in collaborative initiatives that focus on the needs of mental health patients were undoubtedly resulting in savings elsewhere to the public purse. Examples include:

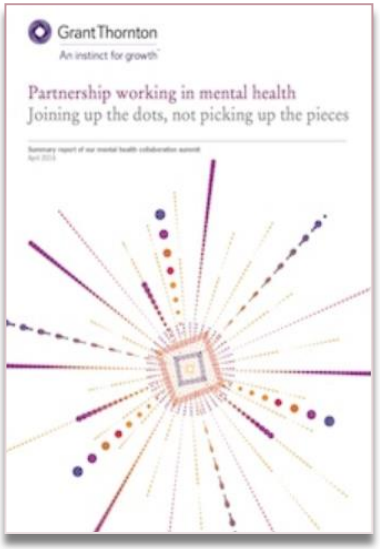
•92% reduction in detentions under section 136 of the Mental Health Act in Cheshire and Wirral; 50% reduction in Birmingham and Solihull; 39% in Nottinghamshire; 30% in Kent

•647 A&E attendances avoided by one street triage team in one year in Birmingham and Solihull

•80% remission in psychosis through early intervention in Derbyshire

•25% of unemployed users of the café run by the Manchester Mind Young Adults Services and Projects team have gone on to find employment.

A set of recommendations on how to move this approach forward is also provided.



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Grant Thornton events

Events and workshops

Joint Venture Seminar on 6th December -

Following publication of our 'Better Together' report we are running a workshop in Taunton. The session will include presentations from practitioners and provide an invaluable insight into setting up and running joint venture companies

For further information or to book your place, please contact your Audit Manager or Lynsey Searle T +44 (0)117 305 7830

lynsey.searle@uk.gt.com

Advancing Closure and Highways Network Asset (HNA)- We ran seminars in Exeter and Bristol in October to help accountants consider the main factors in accelerating the accounts closure and the issues impacting the implementation of HNA.

Income generation workshop on 6th October - this brought together practitioners from across the region to discuss good practice and was attended by Paul Smith from Swindon BC.

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Website Re-launch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – http://www.grantthornton.co.uk/industries/public-sector/

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Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the new measurement requirements at depreciated replacement cost for the Highways Network Asset (HNA) and
- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

The key challenge for local authorities is around the accuracy and completeness of supporting records for HNA inventory and condition at 1 April 2016 and effective arrangements for recording expenditure and other movements on HNA from that date.

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Mid-Year Treasury Performance 2016-17

Audit Committee **Date: 15 November 2016**

Author:	Cabinet Member for Finance and Corporate Services
	Interim Corporate Director, Resources
Wards:	All
Locality Affected:	All
Parishes Affected:	All

1. Purpose and Reasons

1.1 This report sets out the mid-year Treasury Management performance for 2016/17 and proposals for amendments to the Councils Minimum Revenue Policy.

1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Audit Committee is recommended to:

2.1 Note the mid-year Treasury Management performance;

2.2 Note the proposed changes to the Council's Minimum Revenue Provision Policy

3. Detail

3.1 The CIPFA Treasury Code of Practice recommends that Treasury Management performance is reported at least twice a year. This report sets out the mid-year performance for the Council to the end of September 2016.

3.2 The Council is involved in two types of treasury activity, both of which are affected by the economic environment:

3.2.1 Borrowing long-term for capital investment purposes, and short-term for temporary cash flow purposes;

3.2.2 Investment of surplus cash.

3.3 The performance in respect of each of these two activities is summarised below.

Borrowing

3.4 There has been no new long term borrowing (loans with a maturity of greater than a year) in the first 6 months of this financial year.

3.5 In addition to long-term borrowing, the Council also undertakes short-term borrowing in order to smooth out peaks and troughs in its daily cash flow. As at

Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

the 30th September 2016, the Council had £12m of short-term borrowing running at an average rate of 0.39%. It should be emphasised that as short-term borrowing is undertaken in respect of daily cash flow activities, this figure can fluctuate significantly from day to day dependent on income received or payments due out.

3.6 The Council's total long-term debt decreased from £285.8m on 31st March 2016 to £285.0m as at 30th September 2016 as a small element of loans matured and were not replaced. The overall long-term borrowing rate remains at 3.53%.

3.7 The Council's average rate on all debt (both long term and short term) for the year to 30th September 2016 is 3.41%, which is a slight increase from 3.39% at the end of the previous financial year.

3.8 There is a significant long-term borrowing requirement to fund the underlying capital programme and loans will be taken out as and when officers deem rates to be advantageous. It is currently still financially advantageous for the Council to fund capital expenditure from using internal cash balances as opposed to new external loans.

Investments - Lending

3.9 As at the 30th September 2016, investments stood at £77.2m running at an average rate of 1.48%.

3.10 There are three main categories of investment:

3.10.1 Liquid Investments – investments that are instantly accessible and are used primarily to smooth the peaks and troughs in the Council's daily cash flow. These include money market funds, instant access accounts and any balances in our own bank account. The average balance on these funds was £19m over the first 6 months of the year achieving an average investment rate of 0.40%.

3.10.2 Fixed Term investments – these are locked in for a specific period of time and therefore gain the maximum return (once security and liquidity have been ensured using the Council's creditworthiness parameters.) These investments are made with banks for a fixed term up to 2 years. The average balance of these investments over the first 6 months was £43.2m, achieving an average rate of 0.90% comparing favourably with the benchmark 3 Month LIBOR rate of 0.51%.

3.10.3 Local Authority Property Fund ("LAPF") - £15m is invested in this fund and the average rate of return on this investment so far is 4.54 %.

3.10.4 The LAPF gives local authorities an exposure to a diversified portfolio of commercial property throughout the UK and its objectives are to generate long-term growth in capital and an attractive income over time (5 years or

more). The trustees of the fund are the Local Authorities' Mutual Investment Trust (LAMIT) a body controlled by representatives of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

3.11 The standard comparator for investment performance for portfolios similar to ours is the 3 Month LIBOR rate, which for the year to 30th September 2016 stood at 0.51%. The Council exceeded this rate with an average return on its investments over the 6 month period of 0.75% on an average investment balance of £62.2m. (Excluding the property fund)

3.12 The Council's debt and investment position as at 30th September 2016 compared with 31st March 2016 is shown in the table below:

Analysis of Debt and Investments

Debt & Investments	31/03/2016		30/09/2016	
	£'000	Rate (%)	£'000	Rate (%)
Long Term Debt PWLB	240,757	3.54%	240,007	3.54%
Long Term Debt Market	45,000	3.43%	45,000	3.43%
Total Long Term Debt	**285,757**	**3.53%**	**285,007**	**3.53%**
Short-term Borrowing	7,680	0.46%	12,000	0.39%
Total Debt	**293,437**	**3.39%**	**297,007**	**3.41%**
Investments	(59,000)	1.36%	(77,200)	1.48%
Net Borrowing Position	**234,437**		**219,807**	

Compliance with Treasury Limits

3.13 During the 2016/17 Financial Year to date, all Treasury activity has been carried out within the Council's Treasury limits and Prudential Indicators, as set out in the Council's Treasury Management Strategy.

Proposed Changes to Minimum Revenue Policy

3.1 Minimum Revenue Provision (MRP) is statutory requirement to make a charge to the Council's General Fund to make provision for the repayment of the Council's borrowing liabilities (past capital debt and other credit liabilities such as PFI)

3.2 The scheme of MRP was set out in former regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ("The 2003 Regulations"). This system was radically revised in 2008 by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, which shifted the emphasis from regulations to guidance. The

new system and accompanying guidance replaced the prescriptive MRP calculation with a statutory duty "to determine for the current financial year an amount of MRP which it considers to be prudent" and in doing so to "have regard" to the guidance and recommendations within it. The key principle is that an authority's debt liability should be repaid over a similar period to that which the asset associated with the capital expenditure provides benefits or, in the case of borrowing supported by Revenue Support Grant , in-line with the period implicit in the determination of that grant (i.e. 4% p.a.). The guidance sets out four options that are consistent with this principle. Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their full Council".

