

Swindon Borough Council

Audit Committee

Tuesday, 27 June 2017

Committee Room 1, Civic Offices
(Anticipated meeting room)

At 6.00 p.m.

Conservative Councillors

Steve Weisinger
(Chair)
Malcolm Davies
Mary Friend
Nick Martin

Labour Councillors

Kevin Small
Des Moffatt
John Ballman

Committee Officer: Iain Tucker (01793 463602)

email: itucker@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. Appointment of Vice-Chair

2. Apologies for Absence

3. 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.

4. 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).

5. Minutes (Pages 5 - 8)

To receive the minutes of the meeting held on 4th April 2017

6. **Corporate Fraud Team presentation** (Pages 9 - 12)
7. **Treasury Management Performance 2016/17** (Pages 13 - 20)
8. **Audit Committee: Annual Report 2016/17** (Pages 21 - 32)
9. **Audit Committee: Terms of Reference and Work Plan** (Pages 33 - 40)
10. **Head of Internal Audit Annual Report** (Pages 41 - 74)
11. **DRAFT Annual Governance Statement** (Pages 75 - 88)
12. **Update regarding changes to arrangements for appointment of an External Auditor** (Pages 89 - 94)
13. **External Audit - progress and update report** (Pages 95 - 108)
14. **Head of Internal Audit Update** (Pages 109 - 120)

Date of Despatch: 15 June 2017

Key:

Officers:

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.

This page is intentionally left blank

AUDIT COMMITTEE

TUESDAY, 4 APRIL 2017

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

44. Declarations of Interest

The Chair reminded members of the need to declare known interests in any matters to be considered at the meeting. No declarations were made.

45. Public Question Time

There were no public questions.

46. Minutes

Resolved - That the minutes of the meeting held on 21st February 2017 be confirmed and signed.

47. Oversight of Council Subsidiaries and Partner Bodies

The Committee considered a report of the Director of Law and Democratic Services summarising the various governance arrangements in place in relation to Council-owned companies and, in the absence of any overall oversight to ensure that risks are minimised and services are delivered as intended, or summary record of how individual partner arrangements are managed, seeking the Committee's agreement to the establishment of a Cabinet Member Advisory Group (CMAG) to consider how the Council's role as shareholder can best be exercised and a more consistent approach adopted.

In response to questions put by the External Audit representatives, the Director of Law and Democratic Services expanded on issues of accountability in relation to council-owned companies and the current governance arrangements in place for each of these.

Resolved – (1) That the report be noted.

(2) That the Leader of the Council or his nominee establish a Shareholder Panel to provide oversight of council owned companies.

(3) That the Panel initially operates as a Cabinet Member Advisory Group to the Leader of the Council, or his nominee.

(4) That the Director of Law and Democratic Services reviews the position and reports back to a future Audit Committee on how the Panel is operating and providing the necessary challenge, and whether a more formal governance structure is required to be put in place.

Summary financial results and, where available, audit report outcomes. To facilitate analysis

(5) That future reports to Committee on the operation of Council subsidiaries and partner bodies should include summary financial information and, where practicable, audit review outcomes.

48. Internal Audit report - Domestic Abuse Strategy

In accordance with its established practice of considering at least one individual audit report at each meeting, the Committee received a report on the outcome and key findings of the Internal Audit Review of the review of the Swindon and Wiltshire Strategy to Reduce Domestic Abuse (and its supporting framework), to provide assurance to the Head of Housing and Community Safety regarding its robustness and effectiveness in reducing the prevalence of domestic abuse in Swindon. It was noted that the review, finalised in December 2016, had identified an “Of Concern” level of risk.

The Council’s Head of Housing and Community Safety was in attendance to provide a current position statement in relation to the implementation of the internal audit recommendations and also responded to members’ questions on issues raised regarding identified risk areas, the management response to the audit conclusions and key recommendations, and progress in implementing the action plan.

Resolved – That the report be noted and that a further review be carried in six months’ time and the outcomes of that review be reported to the Committee.

49. Internal Audit report - Transformation Programme

In accordance with its established practice of considering at least one individual audit report at each meeting, the Committee received a report on the outcome and key findings of the Internal Audit Review of the Council’s Transformation, which report, finalised in November 2016, had identified an “Of Concern” level of risk.

The Council’s Head of Transformation was in attendance to provide a current position statement in relation to the implementation of the internal audit recommendations and also responded to members’ questions on issues raised regarding identified risk areas, the management response to the audit conclusions and key recommendations, and progress in implementing the action plan.

Resolved – That the report be noted and that updates on the outstanding audit recommendations be made to the Committee as part of the two business transformation audits scheduled for the 2017/18 Municipal Year.

50. Internal Audit Plan: 2017/18

The Head of Internal Audit submitted a report setting out the draft Audit Annual Plan for 2017/18.

Resolved – That the draft Internal Audit Plan for 2017/18 be approved.

51. Informing External Audit's Risk Assessment

The Head of Internal Audit submitted report on the requirement for the External Auditor, as part of its audit of the Council’s financial statements, and in order to comply with the International Standards on Auditing (UK and Ireland), to make inquiries of both management and the Audit Committee as to their knowledge and understanding of the following areas:

- Fraud
- Laws and regulations
- Going concern

- Accounting estimates; and
- Related parties

The Committee was invited to consider whether the responses submitted by the Council's management, set out in Appendix 1 to the report, were consistent with its understanding and whether there were any additional comments members wished to make.

Resolved – That the management responses to the various questions put by the External Auditors in relation to the specific risk areas identified in the report be confirmed as being consistent with this Committee's understanding of the position.

52. External Audit

Chris Hackett (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 31st March 2017, in respect of the delivery of their audit responsibilities. The report also included a summary of key emerging national issues and developments that might be of interest to the Committee.

Resolved – That the report and supporting papers be noted.

53. 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 February 2017, progress made against the Annual Internal Audit Plan 2016/17 and Internal Audit staffing and resource issues.

Resolved – (1) That the report be noted
(2) That, in accordance with its established practice of considering at least one individual audit report at each meeting, the IT Training audit report be submitted to the next meeting.

This page is intentionally left blank

Risk Management – Corporate Fraud Team

Audit Committee

Date: 27th June 2017

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

1.1 Audit Committee's terms of reference include the following statement in relation to risk management:

1.2 *The role of the Audit Committee in relation to risk management covers three major areas:*

- *Assurance over the governance of risk, including overseeing the authority's risk management policy and strategy*
- *Keeping up-to-date with the risk profile and the effectiveness of risk management actions by reviewing arrangements to co-ordinate and lead risk management and following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.*
- *Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.*

1.3 In order to help meet these requirements Members are presented with half yearly updates on the corporate risk register by the Corporate Planning Lead. It was also agreed that the Chair of Audit Committee would, in consultation with other Committee Members, the Head of Internal Audit and the Corporate Planning Lead, select areas of risk for further discussion. In the past Members have received reports on:

- Emergency planning and business continuity
- Child sexual exploitation
- Information technology

1.4 The Chair of the Audit Committee requested that a summary of the work of the Corporate Fraud Team be presented to the Committee.

2. Recommendations

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

3. Detail

Background

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

Risk Management – Corporate Fraud Team

Audit Committee

Date: 27th June 2017

- 3.1 Audit Committee are presented with regular update reports regarding risk management activity within the Council along with the latest corporate risk register.
- 3.2 It was agreed that the Chair of Audit Committee will select, in conjunction with other Committee Members and the Head of Internal Audit future risks to be covered. The Chair of Audit Committee selected the work of the Corporate Fraud Team to be discussed at the June meeting.

Corporate Fraud Team

- 3.3 The Corporate Fraud Team sits within the Internal Audit section. It is managed by one of the Council's Principal Auditors who will attend Audit Committee to give Members a presentation on the work carried out by the team.

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 Not applicable.

Diversity Impact Assessment

- 5.4 Not applicable.

Risk Management

- 5.5 The resources of the Corporate Fraud Team are directed at what are perceived to be the areas where the risk of fraud is greatest.

6. Consultees

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

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

Risk Management – Corporate Fraud Team

Audit Committee

Date: 27th June 2017

7. Background Papers

7.1 None

8. Appendices

8.1 None

This page is intentionally left blank

Treasury Management Performance 2016/17

Audit Committee

Date: 27th June 2017

Author: Cabinet Member for Finance and Commercialisation
Corporate Director, Resources and Transformation

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report sets out the Treasury Management performance for 2016/17.
- 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

The Audit Committee is recommended to:

- 2.1 Note the 2016/17 Treasury Management performance as detailed at paragraphs 3.1 to 3.17 and Prudential Indicators shown at Appendix 1.

3. Detail

Treasury Management Performance 2016/17

- 3.1 The Council is involved in two types of treasury activity:
 - 3.1.1 Borrowing, both long term (for more than 1 year) for capital expenditure purposes and borrowing (for less than 1 year) for temporary cash flow purposes and
 - 3.1.2 Lending, for investment of surplus cash relating to reserves and for cash flow purposes.
- 3.2 The activity and performance in respect of each of these two activities is summarised in the sections below.
 - Borrowing
- 3.3 In 2016/17, no new long-term loans (greater than one year) were taken out.
- 3.4 A number of long-term loans totalling £6.501m matured during the year. These were running at an average rate of 2.25%. Total long-term debt has therefore decreased from £285.8m to £279.3m over the year. The average maturity period on all existing long-term debt is 17 years and the average rate on all long-term debt over the year was 3.55%

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No.464384, or Email iburbidge@swindon.gov.uk.

Treasury Management Performance 2016/17

Audit Committee

Date: 27th June 2017

- 3.5 Short-term borrowing as at 31st March 2017 was £19.0m. This figure fluctuates daily as reflected by the Council's daily cash flow requirements and is wholly dependent on the timings of receipts and payments.
- 3.6 The average rate the Council paid on all external debt (both long term and short term) over the whole of 2016/17 was 3.35%. This is a decrease of 0.04% on the average for the previous financial year.

Investments

- 3.7 During 2016/17 there was an *average* daily investment balance of £68 million which was a mixture of internally managed cash investments and an externally managed property fund (Local Authority Property Fund or "LAPF"). The balance at 31st March 2017 of £44m was a decrease from £59m at the same date of the previous year. This balance is comprised of working capital (where we hold cash temporarily as a result of timing differences between receipts and payments) as well as general reserve balances which are more stable.
- 3.8 In total, interest of £1.072m was earned in 2016/17 on all investments (cash and LAPF) at an average rate of 1.53%. The average investment rate achieved in 2015/16 was 1.36%.
- 3.9 The average balance in the property fund during 2016/17 was £15m with an average return of 4.36%. The other investments had an average balance of £53m returning an average rate of 0.72%. This rate exceeded the 3-month LIBOR (London Interbank Offer Rate) rate of 0.44% which is our benchmark rate.
- 3.10 Swindon is part of a bench marking group where performance is compared between 22 English Unitary Authorities. The report for the month of March 2017 showed that Swindon's average rate of return was 0.70% compared with the benchmarking group average of 0.67%.
- 3.11 The Council's debt and investment position as at 31 March 2017 is summarised in the table below:

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No.464384, or Email iburbidge@swindon.gov.uk.