3.3 The type of approach intended by the MRP guidance is clearly to enable local circumstances and discretion to play a part, as the guidance in general contains a set of recommendations rather than representing a prescriptive process. The guidance makes it clear that councils can follow an alternative approach, provided they still make a prudent provision.

3.4 Officers have reviewed the Council's current approach in consultation with the Council's Treasury Management Advisors, Capita Asset Services, and make the following recommendations:-

The annuity method for unsupported borrowing

3.5 For all unsupported borrowing, a change from the 'straight line method' to the 'annuity method' - one of the options set out in the Guidance – is recommended in place of the straight-line charge currently applied across the asset life.

3.6 The annuity method results in a back loaded charge and results in savings in earlier years, with higher costs in later years. It makes provision for an annual charge to the General Fund which, unlike the current Straight Line method, takes account of the time value of money (whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the annual charges when they fall due.

3.7 It is proposed that the annuity method is applied to all unsupported borrowing incurred going forwards and from 2016/17 onwards, over the remaining life, for unsupported borrowing expenditure incurred prior to 2016/17.

3.8 It is also proposed that the annuity method is applied retrospectively for all unsupported borrowing incurred since April 2008 when the 2008 regulations and guidance were brought in.

PFI – annuity method over asset life

3.9 The Annual Unitary Charge ("U/C") payment for the Council's schools PFI is split into a services element and a finance lease element (representing the debt finance for the buildings). The Council charges MRP on the asset (in line with how it would treat any capital expenditure financed from borrowing) and this is currently provided at the amount equivalent to the finance element of the U/C. The U/C is funded fully through schools/council contributions and government grant so currently there is no real revenue impact of charging MRP in this way.

3.10 MRP on the Council's PFI project is currently provided for on the basis of the contract life through to 2032. This is inconsistent with how the Council provides for MRP on other buildings financed from borrowing as MRP is currently provided for these assets on the basis of their expected asset life, typically 50 years. The PFI contract specifies that the buildings were designed with a 60 year asset life to 2065, an additional 33 years beyond the existing contract expiry date.

3.11 It is proposed that from 2016/17 MRP relating to PFI schemes is charged by using the annuity method over the remaining useful economic lives of assets. This would mean that MRP better matches the life of the assets associated with the debt liability arising from the contract, in accordance with the main principles of the MRP guidance, and is consistent with the Council's proposed treatment for all other unsupported capital expenditure.

Use of capital receipts to fund PFI liability repayment

3.12 Regulation 23 of the 2003 Regulations, introduced via Statutory Instrument 2003 No. 3146, provides that capital receipts can be used "to meet any liability in respect of credit arrangements, other than any liability which, in accordance with proper practices, must be charged to a revenue account".

3.13 The finance repayment element of the U/C is a "liability in respect of a credit arrangement" and therefore could be funded through using capital receipts rather than revenue funding. At the time of writing, £600k of non-ring-fenced capital receipts had been identified, which could be used to repay the debt liability in lieu of an equivalent amount of MRP, which would release an equivalent amount of revenue funding.

<u>Financial Implications of change to MRP policy</u>

3.14 The impact of the proposed changes to the MRP policy, if all changes were made, is shown in the table below. These are indicative and will be finalised as part of the 2016/17 Statement of Accounts process, which is also subject to external audit. Consideration will also be given as to how these savings will be taken into account with the budget position.

Policy change	Indicative Saving 2016/17 (£'000)	Indicative saving 2017/18 (£'000)	Indicative saving 2018/19 (£'000)	Indicative saving 2019/20 (£'000)	Indicative saving 2020/21 (£'000)
Change to Annuity method for unsupported borrowing from 2016/17	2,652	2,568	2,485	2,406	2,323
Annuity method for unsupported borrowing backdated to 2008	1,538	2,196	2,164	2,084	2,025
Annuity method for PFI MRP on asset life basis	565	700	856	1,032	1,230
Sub-total annual recurring savings	**4,755**	**5,464**	**5,505**	**5,522**	**5,578**
One off - use of estimated capital receipts to fund PFI repayment	800est	800est	n/k	n/k	n/k
Total potential recurring and one-off	**5,555**	**6,264**	**5,505**	**5,522**	**5,578**

3.15 Appendix 1 details the current MRP policy as well as the proposed revised policy

4. Alternative Options

4.1 Any alternative options for specific areas are set out within the report.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 These have been reflected in the body of the report.

Legal and Human Rights Implications

5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 There are no such direct implications.

Diversity Impact Assessment (DIA)

5.4 There is no impact on DIA associated with management of the Councils cash balances.

Risk Management

5.5 There are no direct risks arising from this report.

6. Consultees

6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1 – Proposed Revised minimum Revenue Provision Policy

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

9.1 This is not a key decision and is included in the Cabinet Work Programme / Forward Plan for September 2016.

Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

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APPENDIX 1 - Proposed changes to the Council's Minimum Revenue Provision Policy

1. Swindon Borough Council's Current MRP policy

Since 2007, Swindon Borough Council has adopted the following policy as prescribed by previous statutory guidance:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP will be based on the CFR. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- From 1 April 2008 for all unsupported borrowing the MRP will be based on the estimated life of the assets, in accordance with the regulations. MRP charges commence in the first year after the asset becomes operational.
- MRP in relation to capital expenditure funded through borrowing incurred on the Wichelstowe project, will be deferred and the liability repaid through future capital receipts from the site. Should there be a shortfall between the debt and eventual receipts, the balance will incur an annual MRP charge.
- This methodology will also be applied to other capital expenditure funded from borrowing where there is an intention to repay the borrowing from future receipts and where there is a strong likelihood that this will happen"
- No revenue charge is currently required for the HRA, although the existing voluntary policy is to repay £5m per annum
- For finance leases and "on Balance Sheet" PFI contracts, the MRP requirement is met by a charge equal to the element of the unitary charge applied to write down the liability.

2. Proposed MRP policy for 2016/17 onwards

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP will be based on the CFR as per the regulatory method in the MRP guidance. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- From 1 April 2008 for all unsupported borrowing the MRP will be based on the estimated life of the assets, on an annuity basis, in accordance with the regulations. Annuity method charges will be calculated using the relevant PWLB annuity rates for the estimated asset lives as at 31st March in the year of expenditure. MRP charges commence the year after the asset becomes operational.
- MRP in relation to capital expenditure funded through borrowing incurred on the Wichelstowe project, will be deferred and the liability repaid through future

capital receipts from the site. Should there be a shortfall between the debt and eventual receipts, the balance will incur an annual MRP charge.

- This methodology will also be applied to other capital expenditure funded from borrowing where there is an intention to repay the borrowing from future receipts and where there is a strong likelihood that this will happen.
- For PFI contracts MRP will be based on the estimated life of the assets, on an annuity basis, in accordance with the regulations. Annuity method charges will be calculated based on the PWLB annuity rates at 31st March in the year that the assets became operational.
- Where non-ring-fenced capital receipts are available, these can be applied to meet the cost of PFI liability repayment (or part thereof). Where capital receipts are applied in this manner, the MRP charge for the PFI would be reduced by an equal amount in that year.
- For any future finance leases the MRP requirement would be met by a charge equal to the element of the charge applied to write down the liability.
- No revenue charge is currently required for the HRA, although the existing voluntary policy is to repay £5m per annum.

Internal Audit report - Treasury Management

Audit Committee **Date: 15th November 2016**

Author:	Head of Internal Audit
Wards:	None
Locality Affected:	None
Parishes Affected:	None

1. Purpose and Reasons

1.1 The terms of reference for the Audit Committee sets out that one of the purposes of the Committee is to provide *'effective scrutiny of treasury management policies and practices including the annual investment strategy'*.

1.2 Internal Audit carries out an annual audit of the Council's treasury management process. The report attached provides the Committee with assurance regarding the internal control arrangements in place within the treasury management process.

1.3 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.