Treasury Management Performance 2016/17

Audit Committee

Date: 27th June 2017

Analysis of Debt and Investments

Debt & Investments	31/03/2016		31/03/2017	
	£'000	Av. Rate (%)	£'000	Av. Rate (%)
Long Term Debt PWLB	240,757	3.54%	239,256	3.54%
Long Term Debt Market	45,000	3.43%	40,000	3.59%
Total Long Term Debt	285,757	3.53%	279,256	3.55%
<i>Of which HRA</i>	<i>130,532</i>		<i>125,532</i>	
<i>Of which GF</i>	<i>155,225</i>		<i>153,724</i>	
Short-term Borrowing	7,680	0.46%	19,000	0.38%
Total Debt	293,437	3.39%	298,256	3.35%
Investments	(59,000)	1.36%	(44,000)	1.53%
Net Borrowing Position	234,437		254,256	

Capital Financing Requirement

- 3.12 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- 3.12.1 Financed immediately through the use of capital or revenue resources (such as capital receipts, capital grants or revenue contributions), which has no resultant impact on the Council's borrowing need, or
 - 3.12.2 If insufficient funding is available, or a decision is taken not to apply other funding, the capital expenditure will give rise to a **borrowing requirement** to ultimately fund the expenditure.
- 3.13 The Council's underlying borrowing requirement is measured through the **Capital Financing Requirement** ("CFR") and is simply the total ultimate borrowing requirement, regardless of whether that borrowing has actually taken place or not
- 3.14 Part of the Council's treasury activities is to address the funding requirements for this borrowing need and the treasury management team organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No.464384, or Email iburbidge@swindon.gov.uk.

Treasury Management Performance 2016/17

Audit Committee

Date: 27th June 2017

bodies (such as the Government, through the PWLB or the money markets), or utilising temporary cash resources within the Council.

- 3.15 The CFR (the ultimate borrowing requirement) is always higher than the actual level of borrowing, the difference being termed “internal borrowing” which represents the temporary funding of capital spend from cash balances and working capital as a short-term measure.
- 3.16 The CFR has decreased from £459.6m to £458.3m over the year. This is a net reduction of £1.3m. The general fund capital expenditure of £11.7m, was funded from MRP (£1.8m), HRA loan repayment (£5m) and an accounting adjustment of £6.1m related to the sale of Thamesdown Transport Ltd.
- 3.17 The table below compares the CFR with the long-term debt position (split between the General fund and the Housing Revenue Account). This **excludes** Public Finance Initiative (PFI) liabilities of £52,810k, which are, technically, part of the CFR calculation.

Capital Financing Requirement “CFR”

	General Fund £'000	Housing Revenue Account £'000	Total £'000
Actual Long Term Debt	153,724	125,532	279,256
CFR (Total borrowing requirement)	279,942	125,532	405,474
Further borrowing requirement	126,218	-	126,218

Prudential Indicators (PIs)

- 3.18 In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, the code sets out a basket of indicators that must be prepared and used. It should be noted that the prudential indicators are not for comparison between authorities, but are a means to support and record local decision-making. The PIs do not in themselves indicate either a good or bad financial position, they are merely a statement of fact. Further detail is provided underneath each of the PIs on the appendix itself at Appendix 1.

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No.464384, or Email iburbidge@swindon.gov.uk.

Treasury Management Performance 2016/17

Audit Committee

Date: 27th June 2017

Compliance with Treasury Limits

- 3.19 During the 2016/17 Financial Year all Treasury activity was carried out within the Council's Treasury limits and Prudential Indicators as set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement.

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 The 2016/17 budget anticipated borrowing of £303m would be required in 2016/17. This compares with an actual year end borrowing position of £298m (inclusive of £19m of short term borrowing). The 2017/18 budget anticipates new borrowing of £15m, which would take total borrowing to £313m.
- 5.2 The average investment for the year was £68m, this compares with an average of £51m from 2015/16. The 2017/18 budget has assumed that a similar level of interest will be achieved as that in 2016/17

Legal and Human Rights Implications

- 5.3 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)

- 5.4 There are no such direct implications.

Diversity Impact Assessment (DIA)

- 5.5 There are no implications arising from this report

Risk Management

- 5.6 There are no direct risks arising from this report.

6. Consultees

- 6.1 The Director of Finance (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

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No.464384, or Email iburbidge@swindon.gov.uk.

Treasury Management Performance 2016/17

Audit Committee

Date: 27th June 2017

8. Appendices

8.1 Appendix 1 – Prudential Indicators

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 June 2017.

Appendix 1 - 2016/17 Prudential Indicators

	Mar-16	Mar-17
	Indicator for 16/17	Actual for 16/17
<u>Borrowing Indicators</u>		
Operational Boundary		
Borrowing	323,562	298,256
Other Long term liabilities	51,280	52,810
Total	374,842	351,066
Authorised Limit		
Borrowing	393,138	298,256
Other Long term liabilities	56,280	52,810
Total	449,418	351,066

The operational boundary is an estimate of the most likely level of external debt , whereas the authorised limit is the absolute approved limit. These are measured against actual external debt which includes all long and short term debt and PFI liabilities, but excludes investments. The 2016/17 estimate figure is set £20m above the anticipated requirement, this provides an approved contingency within the budget.

Affordability Indicator

Ratio of financing costs to net revenue stream

	Mar-16	Mar-17
	Indicator for 16/17	Actual for 16/17
HRA	38.16%	41.93%
Non HRA	9.65%	7.78%

This indicator is a measure of Net Debt Charges as a percentage of budget (Primarily debt repayments, principal and interest, less interest earned). The main change for the HRA is the level of capital spend compared with the forecasts, the forecast was based on an estimated Major Repairs Allowance (MRA) charge of £14.9m of spend which is compared with an actual charge £16.8m. The MRA represents the amount of depreciation on the assets held by the HRA (this is equivalent to the MRP charge in the general fund). The change in the General Fund is a direct result of the changes to the MRP policy.

Capital Financing Requirement: (CFR)

	Mar-16	Mar-17
	Indicator for 16/17	Actual for 16/17
HRA	125,532	125,532
Non-HRA	267,606	279,942
PFI liabilities	51,280	52,810
Total	444,418	458,284

The CFR represents the overall borrowing requirement to finance capital expenditure that hasn't been funded from other resources such as capital receipts, grant, or revenue contributions

Capital Expenditure Projections

	Approved Capital Budget	Actual Spend in 2016/17
HRA	31,699	20,126
Non-HRA	77,017	38,200
Total	108,716	58,326

The 16/17 indicator shows the total capital programme approved as at the start of 2016/17 over all years, whereas the actual figure represents expenditure actually incurred. The difference represents scheme expenditure still to be incurred.

Prudential Indicators

Debt and the CFR

	Mar-16	Mar-17
	Indicator for 16/17	Actual for 16/17
Gross Borrowing	374,842	351,066
CFR (incl. PFI liabilities)	444,418	458,284

The CFR represents the underlying borrowing requirement. Gross Borrowing, which represents all debt and financing liabilities, should not exceed, except in the short-term, the CFR.

This page is intentionally left blank

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 To present Members with the Audit Committee's annual report for 2016/17.
- 1.2 It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. The Audit Committee is a source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 1.3 The annual report sets out the role of the Committee and the work it has undertaken during 2016/17.

2. Recommendations

The Committee is recommended to:

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

3. Detail – Annual Report

Introduction

- 3.1 The Council established the Audit Committee as a full Committee with effect from May 2006. Whilst there is no statutory obligation to have such a Committee, they are widely recognised as a core component of effective governance and internal control.

Terms of Reference

- 3.2 The Council has a duty to ensure that it is fulfilling its responsibility for having adequate and effective risk management, internal control and governance arrangements for the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.
- 3.3 The Committee's Terms of Reference are to provide independent assurance to the Council in relation to:

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

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

- The effectiveness of the Council's risk management, internal control and its overall governance framework.
- The effectiveness of the Council's financial and non-financial performance to the extent that it might impact on the above.
- Reviewing the performance of the Council's Internal Audit section
- Receipt and review of External Audit reports and liaison with external auditors on significant matters identified.
- Advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview and Scrutiny and Regulatory Committees.
- To consider, accept and take a view on the Statement of Accounts and the Annual Governance Statement.
- Oversight of the Council's Treasury Management activities.

- 3.4 The Committee's Terms of Reference are reviewed annually to ensure that they reflect best practice and are kept up to date.

Membership

- 3.5 The membership of the Audit Committee has comprised of the following Elected Members:

Councillor Steve Weisinger (Chair)
Councillor Malcolm Davies
Councillor Mary Friend
Councillor Nick Martin
Councillor Des Moffatt
Councillor Kevin Small
Councillor Chris Watts

- 3.6 The Corporate Director: Resources and the Head of Internal Audit regularly attended meetings of the Committee. The Council's External Auditor Grant Thornton also attends meetings on a regular basis. Steve Jones (Senior Committee Clerk) supports the committee.
- 3.7 The Committee met five times during 2016/17. Committee agenda papers and minutes are available on the Council's website at: www.swindon.gov.uk

Benefits of an effective audit committee

- 3.8 An effective audit committee can bring many benefits to the Council, including:

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

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

- Promoting the principles of good governance
- Giving additional assurance through a process of independent and objective review
- Helping achieve the Council's objectives by assisting in improving the adequacy and effectiveness of risk management and internal control
- Reinforcing the objectivity, importance and independence of internal and external audit and therefore the effectiveness of the audit function
- Raise awareness of the need for sound control and the implementation of recommendations by internal and external audit

3.9 The Audit Committee's work programme has allowed it to provide assurance to the Council regarding governance, risk management and internal control arrangements. In summary, during the course of 2016/17, the Committee has:

- Reviewed and challenged the contents of the Annual Governance Statement and review the actions taken to address significant issues included in the Statement.
- Reviewed the Corporate Risk Register
- Received updates from risk owners including a presentation from the Head of Information Technology regarding the current risks/issues within Information Technology and what action is being taken to address them.
- Received and challenged reports received from the External Auditor regarding the Council's financial statements and value for money opinion.
- Received and approved the Treasury Management Strategy; mid-year Treasury Performance report and the Treasury Management annual report.
- Received reports summarising future changes to statutory requirements affecting the production of the Statement of Accounts.
- Received and reviewed the Council's Annual Statement of Accounts
- Responded to a letter from External Audit to those charged with governance.
- Reviewed its own terms of reference and work programme and issued its annual report for 2015/16.
- Agreed an annual report for the Audit Committee summarising the work carried out during 2015/16.

3.10 The Committee has carried out a self-assessment against the CIPFA Guidance regarding Audit Committees Good Practice checklist (see Appendix 1) to ensure it operates in line with this guidance.

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

Internal Audit Assurance

- 3.11 Internal Audit is a key source of assurance for both Members and officers on the effectiveness of the Council's governance, risk management and internal control arrangements. The Audit Committee has a responsibility for ensuring the effectiveness of Internal Audit in providing this assurance.
- 3.12 The Committee has received regular reports from the Head of Internal Audit including:
- Head of Internal Audit's annual report - which provides the Head of Internal Audit's overall opinion on the Council's risk management, governance and internal control arrangements.
 - Annual Internal Audit Plan 2016/17 – which presented Members with a risk based plan and an opportunity to consider areas for inclusion in the plan before it was finalised.
 - As part of the Annual report the Committee was provided with a Strategic Fraud Update – that provided details of the fraud work carried out by Corporate Fraud Team along with details of national and local initiatives in this area.
 - Internal Audit Charter – Members reviewed and approved the Charter for Internal Audit.
 - Regular progress reports – that provided Members with details of progress against the audit plan along with any significant updates regarding the section etc.
- 3.13 The Committee has also received full Internal Audit reports on the following service areas where an audit has been carried out and an opinion of 'significant' or 'of concern' risk has been identified. For all these reports relevant Members and officers have attended to provide explanations and details of progress made in implementing agreed audit recommendations:
- Stores and Equipment
 - Isambard School
 - Contract management of the delivery of the Housing capital programme
 - Stores and Equipment follow-up review
- 3.14 The Committee's terms of reference also include responsibility for oversight of the treasury management function. Therefore an audit report on Treasury Management was also presented to the Committee. The report identified that there was a high standard of internal control within the system 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.

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

- 3.15 Internal Audit are required to work to the Public Sector Internal Audit Standards. The Standards require that an external assessment be carried out of the service at least once every five years. A paper setting out this process was considered and agreed by Audit Committee. The assessment was undertaken by Bristol City Council in June 2016 and the results were reported to Audit Committee in September 2016. The assessment found that Swindon's Internal Audit service comply with the requirements of the Standard.

External Audit Assurance – Governance and Statement of Accounts:

- 3.16 External Audit is an essential part of the assurance process providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management as well as arrangements for securing economy, efficiency and effectiveness across the Council. External Audit works closely with Internal Audit to ensure that statutory responsibilities are delivered.
- 3.17 The following reports were received from External Audit during 2016/17:
- External Audit Plan and audit fee letter
 - Annual Statement of Accounts and External Audit findings
 - Annual Audit Letter
 - Certification annual report
 - Briefing notes and regular progress update reports.

Changes to arrangements for the appointment of an External Auditor:

- 3.18 The Committee received a report summarising 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.
- 3.19 The report set 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. Audit Committee recommended that Cabinet be recommended that Council be asked to agree the appointment of an External Auditor through the national sector led body, Public Sector Audit Appointments Ltd

Looking forward:

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

- 3.20 Given the continued financial pressures facing the Council, the importance of an effective Audit Committee remains critical in providing independent assurance on the governance, risk management and internal control arrangements in the Council and effective challenge where improvement is needed.

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 Effective systems of governance 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 Councillor Steve Weisinger (Audit Committee Chair 2016/17)
- 6.2 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

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

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

7. Background Papers

7.1 None

8. Appendices / Background papers

8.1 Appendix 1 – Audit Committee Self-assessment against the CIPFA Guidance on Audit Committees

9. Key Decision/Decision in Forward Plan

Not Applicable

This page is intentionally left blank

ESTABLISHMENT, OPERATION AND DUTIES				
Issue	Yes	No	N/A	Comments
Role and remit				
Does the audit committee have written terms of reference?	Yes			Reviewed annually.
Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Yes			Considered as part of the annual review.
Are the terms of reference approved by the council and reviewed periodically?	Yes			Approved by Cabinet.
Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Yes			
Can the audit committee access other committees and full council as necessary?	Yes			
Does the authority's statement on internal control (SIC) include a description of the audit committee's establishment and activities? Note: SIC now replaced by the annual governance statement.	Yes			Referred to in AGS including establishment as a full committee. More detail included on the Audit Committee's activities in this year's AGS.
Does the audit committee periodically assess its own effectiveness?	Yes			Reviews the CIPFA checklist annually
Does the audit committee make a formal annual report on its work and performance during the year to full council?	Yes			Annual report presented at June Committee meeting
Membership, induction and training				
Has the membership of the audit committee been formally agreed and a quorum set?	Yes			
Is the chair independent of the executive function?	Yes			Chair is Cllr Steve Weisinger who is not a Cabinet member (neither are any other members of the committee).
Has the audit committee chair, previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Yes			
Are new audit committee members provided with an appropriate induction?	Yes			New Members are offered 1:1 meetings with the Head of Internal Audit additional training is also offered.
Have all members' skills and experiences been assessed and training given for identified gaps?		No		Not formally.
Has each member declared his or her business interests?	Yes			Requirement of all Members. Also requirement at the start of each meeting.
Are members sufficiently independent of the other key committees of the council?	Yes			
Does the audit committee meet regularly?	Yes			Met five times during 2016/17
Do the terms of reference set out the frequency of meetings?	Yes			
Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Yes			Timetable for 2017/18 prepared to align these requirements.
Meetings				
Are members attending meetings on a regular basis and if not, is appropriate action taken?	Yes			
Are meetings free and open without political influences being displayed?	Yes			

Issue	Yes	No	N/A	Comments
Does the authority's S151 officer or deputy attend all meetings?	Yes			S151 Officer or his representative attends meetings.
Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Yes			Relevant Corporate Directors/Heads of Service attend.
Internal Control				
Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Yes			Head of Internal Audit's report provides overall opinion which is reviewed by Audit Committee.
Does the audit committee have responsibility for review and approval of the SIC (now annual governance statement) and does it consider it separately from the accounts?	Yes			
Does the audit committee consider how meaningful the SIC (now annual governance statement) is?	Yes			
Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Yes			
Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?			N/A	The Audit Committee has responsibility for risk management.
Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Partial			This was published in 2006. The Council's Anti-Fraud and Corruption Strategy has been reviewed. The Cipfa publication is very onerous and the West of England Heads of IA group consider it unrealistic to meet all the requirements of the document.
Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Yes			See above.
Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Yes			A significant part of the Internal Audit plan is based on the Corporate risk register and those risks identified by Heads of Service. Audit Committee approves the annual Internal Audit plan.
Does the audit committee review the authority's strategic risk register at least annually?	Yes			Corporate Planning Lead reports to the Audit Committee and includes reference to strategic risk register.
Does the audit committee monitor how the authority assesses its risk?	Yes			
Do the audit committee's terms of reference include oversight of the risk management process?	Yes			
FINANCIAL REPORTING AND REGULATORY MATTERS				
Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Yes			Annual accounts approved by Audit Committee and included in the Committee's terms of reference.
Does the audit committee consider specifically: • the suitability of accounting policies and treatments; major judgements made; large write-offs; changes in accounting treatment; the reasonableness of accounting estimates; the narrative aspects of reporting?	Yes			Audit Committee receive papers on any updates to accounting policy/procedure.

Issue	Yes	No	N/A	Comments
FINANCIAL REPORTING AND REGULATORY MATTERS cont.				
Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Yes			
Does the audit committee review management's letter of representation?	Yes			External Audit's Annual letter is presented to and discussed at Audit Committee.
Does the audit committee annually review the accounting policies of the authority?	Partial			At the last review Members considered this to be within the remit of the Corporate Director: Resources (now Director of Finance). However, any updates on accounting policy/standards etc. are reported to committee.
Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Yes			
INTERNAL AUDIT				
Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Yes			The Audit Committee approves the Annual Audit Plan and Strategy.
Does internal audit have an appropriate reporting line to the audit committee?	Yes			Line Manager is Chief Executive. Direct to Audit Committee. Head of Internal Audit also has access to Chair of Audit Committee if required.
Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Yes			Head of Internal Audit provides an update at each Audit Committee meeting. Head of Internal Audit's Annual report is also presented to Audit Committee in accordance with PSIAS.
Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Yes			Results of follow up audits would be reported to Audit Committee. Responsible officers can be called in by Audit Committee to explain progress with implementing internal audit recommendations.
Does the audit committee hold periodic private discussions with the Head of Internal Audit?		No		This is included in the Committee's terms of reference. Members were given the option but this has not been taken up to date.
Is there appropriate cooperation between the internal and external auditors?	Yes			Yes with Grant Thornton.
Does the audit committee review the adequacy of internal audit staffing and other resources?	Yes			Benchmarking results have been reported to committee in the past.
Has the audit committee evaluated whether its internal audit service complies with the Public Sector Internal Audit Standards?	Yes			External Assessment carried out in June 2016 by Bristol City Council. Assessment found that Swindon Internal Audit meet the requirements of the Standards.
Are internal audit performance measures monitored by the audit committee?	Yes			Performance against plan is reported to Audit Committee along with results from Customer Feedback. Members may wish to consider whether they would like more performance information.

Issue	Yes	No	N/A	Comments
INTERNAL AUDIT cont.				
Has the audit committee considered the information it wishes to receive from internal audit?	Yes			Included in terms of reference.
Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?	Yes			External Audit's plan is presented to Audit Committee.
Does the audit committee hold periodic private discussions with the external auditor?		No		Same as for Internal Audit – offered but not taken up by Audit Committee to date.
Does the audit committee review the external auditor's annual report to those charged with governance?	Yes			External Auditor's report presented to Audit Committee.
Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Yes			
Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	Partial			Yes for External Audit i.e. annual audit and inspection letter. However, limited reporting of other inspection agencies.
Does the audit committee assess the performance of external audit?		No		Not formally but reviews regular progress reports.
Does the audit committee consider and approve the external audit fee?	Yes			This is included in the External Audit's plan that is presented to Audit Committee.
ADMINISTRATION				
Agenda management				
Does the audit committee have a designated secretary from Committee/Member Services?	Yes			Steve Jones (Senior Committee Officer).
Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Yes			Within prescribed timescales.
Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Yes			Outline work plan submitted with terms of reference approved annually.
Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	Yes			
Papers				
Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Yes			
Does the audit committee issue guidelines and/or a pro-forma concerning the format and content of the papers to be presented?	Yes			Papers are in the Council approved format.
Actions Arising				
Are minutes prepared and circulated promptly to the appropriate people?	Yes			
Is a report on matters arising made and minuted at the audit committee's next meeting?	Yes			
Do action points indicate who is to perform what and by when?	Yes			

Audit Committee: Terms of Reference and Work Plan

Audit Committee

Date: 27th June 2017

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 To present the Audit Committee terms of reference and updated work programme for approval.
- 1.2 It is important that the Council has a sufficiently independent and effective Audit Committee that follows best practice. An Audit Committee is a key component of corporate governance. It is a key source of assurance about the organisation's arrangements for managing risk, governance, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 1.3 It is therefore essential that the terms of reference and work programme ensure that the Committee receives information on assurance regarding the above areas so that it is in a position to provide assurance itself.