2. Recommendations

2.1 It is recommended that the contents of the report be noted.

3. Detail

Background

3.1 Treasury Management is defined by the Chartered Institute for Public Finance and Accountancy (CIPFA) as the *"management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".*

3.2 A paper regarding the mid-year Treasury Management performance is included on this Committee meeting's agenda.

3.3 Internal Audit carries out an annual audit of the Council's treasury management process. Key findings from the audit are set out below:

Key Findings

3.4 The auditor found the internal control arrangements to of a *high standard* resulting in only a moderate risk to the Council.

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

3.5 Investments are made with organisations that offer a low risk of default. Whilst investment return is not a priority, given the current rates of interest, the rates received are slightly above the benchmark and borrowing rates are below the average lending rates.

3.6 It was found that the Treasury Management function continues to be compliant with the CIPFA Code of Practice for Treasury Management.

3.7 Internal Audit recommendations made are all of a medium or low priority. The Internal Audit report is attached as Appendix 1 to this report.

3.8 The Head of Technical Finance will be attending Audit Committee to answer any questions that Members may have.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

5.5 Not Applicable

Risk Management

5.6 Not applicable

6. Consultees

6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1 – Internal Audit report: *Treasury Management*

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

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Swindon Internal Audit Services

Treasury Management

October 2016

FINAL

Contents and Distribution

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A - Standard Audit Opinion and Acknowledgements

Report Distribution – Final report issued on 31st October 2016 to:

Ian Burbidge	Head of Finance: Housing, Treasury and Growth
Darren Stevens	Finance Manager: Housing, Treasury and Growth
Keir Garnham	Treasury Management Assistant
Mick Bowden	Head of Finance

Auditor:

Ahsan Khan	Internal Auditor

Executive Summary

Background

This audit was undertaken as part of the planned Internal Audit programme for 2016/17 financial year. It is intended to provide assurance to the Board Director: Resources that the risks associated with Treasury Management are being adequately managed and the Council is not exposed to any significant financial risk as a result.

The objectives for Treasury Management are outlined in the `Treasury Management Strategy 2016/17', and were approved by full Council on the 14th April 2016. The objectives are detailed below:

- Part of the treasury management operation is to use the cash management process to ensure that the Council's cash flow is adequately planned, and cash is available when needed. The Council has a low risk appetite for investments, therefore available surplus cash is invested in low risk counterparties or instruments providing adequate liquidity initially before considering the investment return (paragraph 3.1).
- The second function of the treasury management service is the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This may involve arranging long or short term loans, or using longer term cash flow surpluses (paragraph 3.2).

The Treasury Management Team is required to produce a minimum of three main reports each year:

- A Treasury Management strategy
- A mid-year Treasury Management report
- An annual Treasury Management report

These reports are required to be scrutinised before being recommended to Council. Under the Council's Constitution, the scrutiny of the Treasury Management is undertaken by the Audit Committee.

The system has received a "high standard" audit opinion for a number of years. Processes remain largely the same as previous years. As a result we have taken a follow-up approach to this year's audit, walking-through processes and controls to confirm they are still in place, and carrying out testing to ensure previous recommendations have been implemented.

Audit Opinion

The impact and materiality of Treasury Management is considered **high** and combined with the Auditor's opinion that the system controls are of a **high standard** gives an overall risk assessment to the Council of **moderate**.

Key Messages

Treasury Management continues to be well administered and at the time of the audit is achieving the objectives set out in the Treasury Management Strategy for 2016/17.

Investments are made with organisations that offer a low risk of default in line with guidance provided by third party advisors Capita Asset Services. Whilst investment return is not a priority, the weekly reports produced by Treasury Management indicate rates received are slightly above the benchmark rates and borrowing rates being below average lending rates.

Cash flow for the year was well managed. Expected payments and receipts have been input in a cash flow forecast through to 2017.

Walkthroughs and testing confirmed that Treasury Management practices and processes have not changed substantially from the previous financial year and appropriate controls remain in place.

Context

Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as the "*management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks*".

As at 1st April 2016 the Council had approximately £40m of investments, £7.6m of short term borrowing and £285.7m long term borrowing. A failure of process would therefore have a significant impact on the Council's cash flows, its available funds to meet capital expenditure requirements and ability to service its debts.

Treasury Management is performed in compliance with the CIPFA Treasury Management Code as adopted in the Council's Financial Regulations (Schedule 2 of the regulations). It is one of the key financial systems reviewed by Internal Audit to provide assurance to the Board Director: Resources in his role as the Council's Section 151 Officer.

Treasury Management is a centralised function that is administered by a small team within Corporate Finance. They have direct access to the LloydsLink system, which allows them to view balances and make transfers via the internet.

The boundaries of Treasury Management work are defined in the Treasury Management Strategy, this outlines the approach to be used investing money, when borrowing monies and in setting the "affordable borrowing limit" (a statutory requirement), which is the amount the Council can afford to borrow.

The in-house team currently manage short to medium term investments (up to three months). The Council uses an external company called Capita Asset Services (previously Sector) to provide treasury management consultancy services and to provide credit ratings for when making investments.

Risk Areas Examined and Findings

In accordance with best practice, a risk-based approach was adopted that identified the key risks to the business objectives and those mitigating actions/controls that should be in place. The auditor then assessed the effectiveness of the mitigating controls through examination of relevant documents, procedures and detailed testing.

The key risks to the achievement of the business objectives were agreed with the Head of Technical Finance and the Finance Manager: Housing, Treasury and Growth before commencement of the audit. The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of controls in place for each area of risk examined:

Swindon Internal Audit Services: Treasury Management 2016/17

Risk Area Examined and Findings	*Audit Conclusion*
Risk: Regulation • The Treasury Management Strategy 2016/17 was presented to Audit Committee (19th April 2016) and Cabinet (16th March 2016), with Cabinet recommending it to Council for adoption. The strategy was confirmed and adopted by Council on 14th April 2016. Due to timing differences, the Audit Committee was not able to scrutinise the strategy before it was presented to Cabinet. • The Council has adopted all the mandatory clauses recommended in the CIPFA Treasury Management Code of Practice although the one relating to who provides scrutiny over Treasury activity has not been included in the Council's Financial Standing Orders. However, the Audit Committee Terms of Reference states it is responsible for "*oversight of Treasury Management activities*". **AP 1.1** • The Internal Audit report on Treasury Management (2015/16) was presented to the Audit Committee in April 2016 to provide assurance regarding the adequacy of control within the system.	**Satisfactory**
Risk: Market conditions • The Council employs Capita Asset Services (previously Sector) to provide guidance to the Treasury Management function to enable Treasury Management to make informed investment/ borrowing decisions. The contract with Capita Asset Services is for a period of three years at a cost of £10,850 per annum. Capita Asset Services provide regular market updates on a daily, weekly and ad hoc basis. They also provide investment benchmarking analysis.	**High Standard**
Risk: Cash flow • Cash flow analysis is undertaken daily and, as recommended by the CIPFA code, there is a twelve month cash flow projection in place. The Treasury Management Assistant updates the cash flow as information becomes available.	**High Standard**
Risk: Counterparties • Treasury Management continue to invest in accordance with the Strategy, with all investments with low risk organisations. • Investments are all short to medium term and in line with Capita Asset Services guidance for the institutions concerned. • The Council mainly uses two brokers to occasionally place business, with a third broker also available for use. This is in line with the CIPFA code, which recommends at least two.	**High Standard**
Risk: Error, fraud and corruption • The Treasury Management Assistant has the ability to set up CHAPS payments but not to approve them. A minimum of two people need to be involved in processing a CHAPS payment up to £250,000. A third person is required for any amounts above this. There is good segregation of duties in the process. The LloydsLink system enforces segregation of duties in processing payments through its authorisation processes. • Reconciliations are undertaken on a rolling basis, with previous periods available. However, reconciliations are not reviewed by an independent person. **AP 2.1**	**High Standard**