2. Recommendations

The Committee is recommended to:

- 2.1 It is recommended that the Audit Committee approves the terms of reference and updated work programme.

3. Detail

- 3.1 The terms of reference for Audit Committee are reviewed on an annual basis to ensure that they comply with best practice and legislation.
- 3.2 CIPFA issued updated guidance regarding local authority audit committees in December 2013 in their publication *Audit Committees: Practical Guidance for Local Authorities and Police*. This still remains the most up-to-date guidance.
- 3.3 The Head of Internal Audit has reviewed the terms of reference for the Audit Committee in light of this guidance and recommends that the terms of reference remain as they are. The current terms of reference are attached as Appendix 1.
- 3.4 The draft work programme for the Committee for 2017/18 is attached as Appendix 2.

4. Alternative Options

- 4.1 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.

Audit Committee: Terms of Reference and Work Plan

Audit Committee

Date: 27th June 2017

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 Board Director: Resources (in his role as 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 governance 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 Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

7. Background Papers

- 7.1 None

8. Appendices / Background papers

Appendix 1 – Audit Committee terms of reference

Appendix 2 – Draft work programme

Audit Committee – Terms of Reference (June 2017)

Purpose

The Audit Committee is a key component of Swindon Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the audit committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. It oversees both internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The core functions of the Audit Committee are to:

- 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 function:
 - 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 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.

Accountability

- The Audit Committee will be a stand-alone Committee of the Council independent of both the executive and scrutiny functions. All Audit Committee Members will act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.
- The Chair of the Audit Committee will be appointed by Full Council, who will ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny and Regulatory Committees or Full Council.
- The Chair of the Audit Committee will present an annual report on the work of the Audit Committee to Full Council.

Authority and Access

The Audit Committee:

- Has a right to request relevant information from any Members/officers.
- Can require any member of the Cabinet or senior officer i.e. Chief Executive, Corporate Directors, Head of Service, to attend before it to facilitate consideration by the Committee of matters within the remit of such Member or officer.
- Has rights of access to other committee/functions and other strategic groups
- Have access to in-house legal and other professional advice.
- Will not be able to transact the powers, functions and duties reserved to the Council, the Cabinet, Overview and Scrutiny and other Regulatory Committees.

- Will be able to meet privately and separately with the external auditor and with the Head of Internal Audit.

Any Member, officer or member of the public, who has any concern covered by the terms of reference of the Audit Committee, may raise the matter with the Chair of the Committee who will obtain, if necessary relevant advice from the Monitoring Officer or the Section 151 Officer before taking any action with regard to the same.

Membership

Audit Committee members will be appointed by the Council and consist of at least five members in accordance with the rules governing political balance. A member of the Cabinet shall not be eligible to be a member of the Audit Committee. The Council may co-opt other non-voting members as required.

The decisions of the Audit Committee will not be of an executive nature, and like other Regulatory Committees, the decisions will not be the subject of Scrutiny call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chair of the Audit Committee, the Monitoring Officer, or the Section 151 Finance Officer and/or ask an oral question of the Chair of the Audit Committee at the Council meeting in accordance with relevant Standing Orders.

Attendance and Meetings

Subject to there being sufficient business to transact, the Audit Committee will meet, at least, four times a year. The External Auditor, or Head of Internal Audit may request a meeting if they consider it necessary.

Council officers and others may attend all or part of the meeting at the invitation of the Committee.

Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Committee can meet, at least, annually with:

- The external and internal auditors together; and/or
- In private, with the external auditor

Appendix A contains an outline Audit Committee timetable.

The members of the Audit Committee will commit to receiving appropriate training and development necessary to fulfil their roles.

The quorum for any meeting will be in accordance with the Council's Standing Order 26 (Council Procedure).

Regular attendees at Audit Committee will include the Chief Financial Officer or appropriately qualified substitute, the Head of Internal Audit and the appointed external auditor. Other attendees may include the Chief Executive and the Monitoring Officer. These officers should also be able to access the Committee or the Chair as required.

Work Profile of the Audit Committee

The Audit Committee will take a strategic view on the Council's assurance framework and to this end is likely to receive and advise upon the following areas of work:

- Whether there is an appropriate culture of risk management, governance and related control throughout the Council
- The Annual Governance Statement (AGS)
- The Annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit
- Significant changes required to Financial Regulations and the Accounting Procedures Manual

- The framework and processes for risk assessment, analysis and management within the Council;
- The effective co-ordination between internal and external audit
- The budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee
- Agreement of the annual Internal Audit Plan and monitoring the performance against the completion of this plan
- Ensuring effective scrutiny of treasury management policies and practices including the annual investment strategy
- Generally, on how the Audit Committee could add value to the Council and how it can best work with other Council bodies such as Overview and Scrutiny and Standards

Consideration of core functions

When considering its core functions the Committee should review the following:

• Annual Governance Statement (AGS)

In relation to the AGS the Committee should undertake the following activities to discharge their responsibilities:

- Review the local code of governance and any changes to the arrangements in the year
- Ensure that the AGS is underpinned by a framework of assurance
- Over the course of the year, receive reports and assurances over the application of the governance framework in practice
- Monitor implementation of action plans or recommendations to improve governance arrangements
- Consider how the organisation applies governance principles in practice during the Committee's review of other agenda items

Given its role in overseeing the local code of governance and the AGS, the Audit Committee has an opportunity to promote the implementation of the principles of good governance across the authority.

• Internal Audit

The Audit Committee has a clear role in relation to oversight of the authority's internal audit function.

In relation to overseeing the independence, objectivity, performance and professionalism of the function the following activities are the functional reporting arrangements set out in the Public Sector Internal Audit Standards (PSIAS):

- To review or approve the internal audit charter; risk-based internal audit plan; internal audit budget and resource plan
- Make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations
- To receive the annual report, which includes the annual audit opinion on the overall adequacy and effectiveness of governance, risk and internal control
- To discuss with the Head of Internal Audit the form of the external assessment of internal audit and the qualifications and independence of the assessor.
- The Head of Internal Audit should have free and unfettered access to the Chair of the Audit Committee.

The Audit Committee has an important role in supporting the process of internal audit i.e.

- Receiving updates on the work of internal audit including key findings, issues of concern, and action in hand as a result of internal audit work
- Receiving reports on instances where the internal audit function does not conform to PSIAS and considering whether non-conformity is sufficiently significant so that it must be included in the AGS

- Overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates

- **Risk Management**

The role of the Audit Committee in relation to risk management covers three major areas:

- Assurance over the governance of risk, including overseeing the authority's risk management policy and strategy
- Keeping up-to-date with the risk profile and the effectiveness of risk management actions by reviewing arrangements to co-ordinate and lead risk management and following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

- **External Audit**

The Audit Committee's role should include receiving and considering the work of the external auditor. The Committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work in order to monitor the action to be taken. The Committee should also contribute to the authority's response to the annual audit letter.

- **Financial Reporting**

Audit Committee should carry out a review of the financial statements and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices.

The Committee should consider, accept and respond to the external auditor's report on the statement of accounts.

- **Treasury Management**

The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. The Audit Committee is the nominated committee responsible for the effective scrutiny of the treasury management strategy and policies.

- **Countering Fraud and Corruption**

The Audit Committee's role should be to have oversight of the authority's strategy to counter fraud – assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.

- **Value for Money**

The role of Audit Committee is to focus on whether the authority's overall approach to value for money is in line with governance objectives and to receive assurances on this to underpin the AGS.

One specific area of activity for the Committee is to consider the external audit opinion on value for money.

- **Assurance Frameworks and Assurance Planning**

The Audit Committee has a responsibility to understand what assurance is available to support the AGS and to enable it to meet its terms of reference.

Review

These terms of reference will be reviewed on at least an annual basis to ensure that they comply with best practice and reflect any changes in legislation.

Audit Committee – Draft Work Plan for 2017/18

		2017			2018	
	Agenda Item / Issue	June	September	November	February	March
1	Review of internal audit annual plan.					X
2	Review of internal audit progress reports and summary of key findings.	X	X	X	X	X
3	Review of final accounts timetable, plans, progress and any updates on changes to financial procedures.				X	
4	Review and approval of audited final accounts and financial statements		X			
5	Review of the draft (June), and approval of the final (September), Annual Governance Statement	X	X			
6	Review of external audit annual plan (April) and their annual letter (November).			X		X
7	Receipt of Head of Internal Audit's annual report.	X				
8	Self-assessment of Audit Committee's effectiveness and review its terms of reference.	X				
9	Risk Management update		X		X	
10	Review of Internal Audit's terms of reference and the Council's Audit Strategy			X		
11	Review of other reports and policies as appropriate e.g. Internal audit reports identifying significant risks, changes to Financial Regulations, Inspection Reports.	X	X	X	X	X
12	Scrutiny of treasury management policies and practices including the annual investment strategy, annual and half yearly report.	X		X		X
13	Risk Owner responsible for a Corporate Risk		X	X	X	
14	Private discussions with internal and/or external audit.	As / if required				

Note: Training to be provided to Members in accordance with their need, including induction of new Members.

This page is intentionally left blank

Head of Internal Audit Annual Report

Audit Committee

Date: 27th June 2017

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 To present Members with the Head of Internal Audit's annual report for 2016/17.
- 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. It is therefore essential that this Committee seek 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.
- 1.4 It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit delivers an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
 - the opinion
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

2. Recommendations

The Committee is recommended to:

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

3. Detail

- 3.1 This annual report provides a summary of the work completed by Swindon Internal Audit Services for 2016/17 and provides the Head of Internal Audit's overall opinion on the Council's system of internal control.
- 3.2 The aim of Internal Audit is to help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the Council's internal control environment, risk management and governance

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

Head of Internal Audit Annual Report

Audit Committee

Date: 27th June 2017

arrangements. This then allows Internal Audit to provide assurance and support to the:

- Audit Committee in discharging its responsibilities as set out in their terms of reference.
- Council Leader and Chief Executive in their certification of the Annual Governance Statement
- Director of Finance (in his role as Chief Finance Officer), in discharging his responsibilities under Section 151 of the Local Government Act
- Corporate Director: Resources and Transformation, in her capacity as lead for risk management
- External Auditor in relation to their audit of the Council's financial statements through our audit work on the Council's main financial systems.

3.3 Summaries of every internal audit finalised during the year have been presented to the Council's Audit Committee.

3.4 The internal control arrangements relating to the Council's main financial systems during 2016/17 were found to be **satisfactory**, this along with the outcomes of other audits completed in the plan result in an overall risk assessment to the Council as being '**moderate**'.

3.5 The Head of Internal Audit's annual report is included as Appendix 1.

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.

5.3 It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit delivers an annual audit opinion.

Head of Internal Audit Annual Report

Audit Committee

Date: 27th June 2017

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

5.4 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.5 Effective systems of governance 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

5.6 None

Risk Management

5.7 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.

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

7. Background Papers

7.1 None

8. Appendices / Background papers

Appendix 1 – Head of Internal Audit's Annual report: 2016/17

Appendix 2 – Corporate Fraud Team Annual report 2016/17

9. Key Decision/Decision in Forward Plan

Not Applicable

This page is intentionally left blank

**Head of Internal Audit
Annual Report**

2016 - 2017

Contents

	Page
Executive Summary	3
Introduction	3
Statutory Framework	4
Definition	5
Independence	5
Annual Governance Statement	5
Audit Committee	6
External Audit	7
Public Sector Internal Audit Standards	8
Internal Audit:	
Coverage	9
Overall Opinion	10
Successes	11
Whistleblowing and Investigations	12
Other activity	12
Review of Performance Management and Quality Assurance Framework	13
Acknowledgement	15
Appendix 1: Audits completed during 2016/17	
Appendix 2: Annual Fraud report	

Executive Summary

This annual report provides a summary of the work completed by Swindon Internal Audit Services for 2016/17 and provides the Head of Internal Audit's overall opinion on the Council's framework of governance, risk management and control. It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit should give this opinion.

Based on our work carried out during the year, my overall opinion is that the Council's framework of governance, risk management and control during 2016/17 are considered to be **satisfactory**, resulting in a '**moderate**' level of risk.

More detail as to how this opinion has been reached is contained later in the report.

Introduction

The aim of Internal Audit is to help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the internal control environment. This then allows us to provide assurance and support to the:

- Audit Committee in discharging its responsibilities for:
 - (a) Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of The Accounts and Audit Regulations 2015.
 - (b) Supporting the Director of Finance with his delegated responsibility for ensuring arrangements for the provision of an adequate and effective internal audit.
 - (c) Monitoring the adequacy and effectiveness of the Internal Audit Service and Director's/Heads of Service responsibility for ensuring an adequate control environment.
- Council Leader and Chief Executive in their annual certification of the Annual Governance Statement.
- Director of Finance in discharging his statutory responsibilities under Section 151 of the Local Government Act 1972.
- External Auditor in relation to our work on the main financial systems audits.

By ensuring that governance, risk management and internal control arrangements are effective helps the Council to deliver its objectives and priorities.

Statutory Framework

Internal Audit is a statutory requirement for local authorities. There are two principal pieces of legislation that impact upon internal audit in local authorities:

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
- Section 5 of the Accounts and Audit Regulations 2015 (England and Wales) states that 'a relevant authority must undertake an 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. The Regulations also require the Council, each year, to conduct a review of the effectiveness of its system of internal control.
- All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).
- The CIPFA statement on the Role of the Chief Financial Officer in Local Government states that the Chief Financial Officer must:
 - Ensure an effective internal audit function is resourced and maintained
 - Ensure that the authority has put in place effective arrangements for the internal audit of the control environment
 - Support the authority's internal audit arrangements; and
 - Ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively
- The CIPFA statement on the Role of the Head of Internal Audit states that the Head of Internal Audit plays a critical role in delivering the organisation's strategic objectives by:
 - Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
 - Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control

To perform this role the Head of Internal Audit must:

- be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee
- lead and direct an internal audit service that is resourced to be fit for purpose; and
- be professionally qualified and suitably experienced

Definition of Internal Audit

Internal Audit is '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 (source: Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector).

Independence

The Head of Internal Audit continued to report directly to the Chief Executive during 2016/17 ensuring the section's independence. The Head of Internal Audit reports in his own name to Audit Committee and has unfettered access to the Chair and members of the Committee.

The Head of Internal met regularly with the Corporate Director: Resources (Section 151 Officer)/Director of Finance, the Director of Law and Democratic Services (Monitoring Officer) and Chair of Audit Committee during 2016/17.

Annual Governance Statement

The outcome of the audits performed during 2016/17 help to inform Internal Audit's overall opinion on the adequacy of the Council's systems of governance, risk management and internal control which will then feed in to the Council's Annual Governance Statement. Internal Audit is only one of a number of areas of assurance that contribute to the Council's Assurance Framework.

The Accounts and Audit Regulations 2015 require an Annual Governance Statement to be published, in accordance with proper practices, following the Council's review of its system of internal control. The Annual Governance Statement is required to include the following disclosures:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
- A brief description of the key elements of the governance framework, including reference to group activities where those activities are significant.

- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

Internal Audit coverage includes areas included on the previous year's Annual Governance Statement. Of those areas included on the Statement Internal Audit reviews considered that there had been insufficient progress made in Information Governance and Security and therefore this remained on the Statement for 2016/17. Corporate Management Team also required GCSE attainment to remain on the Statement. Additional areas added to the statement were Housing Contract Management (following an Internal Audit review) the transfer of staff from SEQOL and Parishing.

The following areas were taken off the Statement from last year: Capacity and capability in the context of large scale change; Financial relationships with wholly owned companies and provision of the IT Service.

Audit Committee

It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In turn Internal Audit provides a key source of assurance to the Committee as to whether controls are operating effectively. Audit Committees are not just the concern of auditors; they are about the governance, financial reporting and financial performance of the whole authority.

Effective corporate governance depends, in part, on a systematic strategy, framework and processes for managing risk. Governance is also about increasing public confidence in the objectivity and fairness of financial and other reporting. This in turn depends upon assurance that issues raised in preparing and auditing annual accounts and other reports have been dealt with. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

The existence of an independent and effective audit committee helps to convey to staff and to the public the importance Members and Officers attach to governance arrangements and internal control.

The Council has adopted best practice in implementing a stand-alone Audit Committee that is independent of the Executive. Members promote the need for internal control and risk management. The Chief Executive, Corporate Directors, Heads of Service and other relevant officers have attended meetings of the Committee to update Members on the progress in implementing audit recommendations thereby helping to raise the profile of the work of internal audit.

The Committee has an agreed set of terms of reference that encompass the recommendations/guidance issued by CIPFA and External Audit. These terms of reference set out the following main responsibilities of the Audit Committee:

- (a) The effectiveness of the Council's risk management, internal control and its overall assurance framework.
- (b) The effectiveness of the Council's financial and non-financial performance to the extent that it might impact upon (a) above.
- (c) Reviewing the performance of the Council's Internal Audit section; enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence.
- (d) Receipt and review of External Audit's reports and liaison with external auditors on significant matters identified.
- (e) Advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview and Scrutiny and Regulatory Committees.
- (f) Ensuring effective scrutiny of treasury management policies and practices including the annual investment strategy.

The Committee also has the responsibility of agreeing the Council's statement of accounts and the Annual Governance Statement.

Members have self-assessed the Audit Committee arrangements against the *Toolkit for Local Authority Audit Committees* produced by the CIPFA Better Governance Forum.

Meetings of the Committee have been well attended and Members have ensured that there has been debate on a range of topics. The Committee has produced an annual report to Council setting out their activity over the past year.

External Audit

The Council's External Auditors, Grant Thornton, examine the work of Internal Audit on an annual basis and seek to place reliance on that work when they come to audit the Council's financial statement of accounts.

External Audit carry out a high level review of Internal Audit's overall arrangements. They also review Internal Audit's work on the Council's key financial systems. In their audit plan, reported to the April 2017 meeting of the Audit Committee, they set out their results of their interim visit for the 2016/17 accounts, and stated that *'Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit has not identified any weaknesses which impact on our audit approach'*.

Public Sector Internal Audit Standards

The standards the section works to are the Public Sector Internal Audit Standards. These standards set out:

- The definition of internal auditing
- Code of ethics
- International standards for the professional practice of internal auditing. These standards cover the following areas:
 - Purpose, authority and responsibility
 - Independence and objectivity
 - Proficiency and due professional care
 - Quality assurance and improvement programme
 - Managing the internal audit activity
 - Nature of work
 - Engagement planning
 - Performing the engagement
 - Communicating results
 - Monitoring progress
 - Communicating the acceptance of risks

The section works closely with the Council's External Auditor to ensure that we can provide the required assurance both as far as coverage and quality of our work.

Internal assessment

The section's Quality Assurance and Improvement Programme sets out how Internal Audit will comply with the requirements of the Public Sector Internal Audit Standards. Areas of improvement identified through the Quality Assurance and Improvement Programme are set out on page 13 of this report

External Assessment

The Public Sector Internal Audit Standards requires that a public sector internal audit provision should have an external assessment to ensure compliance with the Standards at least once every five years. In order to meet this requirement an external review was undertaken by Bristol City Council in June 2016. The results of this review were reported back to the Council's Corporate Management Team and Audit Committee. The assessment found that Swindon internal Audit Services meet the requirements of the standards with only a small number of minor recommendations made. These recommendations have been largely implemented.

Internal Audit Coverage

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides.

Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit plan for 2016/17 was based to a large extent on the Council's corporate risk register. These were complemented by:

- Priorities identified by Corporate Directors
- Heads of Service key risks
- The requirements of the Director of Finance in his role as Section 151 Officer
- External Audit and;
- Those concerns/issues raised by Internal Audit in previous audits and our knowledge of potentially high-risk areas.
- Consideration of national and local issues

The plan was submitted to Corporate Board before being approved by the Council's Audit Committee.

We managed to complete 84% against a target of 90% of the number of audits included in the plan. This coverage included 100% of the main financial system audits that provide the Director of Finance with assurance regarding the Council's these key financial systems.

Details of all the internal audit reports issued during 2016/17 are set out in [Appendix 1](#).