Swindon Internal Audit Services: Treasury Management 2016/17

Risk: System integrity • Treasury Management continues to use Logotech as its main database for recording transactions and cash-flow forecasting. • The Council banks with Lloyds after transferring from the Co-operative bank in 2015. A high level review of security controls in the system has been carried out as part of this review. • The system requires individual user accounts to log on to the system. System administrator and standard user accounts have been segregated. Segregation of duties are enforced by the system, requiring two people to approve a payment. As a further control, a randomly generated code from a smartcard is required to approve payments in Lloyds link, i.e. two factor authentication is in place. • System access reviews are undertaken by the Treasury Management Assistant on a monthly basis. • The audit trail was observed and covers actions such as processing of transactions, setting up users and logging into the system • The Treasury Management Assistant reviews system access monthly. With users of the system in a number of departments, this process could be enhanced by distributing the list of system users to departmental service managers (Finance Admin, Electoral Services and Revenues and Benefits) as part of the monthly check).This finding is low risk, as Finance Admin team members are only able to view transactions on the system. **AP 2.2** • There is no forced change of password by the system, e.g. a requirement to change passwords periodically. This risk is partially mitigated by requiring an additional, random generated password to processes and transactions on the system, limiting the risk arising from this. **AP 2.3**	**Satisfactory**

Overall Opinion

Materiality and Impact: High. The Treasury Management team is responsible for managing the Council's investments and borrowing position. As at 1st April 2016 the Council had approximately £40m of investments, £7.6m of short term borrowing and £285.7m long term borrowing. Treasury Management is also responsible for ensuring the Council has sufficient cash available to meet its financial liabilities as they arise. Materiality is therefore **high**. Any failure of the Treasury Management function would have a significant impact on the Council. Impact is therefore **high**.

Changes since the last audit: The Council is now using Lloyds Bank to provide financial services.

The Treasury Management Audit in 2015/16 made four low/medium priority recommendations of which none have been implemented.

Swindon Internal Audit Services: Treasury Management 2016/17

Priority of Recommendations	Total	Implemented	Partially Implemented	Not Implemented
High	0	0	0	0
Medium	1	0	0	1
Low	3	0	0	3
Total	4	0	0	4

Opinion on system controls: High Standard (see Appendix A) i.e. the Auditor completing the review concluded that the significant controls are in place and operating effectively and only minor recommendations have been made.

Overall Assessment of Risk: the combination of the medium impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **moderate**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High Standard	Moderate	Minimal	Minimal
2	Satisfactory	Moderate	Moderate	Minimal
3	Significant improvements required	Of concern	Moderate	Moderate
4	Fundamental weaknesses identified	Significant	Of concern	Moderate

Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Treasury Management, together with the recommendations to mitigate risks, the manager's response to the recommendations, along with the officer responsible and timescale for implementation. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	***Risk: Regulation***			
1.1	**Scrutiny of Treasury Management Performance** CIPFA Code - mandatory clauses: The CIPFA Code on Treasury Management clause "*this organisation nominates (name of responsible body) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies*" has not been included in the Council's Financial Standing Orders. This is one of four clauses CIPFA recommends for formal adoption by public services. The Council has included the first three in its Financial Standing Orders. It is recognised that this role is undertaken by the Audit Committee and is included in the committee's terms of reference.	It is recommended that the CIPFA clause on the scrutiny of Treasury Management strategy and policies is included in Schedule 2 (New Formal Adoption Clauses for Treasury Management Code of Practice) of the Council's Financial Standing Orders. **Priority: Low** *This recommendation was made in the 2015/16 audit and has not been implemented.*	Head of Technical Finance May 2017	**Agreed** The requirements to change standings orders is in discussion with the committee section to enable this change to be implemented at the earliest opportunity

Swindon Internal Audit Services: Treasury Management 2016/17

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk: Error, Fraud and Corruption***			
2.1	**Reconciliations** Reconciliations between Logotech and the General Ledger are not reviewed by an independent person. The reconciliations are done on a rolling basis with previous periods available. The Treasury Management Assistant stated that these accounts feed into year-end balances and are reviewed in detail then.	Treasury reconciliations should be undertaken quarterly and reviewed by an independent person. Evidence of the review should be maintained. **Priority: Medium** *A similar recommendation was made and agreed in the 2015/16 audit but has not been fully implemented.*	Head of Technical Finance December 2016	**Agreed** A full history of the reconciliation is now available and going forward we will ensure it is reviewed regularly by a Finance Manager
2.2	**User Access to Systems** The Treasury Management Assistant reviews users with access to the system on a monthly basis. With users of the system in a number of departments, this process could be enhanced by distributing the list of system users to departmental service managers (Finance Admin, Electoral Services and Revenues and Benefits) as part of the monthly check). A review of system access found two members of staff who were no longer employees of the Council. The Treasury Management Assistant confirmed that one member was now employed by Public Power Solutions (PPS) and only had access to relevant accounts. This finding is low risk, as team members are only able to view transactions on the system. Currently the Logotech system has two 'generic' admin profiles called 'LOANS' and 'LOGOT'. 'LOGOT' is an admin account which is used if assistance is required from Logotech. The profile 'LOANS' has not been used since 2013 and should be removed if not required.	The Treasury Management Assistant should contact the service managers within Finance Admin, Revs and Benefits and Electoral Services via email as part of the review to confirm whether all named staff are current employees and that they still require access. Access for the member of staff who has been identified as no longer being an employee of the Council should be disabled. The name will be provided to the Treasury Management Assistant by Internal Audit. Consider removing the generic profile 'LOANS' if it is not required. **Priority: Medium**	Head of Technical Finance December 2016	**Agreed** The process of handling leavers is currently being reviewed; we will ensure that our requirements are taken into account. As a backup we will look into the best way of covering this including the possibility of emailing service managers. We will check with Logotech the implications of removing the "LOANS" Profile.

Swindon Internal Audit Services: Treasury Management 2016/17

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk: Error, Fraud and Corruption***			
2.3	**Forced Password Changes** Currently the LloydsLink system does not force users to change their passwords. The Council's Password Policy states that passwords should be changed a minimum of every 90 days. The risk in relation to this is partially mitigated by a control that requires a randomly generated smartcard code to processes any payments on the system.	Contact LloydsLink helpdesk to establish whether a requirement can be set up for users to be forced to change their passwords every 90 days. **Priority: Low**	Head of Technical Finance December 2016	**Agreed** We have contacted Lloyds on this matter and are awaiting their response.

Swindon Internal Audit Services: Treasury Management 2016/17

APPENDIX A

Standard Audit Opinions	Standard Audit Opinion System Control
The audit opinion is based on two different criteria the first is materiality of the system and its impact on the Council if there was a system failure. This has been split into High, Medium or Low. The second criteria is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and fundamental weaknesses identified. Each of these categories has a standard opinion (see below). The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see Overall Opinion section in the main report).	**Audit Opinion 1. *High standard*** **The auditor completing the review concluded the significant controls are in place and operating effectively and only minor recommendations have been made.**
	Audit Opinion 2. *Satisfactory standard* The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.
	Audit Opinion 3. Significant improvements required The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.
	Audit Opinion 4. *Fundamental weaknesses identified* The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.

Acknowledgements

Internal Audit would like to acknowledge and thank the following Officers who contributed to the review:

Name	Job Title
Keir Garnham	Treasury Management Assistant

Internal Audit Charter

Audit Committee **Date: 15th November 2016**

Author:	Head of Internal Audit
Wards:	None
Locality Affected:	None
Parishes Affected:	None

1. Purpose and Reasons

1.1 At the September 2015 Audit Committee Members received and approved an updated Internal Audit Charter that met the requirements of the Public Sector Internal Audit Standards. It was agreed that the terms of reference for Internal Audit would be reviewed annually.

1.2 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.

2. Recommendations

The Committee is recommended to:

2.1 It is recommended that the Audit Committee reviews and approves the Internal Audit Charter.

3. Detail

3.1 The requirement for an Audit Charter is set out in the Public Sector Internal Audit Standards. These Standards are mandatory guidance that constitutes the principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for the evaluation of the effectiveness of Internal Audit's performance.