Head of Internal Audit's Overall Opinion

It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit should give an opinion regarding the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

The audit opinion on a risk/system is based on both the materiality and impact of the system and the auditor's opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in *Table 1* below:

		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

Our work in 2016/17 identified that four of the main financial systems (Treasury Management, Council Tax, Debtors and Housing Rents) were found to have a high standard of internal control. Another six (Main Accounting, Creditors, Housing Benefits, Payroll, NNDR and Asset Management) were found to have had a satisfactory level of system control. In the opinion of the auditor all eleven of the main financial systems audited were found to present only a **moderate** risk to the Council.

Therefore, based on our work carried out during the year, my overall opinion is that the Council's overall internal control arrangements during 2016/17 are considered to be **satisfactory**, resulting in a '**moderate**' level of risk.

A number of the other areas audited during 2016/17 did indicate a 'Significant' or 'Of Concern' risk to the Council. However, it should be noted that as the audit plan is risk-based and has been compiled with input from Corporate Directors and Heads of Service, on areas that they had concern with, it is to be expected that the level of audit opinion for these areas would be lower.

One audit identified a '**significant**' risk to the Council: Contract management of the Housing capital programme.

Those systems reported during the year where an '**of concern**' risk to the Council was reported were: Information Governance (Hillmeads); Corporate ICT issues; Business Continuity Framework; Stores and Equipment; Information Governance (policies and procedures); Compliance with Standing Orders; IT asset management; Brindley Close (follow-up); Transformation programme; Domestic Abuse Strategy; Emergency Duty Service and Contract management of the Housing Capital programme (follow-up).

The key recommendations relating to these systems have been reported to Audit Committee and full reports, with agreed action plans, have been reported to the relevant Corporate Director/Head of Service.

Internal Audit – Successes

In addition to achieving 100% of the fieldwork on the main financial systems as required by External Audit, some of our other successes during 2016/17 include:

- External Audit assessment – External Audit have been able to place reliance on our work and assessed our work as complying with the required standards.
- Customer Feedback forms from the recipients of our audits had an average score of 86% rating the audits as GOOD or EXCELLENT, the remaining audits were ranked between good and average, none were rated as 'poor'.
- Internal Audit was successful in establishing a Corporate Fraud team after obtaining funding from the DCLG for Counter Fraud work during 2014/15. The funding was used to appoint a Corporate Fraud Investigator and a Corporate Fraud Intelligence Officer on fixed term contracts to set up a Corporate Fraud team. A full report on the work of the Corporate Fraud Team is set out in Appendix 2. The funding from the DCLG only ran until 31st March 2016 however, due to the success of the team further funding has been gained for 2016/17 and continues in to 2017/18.
- We were successful in obtaining further 'external' work from an academy school and the University Technical College.
- We have continued to support and develop our staff (continuing our 'grow your own' strategy). One of the Principal Auditors successfully completed his COBIT examination and Agile Project Management, one of our Senior Auditors successfully

completed her Certified Information Systems Auditor (CISA) and both our new Audit Trainees have continued to study for their Practitioner with the Chartered Institute of Internal Auditor (PIIA) examinations.

- The Head of Internal Audit was re-elected as a Board member on the National Anti-Fraud Network (NAFN).
- Internal Audit's Principal Auditor (ICT) provided a small amount of IT audit work for Bristol City Council towards the end of 2016/17.
- Internal Audit continues to develop IDEA to allow the data matching of Council data. Duplicate payments of over £10,844 were found during 2016/17. Internal Audit will continue to run this data match on a regular basis. Data matching with other key internal data sets was also carried out during 2016/17.

Internal Audit – Whistleblowing and Investigations

The Internal Audit section continues to support the Council's Whistleblowing process in liaison with the Director of Law and Democratic Services. The section received five new whistleblowing cases during the year and an additional twelve internal investigations were conducted.

Reports are issued to Standards Committee on the progress of the Whistleblowing investigations. The investigations can be both time consuming, and lengthy. A fraud/Investigation update is presented to Audit Committee on an annual basis and an Annual Fraud report is attached as [Appendix 2](#).

Internal Audit – Other Activity

- **Annual Governance Statement** – the Head of Internal Audit has been tasked by Corporate Management Team to co-ordinate the compilation of the Council's Annual Governance Statement including the co-ordination of the Group Directors/Head of Services' assurance questionnaires.
- **Anti-Fraud** - the Internal Audit section continues to assist in promoting an anti-fraud and corruption culture. We have issued Fraud Bulletins to all staff highlighting recent scams and frauds that had occurred in both the public and private sectors.
- **National Fraud Initiative** - The Council, via Internal Audit, continues to participate in the Cabinet Office's National Fraud Initiative as part of the statutory external audit requirements. The National Fraud Initiative brings together data from across the public sector including local authorities, NHS, the Home Office/other government departments and other agencies to detect "matches" i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.

For the latest exercise, data sets in respect of the following sources were nationally obtained and matched:

Housing Benefit; Housing Tenancy; Student Loans; Payroll; Illegal immigrants; Individuals with no recourse to public funds; Pensions; Licence holders - Taxi Drivers, Market Traders and Alcohol; Blue Badge Records; Deceased persons; Concessionary fares; Residential Care; Insurance and Creditor Records.

- **Raising Fraud Awareness** – in addition to the Fraud Bulletin use of the Council's Core Brief has also been used to raise staff awareness of the Council's anti-fraud and corruption strategy and whistleblowing policy.

Internal Audit staff continue to make use of fraud awareness groups, both nationally and regionally, to maintain awareness of frauds occurring that could affect the Council.

- **Fraud Benchmarking and Fraud Statistics** – The CIPFA Fraud survey was completed and submitted in May 2016. The survey was used as an additional source of information to inform Internal Audit's proactive fraud work.
- **Advice and consultancy** – members of Internal Audit continue to provide advice both during the course of audits and responding to ad-hoc queries.
- **Attendance at and contribution to, working groups etc.** – members of the section continue to contribute to the development of the Council and ensuring that we are up-to-date with best practice by attending the following committees, working groups etc.
 - Audit Committee
 - Standards Committee
 - Resources Leadership Management Team (as a guest)
 - West of England Chief Internal Auditors Group and its sub groups – Children Services, Adult Services, Contract Audit, I.T. Audit and Fraud
 - Western Unitaries Audit Group
 - National Anti-Fraud Network (Head of Internal Audit represents the West of England on the National Executive Board)

Internal Audit – Review of Performance Management and Quality Assurance Framework

The Public Sector Internal Audit Standards requires that the Head of Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The section has a '*Performance Management and Quality Assurance Framework*' that has been presented to, and approved by, the Audit Committee.

- (a) **Performance Management** – the section's key performance indicators are set out in the section below. The coverage of the audit plan was slightly below target (84% against a target of 90%). This was due in the main to the loss of a Senior Auditor during

the year and the failure to date to replace them. Additional time was also required to continue to embed the two Trainee Auditors in to the section and the complexity of a number of the fraud cases investigated.

The section had three key performance indicators in 2016/17:

- ***The percentage of audits completed against the number identified in the agreed Audit Plan.***

Justification for this performance indicator: *to ensure that Internal Audit provides sufficient coverage to ensure that the requirements of the Council's section 151 Officer and External Audit are met and that Internal Audit can give sufficient assurance to the Audit Committee regarding the Council's systems of internal control and the completion of the Annual Governance Statement.*

Target: 90%

Achievement: 84%

Therefore target not achieved in 2016/17

The Audit Committee, Chief Executive and Corporate Director: Resources were kept informed of progress against the audit plan throughout the year. The main reasons for not achieving the target figure were:

- *The loss of a Senior Auditor during the year and the failure to appoint a suitable replacement.*
- *The number and complexity of the fraud investigations*
- *Continuing to embed two new members of staff in to the section*
- *Increased demands on the Corporate Fraud team*

- ***The percentage of audits of the Council's main financial systems completed against the number identified in the agreed Audit Plan.***

Justification for this performance indicator: *to ensure that Internal Audit provides sufficient coverage and assurance to the Council's Section 151 Officer that appropriate External Auditors regarding the systems of controls in place in relation to the main financial systems.*

Target: 100%

Achievement: 100%

Therefore target achieved in 2016/17

- **85% of feedback forms rated the audit as GOOD or EXCELLENT.**

Justification for this performance indicator: <i>to ensure that Internal Audit provides sufficient the level of service required by its clients.</i>	
Target: 85%	Achievement: 86% (average score from Customer Feedback Forms - the other 10.53% rated the service as good/average)
Therefore target exceeded in 2016/17	

- (b) **Quality Assurance** – The Performance Management and Quality Assurance Framework aims to provide assurance to the various stakeholders of Internal Audit that it performs its work in accordance with its Charter; operates in an effective and efficient manner and is perceived by its stakeholders as adding value.
- The results of the quality assurance programme show that Internal Audit meets the requirements of the Public Sector Internal Audit Standards. This was confirmed by the external assessment carried out by Bristol City Council whilst recognising that a small number of improvements were required.

Acknowledgement

I would like to take this opportunity to thank all Members and Officers for their help in putting the audit plans together and for the courtesy shown to members of the audit section during the course of our reviews.

We do try and make the audit process as constructive and positive as possible by working with Members and Officers. I would welcome any feedback you may have on our performance both on individual audits (where customer feedback forms are provided), or generally. We are always looking to improve our service.