3.2 The Public Sector Internal Audit Standards have replaced the CIPFA's Code of Practice for Internal Audit in Local Government as the mandatory guidance for internal audit in the public sector.

3.3 The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility. The charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with Audit Committee; rights of access to records, personnel and physical properties relevant to the performance of audits; and defines the scope of internal audit activities.

3.4 Last year amendments were made to the terms of reference to reflect the change from the CIPFA to the Public Sector Internal Audit Standards and were agreed by Audit Committee.

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

3.5 Audit Committee will be aware that an External Assessment of the Internal Audit section against the Public Sector Internal Audit Standards was recently carried out by Bristol City Council. As part of that review two recommendations were made that related to the Audit Charter i.e.

- A need to reflect the responsibilities of the service with regard to external work it takes on behalf of other bodies; and
- The requirement to report to Audit Committee any acceptance by management of risks that may be unacceptable to the Council.

3.6 These additions have been included in the Audit Charter attached.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 There are no direct financial implications arising from this report.

Legal and Human Rights Implications

5.2 The Audit Charter ensures compliance with the mandatory guidance under the Accounts and Audit Regulations 2015.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.4 Internal Audit's remit is to examine the adequacy of the Council's governance, risk management and internal controls. Effective systems of governance, risk management and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

Diversity Impact Assessment

5.5 None

Risk Management

5.6 Not applicable

6. Consultees

6.1 The Board Director Finance, Revenues, Benefits and Property (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices / Background papers

Appendix 1 – The Internal Audit Charter

9. Key Decision/Decision in Forward Plan

Not Applicable

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

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Swindon Internal Audit Services

Internal Audit Charter

November 2016

Internal Audit Charter

Purpose

This Charter formally defines the purpose, authority and responsibility of Internal Audit within Swindon Borough Council and outlines the scope of Internal Audit's work.

The Audit Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

Definitions

The Public Sector Internal Audit Standards sets out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within Swindon Borough Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Board.

Role

Internal Audit is a statutory service in the context of The Accounts and Audit Regulations 2015, which state:

5.—(1) A relevant authority must undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Also, The Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Swindon Borough Council, the Director of Resources is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service'.

Internal Audit is defined by the Public Sector Internal Audit Standards as:

'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Professionalism

Internal Audit will govern itself by adherence to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations.

In addition, Internal Audit will adhere to Swindon Borough Council's relevant policies and procedures and the internal audit manual.

Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are required to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit Regulations 2015 section 5(2) that state that:

'Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

(a) make available such documents and records; and

(b) supply such information and explanations;

As are considered necessary by those conducting the internal audit.

Accountability

Internal Audit is located within the Chief Executive's Unit. The Head of Internal Audit's line manager is the Chief Executive, who will monitor the performance of the Head of Internal Audit and the audit function.

The Head of Internal Audit reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter
- Approving the risk based Internal Audit plan
- Receiving reports from the Head of Internal Audit on the section's performance against the plan and other matters
- Approving the Head of Internal Audit's annual report
- Considering full internal audit reports

The Head of Internal Audit has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

Responsibility of Statutory Officers in relation to Internal Audit

The Head of Paid Service (Chief Executive) will line manage the Head of Internal Audit and is therefore responsible for monitoring performance, agreeing remuneration etc. and ensuring the Head of Internal Audit's independence.

The Head of Internal Audit will provide assurance to the Section 151 Officer (Board Director: Resources) regarding the adequacy and effectiveness of the Council's financial framework, helping him meet his obligations under the Local Government Act 1972 Section 151.

The Head of Internal Audit will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him meet his obligations under the Local Government and Housing Act 1989 and the Council's Constitution. He will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Independence and objectivity

Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

To ensure this, Internal Audit operates within a framework that allows unrestricted access to Members and senior management, particularly the Leader of the Council (who is also Cabinet Member for Internal Audit), the Chair of the Audit Committee, the Chief Executive, the Section 151 Officer and the Monitoring Officer. Additionally the Head of Internal Audit reports in his own name. The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will ensure that, where a member of staff moves in to the section from within the Council, they will not audit the area that they moved from for at least a period of one year. Auditors are also required to state any possible conflicts of interest at the start of each audit assignment to their manager to ensure a completely independent and unbiased audit is carried out.

Responsibility

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives.

Internal Audit is responsible for evaluating all processes (not just financial) of the entity including governance and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and ensures that there is a proper degree of coordination between Internal Audit and the Council's External Auditors.

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. Approval must be sought from the Audit Committee for any significant additional consulting services not already included in the annual audit plan. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

Internal audit plan and resources

At least annually, the Head of Internal Audit will submit to the Audit Committee a risk-based internal audit plan for review and approval. The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. This assessment will include input of senior management and the Audit Committee. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process. Any significant work for third parties should be approved by the Chair of Audit Committee.

It is a requirement of the Council's Anti-Fraud and Bribery Strategy that the Head of Internal Audit be notified of all suspected or detected fraud, corruption or impropriety. By its very nature fraud-related work is unpredictable in terms of its timing and extent. All reported irregularities will be investigated in lines with established strategies and policies. Audit resource will be allocated within the audit plan for this demand-led and variable activity based on best estimates available from previous year's work including an appropriate level of resource for national initiatives such as the Cabinet Office's Commission's National Fraud Initiative. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

The staffing structure of the section will reflect the demand upon the section. Members of the Internal Audit section will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad-hoc exercises. The Head of Internal Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate training.

Reporting and monitoring

A written report will be prepared and issued by the Head of Internal Audit or designee following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated to the Audit Committee.

The Internal Audit report will include management's response and corrective action taken, or to be taken, in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The Head of Internal Audit will report to the Audit Committee any acceptance by management of risks that may be unacceptable to the organisation.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations in conjunction with relevant senior management.

The Head of Internal Audit will produce an annual audit opinion concluding on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Head of Internal Audit's opinion will contribute to the Council's review of the effectiveness of its system of internal control and the authority's annual governance statement as required under the Accounts and Audit Regulations 2015.

Provision of assurance to external organisations

Internal Audit is able to provide an internal audit or consultancy service to a number of organisations. At the commencement of each assignment the Head of Internal Audit will agree with the Client the extent of the assurance service to be provided.

Periodic assessment

The Head of Internal Audit is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Head of Internal Audit will communicate to senior management and the Audit Committee on Internal Audit's quality assurance and improvement program, including results of on-going internal assessments and external assessments conducted at least every five years.

Review

The Head of Internal Audit will be responsible for the annual review of the Charter for subsequent approval by the Council's Audit Committee.

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Changes to arrangements for appointment of an External Auditor

Audit Committee **Date: 15th November 2016**

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

1.1 This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

1.2 The report also sets out the various options the Council has with regard to appointing and putting in place new arrangements in time to make a first appointment by 31 December 2017.

2. Recommendations

The Committee is recommended to:

2.1 To recommend that Cabinet recommend to Council that the appointment of an External Auditor be made through the national sector led body, Public Sector Audit Appointments Ltd.

3. Detail

Background to the issue

3.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

3.2 On 5 October 2015 the Secretary of State Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

3.3 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited, the transitional body set up by the Local Government Association with delegated authority from the Secretary of State Communities and Local Government.

3.4 Over recent years the Council have benefited from a reduction in fees. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission.

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

3.5 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to a local appointment of the auditor.

3.6 There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.

3.7 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.

3.8 The number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top ten or twelve firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

3.9 Audit Committee has received updates regarding the new arrangements for the appointment of an External Auditor. The Government has recently confirmed that Public Sector Audit Appointments Ltd has been authorised to make future appointments on behalf of principal local authorities.

3.10 The Council will need to formally opt in to the scheme if this is the option selected (see below).

Options for local appointment of External Auditors

3.11 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 - Opt-in to a sector led body (Public Sector Audit Appointments Ltd)

3.12 In response to the consultation on the new arrangement the Local Government Association successfully lobbied for councils to be able to 'opt-in' to a Sector Led Body appointed by the Secretary of State under the Act.