Many thanks,

Nick Hobbs
Head of Internal Audit

This page is intentionally left blank

INTERNAL AUDIT – SUMMARY OF 2016/17 INTERNAL AUDITS

SYSTEM CONTROL	MATERIALITY AND IMPACT		
	High	Medium	Low
High Standard	<ul style="list-style-type: none">Treasury ManagementCouncil TaxNNDRDebtors <div>[Moderate risk]</div>		<div>[Minimal risk]</div>
Satisfactory	<ul style="list-style-type: none">Oracle, Northgate and OPEN system control and integrityMain Payroll (15/16)Payroll system control and integrityCreditorsAffordable HousingConsultation processMain Accounting <div>[Moderate risk]</div>	<ul style="list-style-type: none">RIPA ComplianceGrange Federation SchoolIsambard Secondary SchoolBetter Care FundAllocating resources: Disabled ChildrenHousing Benefits: overpaymentsOrchid Vale schoolRegistrars <div>[Moderate risk]</div>	<div>[Minimal risk]</div>
Significant improvements required	<ul style="list-style-type: none">ICT Asset ManagementBusiness Continuity FrameworkConsultationComplaints processInformation Governance: HillmeadCorporate ICT issuesBrindley CloseTransformation programmeDomestic Abuse StrategyContract management: delivery of Housing Capital programme (F/up)IT TrainingStores and EquipmentTUPEIT Governance and StrategiesEmergency Duty Service <div>[Of Concern risk]</div>	<ul style="list-style-type: none">Housing Voids follow-upYouth EngagementStarters and LeaversAppointee/DeputyshipsPot Hole StrategyCrowdys Hill SchoolParking AdministrationPlay areasAdoptionRed Oaks schoolPurchasing CardsPPS Dynamic Purchasing SystemPPS Wroughton: Lessons learnedChild Sexual Exploitation <div>[Moderate risk]</div>	<div>[Moderate risk]</div>
Fundamental weaknesses	<ul style="list-style-type: none">Contract management: delivery of Housing Capital programme <div>[Significant risk]</div>	<div>[Of Concern risk]</div>	<div>[Moderate risk]</div>

Non-opinion audits:

- Security procedures: new systems
 - LEP
 - Spreadsheet payments
 - CCG invoicing
 - Day services Strategy
- Westrop VAT
 - NFI Submission
 - Residential Care Homes Financial Checklist
 - Capita One
- Risk management consultancy
 - Refunds
 - PCI Compliance
 - HB bank reconciliation
- Garage strategy
 - Open Door
 - MoU - DWP
 - Forward Swindon
- SEQOL
 - Main supplier file cleansing
 - Investigation learning points
 - Youth Engagement benchmarking

Grants:

- Public Health Assurance Statement
- Troubled Families (4)
- DEFRA Flood Resilience Grant
- Carbon Reduction Commitment
- NNDR3

Investigations: 10 Investigations including Whistleblowing (3) Other: Annual Governance Statement; St. Joseph’s Catholic College; Bristol City Council IT

This page is intentionally left blank

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	Domestic Abuse Strategy	Forward Swindon	Main Accounting		Housing rents
			Annual Governance Statement		LEP	Treasury Management	IT Governance & Policies			Debtors		Business continuity - critical systems
			ICT Asset Management			Council Tax	HB Overpayments					Asset management
							NFI submission					Creditors
												Payroll
Key audits Month Total	1	0	3	1	2	3	4	1	1	2	0	5
Key audits Cumulative Total	1	1	4	5	7	10	14	15	16	18	18	23
Key audits Target %	5	8	12	20	25	30	50	60	70	80	90	100
Key audits Achieved %	4%	4%	15%	19%	26%	37%	52%	56%	59%	67%	67%	85%

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	PPS Dynamic Purchasing System	Stores and Equipment follow-up	Emergency Duty Service	Inv 16/17-8	Inv 16/17-11
	DEFRA Flood resilience grant	Troubled Families Claim - May 2016	Inv 16/17-2	Housing capital programme	Purchasing Cards	NNDR 3 claim	Allocating resources: disabled children	LEP Assurance work to date	Spreadsheet payments	WB 16/17-3	Fleet management	WB 16/17-3 general issues
	Public Health Grant certification	Housing Voids: follow-up	IT Training	Adoption	Refunds	WB 16/17-2	Street Works	Residential Care Homes - Financial checklist	DWP - MoU	Inv 16/17-9(b)	NAVMAN	Children's Health
	Corporate ICT issues: follow-up	WB 16/17-1	CCG invocing	Brindley Close f/up	Isambard Community School		Orchid Vale school	PPS Wroughton - Lessons Learned	Inv 16/17-9	Master supplier file	Oracle system control & integrity	Concessionary travel f/up
			Inv 16/17-1	Inv 16/17-6	Play Areas		PCI compliance	Red Oaks	Inv 16/17-4	Inv 16/17-5	troubled families Claim - Jan 2017	Northgate system control
			Garage Strategy (update)		Open Door				Troubled Families Claim - Nov 16	Housing capital programme: f/up	Registrars	IT system control & integrity: corporate
					Day Services Strategy				HB Bank reconciliation		Compliance with Standing orders	OPEN system control
											ID Badges F/up	Payroll system control
											Commercial Assets	Housing Adults Social Care Programme
												DHI
												Starters and leavers
Other audits total for month	4	4	6	5	7	3	5	5	7	5	7	11
Cumulative other audits	4	8	14	19	26	29	34	39	46	51	58	69

	April	May	June	July	August	September	October	November	December	January	February	March
Overall Month Total Audits	5	4	9	6	9	6	9	6	8	7	7	16
Overall Total Audits	5	9	18	24	33	39	48	54	62	69	76	92
Target Completion of Plan %	4	12	20	28	35	43	52	60	67	74	82	90
Audit Plan Achievement %	5%	8%	16%	22%	30%	35%	44%	49%	56%	63%	69%	84%

This page is intentionally left blank

Corporate Fraud Team

Annual Report

2016 - 17

Contents

Page

Introduction	3
Key Objectives	4
Conclusion	6
Summary	7
Appendix A – Outcomes of Investigations	8
Appendix B – Referral numbers and types	9

Introduction

The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Fraud Team supports this by continuing to provide an efficient value for money anti-fraud activity that investigates referrals, once they have been prioritised, to an appropriate outcome.

In 2015/16 Internal Audit was successful in bidding for Counter Fraud money from the Department for Communities and Local Government. This funding ran to the end of March 2016 and was used to set up a Corporate Counter Fraud team, based within the Internal Audit section and managed by one of the Principal Auditors. A Corporate Fraud Investigator and a Fraud Investigation Support Officer were appointed in April 2015.

Following a successful first year, the Head of Housing Services agreed to part fund the team for 2016/17. This along with a contribution from the Internal Audit budget and some carried forward grant allowed for the team to continue, with an additional Fraud Intelligence Officer resource being appointed.

We continue to offer support and advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures and policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the corporate priorities.

All work is conducted within the appropriate legislation and the powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution. The Team supports the Council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

The Corporate Fraud Team liaise closely with other internal departments and external partners (including the Police) in order to raise awareness and to act as a deterrent.

The team ensures that they utilise civil recovery procedures in relation to Tenancy Fraud and work collaboratively with other Local Authorities and Law enforcement agencies to ensure best use of resources with holistic approach to counter fraud at all times.

Key Outcomes

During 2016/17 the Team:

- Continued to develop the three stage vetting process for the right to buy process which is now being used by other Local Authorities as good practice.
- Procured an identity vetting system, Trust ID, for use in the right to buy checking process. This was rolled out for use by the Licencing Team who have agreed to fund the system in 2017/18.
- Led on setting up the Swindon and Wiltshire Housing Fraud Forum. The Forum includes representatives from key housing associations, the Corporate Fraud Team and Housing meeting periodically to share best practice and to develop joint working arrangements.
- Developed close working relationships with Housing resulting in requests for advice, support and ever increasing fraud referrals
- Links forged with internal departments including Parking, Blue Badges, Payroll, Schools Admissions and Revenue and Benefits.
- Links with external organisations including with Bristol City Council, Immigration, HMRC, Police, Joint Intelligence Cell, Amberhill, Local Authorities, NHS, housing associations within Wiltshire and tenancy fraud forums.
- Delivered awareness sessions at Team Meetings, including Housing, Appointeeships and Human Resources.
- Developed internal data-matching using IDEA software.

The success of the Team was such that the Head of Housing Services agreed to fund the two posts for 2017/18. The following outcomes were achieved during 2016/17:

- 393 allegations received (compared to 88 in 2015/16)
- 69 cases investigated and closed
- 7 right to buy applications stopped resulting in savings in discounts that would have been allowed on the sale of properties of £418,123 (6 in 2015/16)
- 11 Council houses recovered with an estimated saving (using a nationally recognised figure of £18,000 per property) of £198,000 (8 in 2015/16)
- Student Council Tax exemption fraud totalling £4,354.01
- Council Tax fraud of £17,553.79

Appendix A provides an analysis of the completed investigations, the source of the allegations received, the outcomes and the savings. Appendix B shows the number of referrals received during the year, the nature of the allegations made and the actions taken on them.

Examples of cases of right to buy applications being stopped and Housing properties being recovered during the year include:

- Case Ref 46 – a referral was received by an anonymous neighbour who claimed the tenant had been absent from a property for two years. Background checks and a number of visits were conducted and it was found that the tenant had married in 2014 and had been living at their spouse's property since then. Contact was made with the tenant, who admitted the breach of tenancy and subsequently terminated their tenancy. The Council Tax details at the spouse's property were corrected and a bill was raised for incorrectly claimed Single Person's Discount.
- Case Ref 69 - A joint right to buy application was made and the applicants failed to disclose that they had purchased their previous Council property. The applicants were interviewed and admitted that they had failed to disclose all required information and consequently their application was cancelled.
- Case Ref 101 – An allegation was received regarding a Council tenant who was not living at her property but allowing her son to reside there. The investigation identified a number of issues, including non-residency, queries over the entitlement to reside in the UK, failure to declare capital of over £300,000 for housing and council tax benefit purposes, fraudulent application for housing benefit and environmental health concerns. Following interview, the tenant terminated their Council tenancy. All relevant information has been provided to other Council departments and the DWP in order to appropriate action to be taken.
- Case Ref 105 – A right to buy application was received and successfully passed the initial checks. At the review from anti-money laundering queries were raised by the Corporate Fraud Team on how the purchase was being funded, as funding was coming from overseas. The explanation provided was this would be through a loan from the tenant's sister and brother in law but the details of the arrangements changed. Supporting documentation was requested, including bank statements showing the transfer of funds. The applicant failed to provide the necessary information within the statutory timescales and therefore the application was cancelled.
- Case Ref 120 – A right to buy application was made by a tenant when they were in the process of moving to Cornwall. An interview held with the tenant by the Corporate Fraud Team found that their intention was for their daughter to buy the property to live in, taking advantage of the discount. The purchasing and living arrangements were discussed with the tenant and the consequences of incorrect information being provided and subsequently the application was withdrawn.
- Case Ref 135 - An anonymous allegation was received regarding an individual who had applied for a council house due to overcrowding and had deliberately provided incorrect information regarding their address. The allegation came in at a time when the applicant had bid for and been offered a Council property. Investigations found that the applicant had an existing tenancy at a four bedroom property which was deemed to provide adequate housing for their family. The applicant was contacted and informed

that as they had failed to provide correct information and because they were adequately housed, their offer of accommodation had been withdrawn and their housing application was closed.

- Case Ref 136 – Checks conducted on an application for a right to buy revealed that information regarding the occupancy of the property was incorrectly declared. Interviews were held with the tenants and it was found that one of the joint tenants had moved out in 2015 and failed to notify the Council. The joint application was therefore not eligible and cancelled. Advice was provided to the remaining tenant on future housing options and relevant information was passed to the Housing department in order to assist.

Conclusion

This report demonstrates the Council's continued commitment to the prevention and detection of fraud. Any allegations of fraud will be taken seriously and appropriately investigated with consideration taken of the cross departmental irregularities.