3.13 A sector led body will have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

3.14 The Government has recently confirmed that Public Sector Audit Appointments Ltd has been authorised to make future appointments on behalf of principal local authorities that have opted in to the scheme.

3.15 Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for Public Sector Audit Appointments to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the sector led body option and received positive expressions of interest from over 270 relevant authorities.

3.16 Public Sector Audit Appointments Ltd has since issued a letter (see Appendix 1) to the Council regarding the invitation to opt in to the national scheme for auditor appointments. Also included is additional information regarding the national scheme (Appendix 1) which sets out the proposed timescales for the appointment process. The closing date for opting in to the scheme is 9th March 2017 and the award of contracts is due by the end of June.

3.17 The intention is for the External Auditor to be appointed for a period of five financial years beginning 1st April 2018.

Advantages/benefits

3.18 The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities

3.19 By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation

3.20 Any conflicts at individual authorities would be managed by the Public Sector Audit Appointments Ltd who would have a number of contracted firms to call upon.

3.21 The appointment process would not be ceded to locally appointed independent members, instead a separate body set up to act in the collective interests of the 'opt-in' authorities would do this. There would be no need to establish an Audit Panel.

3.22 Earlier in the year the Local Government Association wrote to all local authority Chief Executives inviting them to express an interest in using a sector led body. Audit Committee agreed to express a (non-binding) interest in using the sector led body.

3.23 Public Sector Audit Appointments would deal with the replacement of an External Auditor is required.

Disadvantages/risks

3.24 Individual elected members will have less opportunity for direct involvement in the appointment process other than through the Local Government Association and/or stakeholder representative groups.

3.25 In order for Public Sector Audit Appointments Ltd to be viable and to be placed in the strongest possible negotiating position the Sector Led Body will need Councils to indicate their intention to opt-in before final contract prices are known.

Option 2 – To make a stand-alone appointment

3.26 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be made up wholly, or with a majority, of independent members as defined by the Act.

3.27 Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit

3.28 Setting up an Auditor Panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

3.29 Recruitment and servicing of the Panel, running the bidding exercise and negotiating the contract is estimated by the Local Government Association to cost in the order of £15,000 plus on-going expenses and allowances

3.30 The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

3.31 The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 3 – Set up a Joint Auditor Panel / Local procurement arrangements

3.32 The Act enables the Council to join with other authorities to establish a joint Auditor Panel. Again this will need to be constituted of wholly, or a majority, of independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

3.33 The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

3.34 There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

3.35 The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent Auditor Panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

3.36 The choice of auditor could be complicated where individual Councils have independence issues. An independence issue could occur where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Conclusion and next steps

3.37 The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.

3.38 It is recommended that the Council pursue Option 1 on the basis that it should provide a more cost effective option in both the contracting process and for on-going external audit fees. It is therefore recommended that Audit Committee recommend to Cabinet that it recommends to Council that Option 1 is approved.

3.39 Public Sector Audit Appointments Ltd will be communicating with all Local Government bodies shortly to outline the next steps in the process of letting external audit contracts, and to provide more information on their own offer.

3.40 The Local Audit (Appointing Person) Regulations 2015 require that a principal authority may only make the decision to opt into the appointing person arrangement by the members of the authority meeting as a whole, except where the authority is a corporation sole, in which case the decision may be made by the holder of the office.

3.41 If opting in to the option to the procurement of the external audit contract by Public Sector Audit Appointments Ltd, this will need to go through a full Council meeting before February 2017 so that their timescales can be met (deadline is 9th March 2017)

3.42 The expected timescale is as follows:

Invitation to opt in issued	27th October 2016

Closing date for receipt of notices to opt in	9th March 2017
Contract notice published	20th February 2017
Award audit contracts	By end of June 2017
Consult on and make auditor appointments	By end of December 2017
Consult on and publish scale fees	By end of March 2018

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 Should the Council decide to establish a local or joint Auditor Panel as outlined in options 2 and 3 above, the cost will need to be estimated and a suitable funding source be identified. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.

5.2 Opting-in to a national Sector Led Body provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

Legal and Human Rights Implications

5.3 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

5.4 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

5.5 Section 17 gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.6 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.7 Effective systems of governance, risk management and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

Diversity Impact Assessment

5.8 None

Risk Management

5.9 There is no immediate risk to the Council. However, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

5.10 Providing the Local Government Association with a realistic assessment of our likely way forward will enable the Local Government Association to invest in developing appropriate arrangements to support the Council.

6. Consultees

6.1 The Chief Executive

6.2 The Corporate Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices

Appendix 1 – Invitation letter from Chief Officer, Public Sector Audit Appointments

Appendix 2 – Information on the national scheme and Form of notice of acceptance of the invitation to opt in

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

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Public Sector Audit Appointments

27 October 2016

Email: appointingperson@psaa.co.uk

John Gilbert
Swindon Borough Council
Civic Offices
Euclid Street
Swindon Wiltshire SN1 2JH

Copied to: Jan Willis, Board Director Resources, Swindon Borough Council
Stephen Taylor, Monitoring Officer, Swindon Borough Council

Dear Mr Gilbert

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the appointing person page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely

Jon Hayes, Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the appointing person page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued — 27 October 2016
- Closing date for receipt of notices to opt in — 9 March 2017
- Contract notice published — 20 February 2017
- Award audit contracts — By end of June 2017
- Consult on and make auditor appointments — By end of December 2017
- Consult on and publish scale fees — By end of March 2018

Enquiries

We publish frequently asked questions on our website. We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

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Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your authority's formal notice of acceptance of the invitation to opt into the appointing person arrangements)

To: appointingperson@psaa.co.uk

Subject:	[Name of authority]
	Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 27 October 2016 to become an opted-in authority for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that [name of authority] has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: [Name of signatory]
Title: [Role title] (authorised officer)
For and on behalf of: [Name of authority]
Date:

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Head of Internal Audit Update

Audit Committee **Date: 15th November 2016**

Author:	Head of Internal Audit
Wards:	None
Locality Affected:	None
Parishes Affected:	None

1. Purpose and Reasons

1.1 To present Members with a summary of the main issues arising from the Internal Audit reports finalised since the Audit Committee meeting in September 2016, to update Members with regard to progress against the annual internal audit plan and other key issues.

1.2 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.

1.3 The Council's Internal Audit section is a key component of the assurance framework and therefore it is essential that this Committee monitor its performance against the annual plan along with the implementation of agreed recommendations by Client departments.

2. Recommendations

The Committee is recommended to:

2.1 It is recommended that the contents of the report be noted.

3. Detail

Progress on completion of Internal Audit Plan 2016/17

3.1 Details of audits finalised since the September Audit Committee meeting are set out in Appendix 1. The appendix sets out the key audit recommendations made along with the overall risk assessment to the Council.

3.2 Appendix 2 sets out progress against the 2016/17 plan as at the year-end. As at the end of September 2016, 45% of the number of audits in the audit plan has been completed against a target of 52%.

3.3 Customer Feedback received during 2016/17 shows that 82% of respondents rate the audit provided as between good and excellent against a target of 86%. The remaining 18% rated the service provided as between good and average. No respondents have rated the service as below average or poor.

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Section update

3.4 One of our Senior Auditors has handed in their resignation after nine years of working in the section. They are moving to New Zealand. Given the budget restrictions for next year the Head of Internal Audit is looking at the most appropriate structure going forward. Audits allocated to the Senior Auditor will be reallocated over the rest of the section with lower priority audits being either carried over to next year or dropped altogether. Audit Committee will be informed of audits that won't be completed in this year's plan once this exercise has been completed.

Corporate Fraud Team

3.5 The Corporate Fraud Team has received a total of 236 referrals in the seven months to 31/10/16, compared to a total of 88 in the whole of 2015/16. To the end of August the team has:

- 7 housing properties recovered (estimated savings £126,000)
- 5 Right to Buy applications stopped (discount value: £206,400)
- £11,536.29 raised in invoices relating to Council Tax, Housing Benefits and Parking

Appointment of External Auditor

3.6 Audit Committee has received updates regarding the new arrangements for the appointment of an External Auditor. Audit Committee agreed that the Council should look to make the appointment through a sector led body. The Government has recently confirmed that Public Sector Audit Appointments Ltd (PSAA) has been authorised to make future appointments on behalf of principal local authorities.

3.7 A paper regarding this is on the agenda for this meeting. It is recommended that Audit Committee recommend that the Council opts-in to the national scheme.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 There are no direct financial implications arising from this report.

Legal and Human Rights Implications

5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of

Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.4 Internal Audit's remit is to examine the adequacy of the Council's governance, risk management and internal controls. Effective systems of governance, risk management and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

Diversity Impact Assessment

5.5 None

Risk Management

5.6 Potential risks to the Council are identified in the individual audit reports summarised in Appendices 1 and 2.

6. Consultees

6.1 The Corporate Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

6.2 All Heads of Service, Board Directors and Members who have contributed to individual audits to date during the course of 2016/17.

7. Background Papers

7.1 None

8. Appendices

Appendix 1 – Internal Audit Reports finalised since the September 2016 Audit Committee.

Appendix 2 – Progress against the Internal Audit plan 2016/17

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

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Audit Title:	Adoption Allowances						
Date of Report:	September 2016			**Materiality/Impact:**		Medium	
Number of 'High Priority' Recommendations:	6	**Current Audit Opinion:**	3	**Previous Audit Opinion:**	N/A	**Overall Evaluation (Risk):**	**Moderate**

Key Recommendations

The key recommendations made as a result of the review are:

- The terms and conditions attached to allowances and packages of support in general, should be applied to all agreements with Adopters. This should include: the type and amount of support offered, the frequency of payments, the expectations for reviewing the support and any outcomes expected from the provision of that support. Standard wording should be developed and agreed. Where non-standard agreements are made, for example in exceptional circumstances, these should also be reviewed and approved by the Legal Team in order to ensure they are suitable and arrangements are in line with the Council's statutory duties and budgetary capabilities.
- A formal and planned review process should then be introduced to ensure annual appraisals of support packages are undertaken.
- Means testing criteria and thresholds should be decided and introduced to the assessment and review process to ensure awards are consistent, equitable and transparent. When assessments are completed, supporting documentation should be clear as to how the level of support has been decided. In addition, separate consideration should be given to introducing documented guidance for when a lump sum could be made to adopters and the potential thresholds of support that link to the needs of the child / family. Where support is to be offered outside of such a framework, special authorisation should be required.
- Details of support packages should be clearly recorded in Adoption Support Plans, along with any terms and conditions. These should be authorised by the appropriate budget holder and signed by the adopter to document their agreement of the terms of conditions of the support. It should be investigated if Capita One can provide a suitable electronic record of these support plans, or whether an alternative location can be identified in which to consistently and centrally store information regarding support being provided to adopters.
- It should be assessed whether a process for recording all the support (both financial and non-financial) provided to adopters could be established to ensure better monitoring of support can take place, and to enable better targeting of support, where necessary. Where possible, a formal monitoring process should be created to ensure that a more holistic view of adoption support can be taken, to include improved recording and monitoring of all aspects of support identified during the audit.
- Investigations regarding the allowances identified in a recent review by the Assistant Team Manager should be resolved, with allowances ceased, where necessary. In future, the finance report for regular allowances paid should be fully reviewed and more information included so that better and more efficient monitoring can take place prior to payments. Where subsequent issues are identified, these should be investigated.

Appendix 1

Audit Title:	Allocating Resources - Disabled Children Team						
Date of Report:	October 2016			**Materiality/Impact:**		Medium	
Number of 'High Priority' Recommendations:	2	**Current Audit Opinion:**	2	**Previous Audit Opinion:**	N/A	**Overall Evaluation (Risk):**	**Moderate**

Key Recommendations

The key recommendations made as a result of the review are:

- It should be explored whether it is possible to establish a framework that could be used to monitor the overall effectiveness of the support provided by Aiming High and the Disabled Children Team to establish where there may be improvements that reduce the risk of a child becoming looked after and requiring future, expensive support from the Council.
- Children in Need / Looked After Children Plans should be reviewed at least every six months, in line with legislation and recorded on ICS as soon as possible.

Audit Title:	Treasury Management						
Date of Report:	31/10/2016			**Materiality/Impact:**		High	
Number of 'High Priority' Recommendations:	0	**Current Audit Opinion:**	1	**Previous Audit Opinion:**	1	**Overall Evaluation (Risk):**	**Moderate**

Key Recommendations

There are no key recommendations made as a result of the review.

Audit Title:	Cheque Refunds Investigation				**Date of Report:**	11/10/16	
Number of 'High Priority' Recommendations:	N/A	**Current Audit Opinion:**	N/A	**Previous Audit Opinion:**	N/A	**Overall Evaluation (Risk):**	**N/A**

A review of cheque refunds and payments was conducted following instances of fraud by a member of staff were identified during an investigation conducted in response to a whistleblowing allegation.

Audit Title:	IT Asset Management						
Date of Report:	September 2016			**Materiality/Impact:**		High	
Number of 'High Priority' Recommendations:	3	**Current Audit Opinion:**	3	**Previous Audit Opinion:**	3	**Overall Evaluation (Risk):**	**Of concern**

Key Recommendations

The key recommendations made as a result of the review are:

- There should be an Asset Management Strategy or plan, covering all IT assets including servers, communication devices, end user devices etc. The Asset Management Plan should ensure that the right assets are in place to support the Council's transformation and achievement of priorities and objectives.
- There should be a detailed inventory of all hardware and software assets, with sufficient, up-to-date information to inform and support decision making in relation to assets. The use of appropriate tools to manage assets and automate processes where possible should be considered. Integration of the asset register with the service desk and other relevant tools to aid problem management processes should also be explored. Annual inventory checks/ audits of hardware assets should be carried out, using automated discovery tools to identify hardware in use where appropriate.
- A process for periodic monitoring of installed software against licence records should be implemented to ensure compliance with licence terms and conditions. It should be ensured that the Council has staff with sufficient experience and knowledge of licensing requirements to ensure that it can appropriately manage compliance with these requirements.

Audit Title:	Council Tax						
Date of Report:	18/10/2016			**Materiality/Impact:**		High	
Number of 'High Priority' Recommendations:	0	**Current Audit Opinion:**	2	**Previous Audit Opinion:**	1	**Overall Evaluation (Risk):**	**Moderate**

Key Recommendations

No key recommendations made as a result of the review.

Appendix 1

Audit Title:	Play Area Maintenance				**Date of Report:**	20/09/16	
Number of 'High Priority' Recommendations:	7	**Current Audit Opinion:**	3	**Previous Audit Opinion:**	-	**Overall Evaluation (Risk):**	**Moderate**

Key Recommendations

The key recommendations made as a result of the review are:

- An 'annual main' play area and surfaces inspection should be commissioned and conducted by an independent and accredited third party.
- Documented inspection criteria should be applied to equipment and surfaces in each play area with clarity of requirements to satisfy both periodic and visual inspections.
- Officers should be provided with training to support the implementation of new working practices to ensure these are effectively implemented.
- Evaluate and apply the principle of the risk matrix and criteria used by the Play Inspection Company in its reports so that it is compatible with the Council's risk matrix.
- Criteria should be put in place against which to evaluate equipment for removal or play area closure to ensure safety and financial viability is achieved.
- A 'golden thread' must be established from the overall Streetsmart business objectives to the play areas and inspection service delivery role to provide specific business objectives for this service.
- A record of play area inspections and maintenance records should be created.

Appendix 1

Audit Title:	Contract Management Review - Delivery of the Housing Capital Programme						
Date of Report:	27/10/2016			**Materiality/Impact:**		High	
Number of 'High Priority' Recommendations:	11	**Current Audit Opinion:**	4	**Previous Audit Opinion:**	N/A	**Overall Evaluation (Risk):**	**Significant**

Key Recommendations

The key recommendations made as a result of the review are:

- All projects in the Housing capital programme of works must comply with Contract Standing Orders, with specific reference to the requirements of section 28 relating to Contract Variations.
- A gap analysis should be conducted across all Housing Capital Projects in the Programme of works to identify any spend/commitments in excess of authorised contract awards. An amnesty should be sought on all contracts which have exceeded the contract award value/waiver period. The value and reasons for any overspends should be identified and reported to Cabinet.
- A revised procurement plan should be devised going forward for the next three years, including the step up from short to medium and long term contracts, which should be monitored at a corporate performance level to ensure that this is managed and achieved.
- Adequate contract lead time must be put in place and observed when taking individual procurements to market at a local or EU level. Medium and long term contracts should be upheld and not replaced with short-term arrangements which impact and frustrate contracting and ultimately delivery of the Housing Capital Programme of works.
- A management process should be applied to phase, link, control and monitor the 'life of a project' between the stages from strategy, asset management, contracting, contracts mobilisation and delivery.
- The Housing Capital programme should be supported by a comprehensive delivery plan. This should be utilised for monitoring and managing individual projects and the programme as a whole.
- Use the Open Housing system to compile a standard set of reports which can be refreshed to monitor performance and financial spend/commitments against the project plan. Also set up an early alert system to notify projects nearing their spend limits/contract period to prevent delivery exceeding authorised limits/waivers.
- To improve the governance and visibility of the Housing Investment Programme, any unspent budget to be carried forward into the next financial year should be explained and presented to both Cabinet as part of the budget setting process and also to the Housing Advisory Forum. If the use of any financial underspend is expected to change from that agreed in the Housing Strategy this should also be recorded and approved by Cabinet. This will provide an effective management trail and link to Gateway papers for procurements which include the use of underspend from previous or the current financial year.
- Contracts which include the option to extend must be noted on the contracting and project delivery plan, including the number and period of these extensions. The need to put these arrangements in place should be acted upon at least, say four to six months, prior to the

current contract period coming to an end. Contract extension should be communicated and formalised in writing to the contractor by way of a legal extension as required by Contract Standing Orders.

- The Contract and Corporate Procurement Teams, Legal Services and relevant Finance Officer should meet to clear the Gateway three process at one or two meetings. These meetings should be booked in advance to secure all necessary staff are present and any changes required are made to agree the Gateway three process promptly and within timescales. In the event of any delays mobilising contracts within 120 days of receipt of tender these should be raised with the Board Director, Service Delivery for resolution.
- Programme and project risk registers should be maintained throughout the life of the Capital Programme of works. In the event of a significant emerging risk or issue it should be escalated to the Delivery Leadership Team Risk register.

Audit Title:	Consultancy Review - Brindley Close follow-up						
Date of Report:	October 2016			**Materiality/Impact:**		N/A	
Number of 'High Priority' Recommendations:	4	**Current Audit Opinion:**	N/A	**Previous Audit Opinion:**	N/A	**Overall Evaluation (Risk):**	N/A

Key Recommendations

- A 'Responsible Officer(s)' should be appointed to act as a single point of contact for the Council with the Environment Agency for waste sites (other than Shaw Farm Landfill phases three and four which has a dedicated Technically Competent Manager).
- The waste management register put in place should be populated with details of Environment Agency waste licences on Council land including maximum permitted waste levels, Environment Agency assurance of compliance with licence terms and conditions, risk profile and sureties.
- The Council, as landlord, should conduct a comprehensive inspection regime of the waste transfer stations and obtain Environment Agency reports for all permitted waste activities on Council land.
- An operational level relationship with the Environment Agency needs to be developed by the Council's Technically Competent Manager (for Shaw Farm Landfill Site, phases three and four) and the Responsible Officer(s) to ensure that any emerging risks or issues relating to waste permits on Council land can be addressed and promptly mitigated as far is practically possible.

Audit Title:	Better Care Fund						
Date of Report:	September 2016			**Materiality/Impact:**		High	
Number of 'High Priority' Recommendations:	2	**Current Audit Opinion:**	2	**Previous Audit Opinion:**	N/A	**Overall Evaluation (Risk):**	**Moderate**

Key Recommendations

The key recommendations made as a result of the review are:

- The Joint Commissioning Group are invited to review the current arrangements for monitoring the Better Care Fund and undertake a formal discussion of whether the current process provides all parties with a satisfactory overview of current financial performance, specifically in relation to the Fund. It should be considered whether further transparency is required for monitoring spending attributable to each Better Care Fund Scheme, or whether the arrangements in place via the Section 75 agreement are sufficient. Where current arrangements are considered to suffice, clear agreement should be documented, with specific reasons for the decision. This should be monitored annually going forward, at the time of setting up the Better Care Fund for the subsequent year.
- The Joint Commissioning Group is requested to review the monitoring arrangements related to the Better Care Fund and to consider whether current review of the targets and outcomes attributable to the Plan are being evaluated effectively. It should be formally decided whether the current level of monitoring is sufficient, or if further focus on performance monitoring is necessary to ensure the overall success of the Fund.

Audit Title:	Allocating Resources - Disabled Children Team						
Date of Report:	October 2016			**Materiality/Impact:**		Medium	
Number of 'High Priority' Recommendations:	2	**Current Audit Opinion:**	2	**Previous Audit Opinion:**	N/A	**Overall Evaluation (Risk):**	**Moderate**

Key Recommendations

The key recommendations made as a result of the review are:

- It should be explored whether it is possible to establish a framework that could be used to monitor the overall effectiveness of the support provided by Aiming High and the Disabled Children Team to establish where there may be improvements that reduce the risk of a child becoming looked after and requiring future, expensive support from the Council.
- Children in Need / Looked After Children Plans should be reviewed at least every six months, in line with legislation and recorded on ICS as soon as possible.

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Key Audits Completed (Audits) - Draft - Total 27

	April	May	June	July	August	September	October	November	December	January	February	March
Key Audits Completed	Business Continuity		Consultation	Better Care Fund	Transformation Programme	Safeguarding - CSE	NNDR					
					LEP	Treasury Management	IT Governance & Policies					
						Council Tax	HB Overpayments					
							NFI submission					
Key audits Month Total	1	0	1	1	2	3	4	0	0	0	0	0
Key audits Cumulative Total	1	1	2	3	5	8	12	12	12	12	12	12
Key audits Target %	**5**	**8**	**12**	**20**	**25**	**30**	**50**	**60**	**70**	**80**	**90**	**100**
Key audits Achieved %	**4%**	**4%**	**7%**	**11%**	**19%**	**30%**	**44%**	**44%**	**44%**	**44%**	**44%**	**44%**

Total other Audits Completed - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Other Audits Issued	RIPA Compliance	Westrop - VAT	Youth Engagement benchmarking	CRC claim	SEQOL	Affordable housing	TUPE					
	DEFRA Flood resilience grant	Troubled Families Claim - May 2016	WB 16/17-2	Housing capital programme	Purchasing Cards	NNDR 3 claim	Allocating resources: disabled children					
	Public Health Grant certification	Housing Voids: follow-up	IT Training	Adoption	Refunds	WB 16/17-2	Street Works					
	Corporate ICT issues: follow-up	WB 16/17-1	CCG invocing	Brindley Close f/up	Isambard Community School		Orchid Vale school					
			Inv 16/17-1		Play Areas		PCI compliance					
			ICT Asset Management		Open Door							
			Garage Strategy (update)									
Other audits total for month	4	4	7	4	6	3	5	0	0	0	0	0
Cumulative other audits	4	8	15	19	25	28	33	33	33	33	33	33

	April	May	June	July	August	September	October	November	December	January	February	March
Overall Month Total Audits	5	4	8	5	8	6	9	0	0	0	0	0
Overall Total Audits	5	9	17	22	30	36	45	45	45	45	45	45
Target Completion of Plan %	**4**	**12**	**20**	**28**	**35**	**43**	**52**	**60**	**67**	**74**	**82**	**90**
Audit Plan Achievement %	**5%**	**9%**	**17%**	**22%**	**30%**	**36%**	**45%**	**45%**	**45%**	**45%**	**45%**	**45%**

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