There are actions to be taken during 2017/18 to ensure that the Corporate Fraud Team continues to meet best practice, including an assessment against the Fighting Fraud Strategy that will be reported back to a future Audit Committee.

The 2017/18 work plan for the Corporate Fraud Team continues to focus on the prevention and detection of Housing Tenancy Fraud, with other areas of emerging risk also being considered, and will include:

- Staff and Members fraud awareness and training;
- Further development of data-matching to identify discrepancies requiring investigation;
- Fraud risk assessment of the homelessness and succession processes;
- Review and assessment of fraud referrals;
- Effective and efficient investigations;
- Regular reporting to Stakeholders on the work of the Corporate Fraud Team.

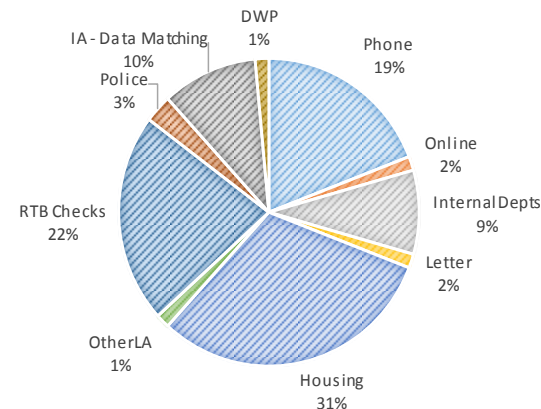
Funding for the Corporate Fraud Team beyond 2017/18 needs to be confirmed.

Summary

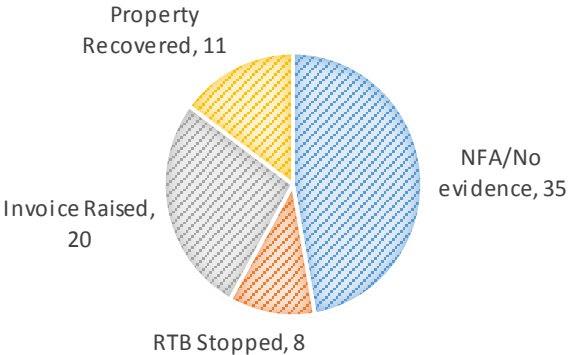
<div>Corporate Fraud Team</div>	<ul style="list-style-type: none">• 393 allegations received• 69 cases closed• 7 Right to Buy applications stopped (discount saving: £418,123)• 11 Council Houses recovered (estimated savings: £198,000)• Council Tax fraud: £17,554• Student Exemption fraud: £4,354• Total actual and nominal savings during 2016/17: £638,031
---------------------------------	---

INVESTIGATIONS

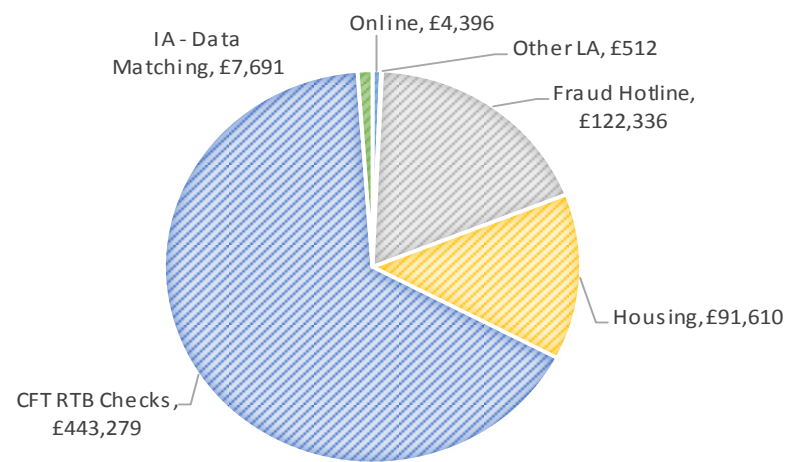
2016/17 CLOSED INVESTIGATIONS BY SOURCE



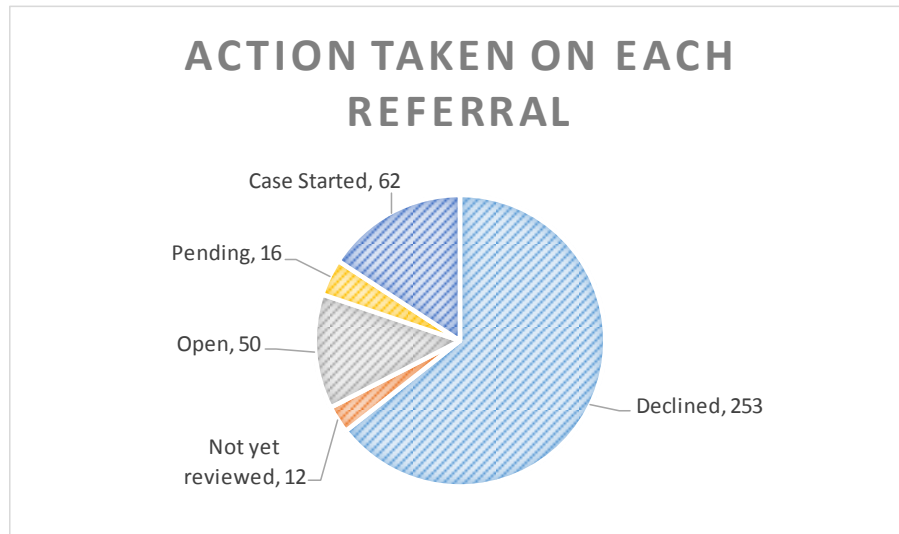
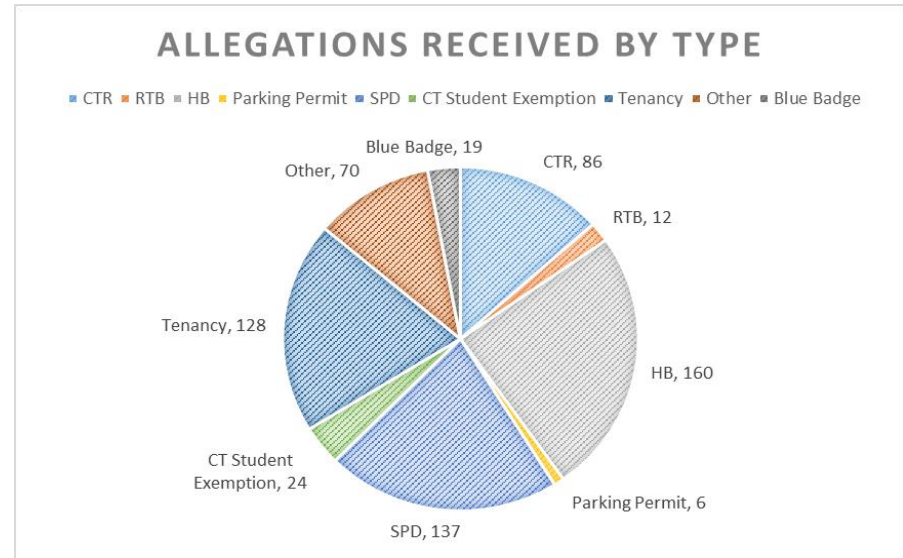
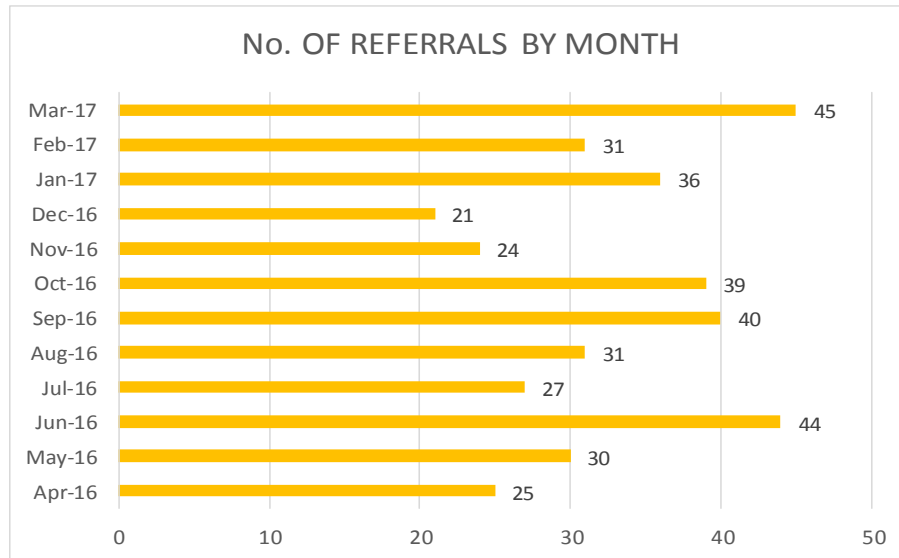
OUTCOMES OF CLOSED INVESTIGATIONS



SAVINGS BY REFERRAL SOURCE



REFERRALS



This page is intentionally left blank

DRAFT Annual Governance Statement

Audit Committee

Date: 27th June 2017

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 It is a requirement of the Accounts and Audit Regulation 2015 that the Council prepares an Annual Governance Statement.
- 1.2 The purpose of this report is to provide Audit Committee with details of the draft Annual Governance Statement for comment.
- 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 properly.
- 1.4 The Annual Governance Statement sets out the Council's governance arrangements and is therefore a key source of assurance for the Audit Committee.

2. Recommendations

The Committee is recommended to:

- 2.1 It is recommended that the Audit Committee reviews the content of the draft Annual Governance Statement and identifies any additional significant control issues that it would like to be considered for inclusion in the Annual Governance Statement prior to sign off by the Leader and Chief Executive in September 2017.

3. Detail

- 3.1 The Annual Governance Statement (AGS) is the formal statement that recognises records and publishes an authority's governance arrangements.
- 3.2 It is designed not only to give an opportunity for authorities to consider the robustness of their governance arrangements, but also provide an accurate representation of arrangements in place during the year and to identify areas where improvement is required.
- 3.3 The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government.
- 3.4 The Annual Governance Statement explains how the Council has complied with the local code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

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

DRAFT Annual Governance Statement

Audit Committee

Date: 27th June 2017

- 3.5 The guidance for the AGS requires the Council to set out its governance arrangements and key elements of internal control and the sources of assurance; a review of the effectiveness of those governance and internal controls and a requirement to identify significant governance issues. The Council must ensure that it can provide evidence for any of the systems of internal control included in the AGS.
- 3.6 Guidance issued by CIPFA regarding the statement also recommends that a suitable independent management group should review the content of the AGS. The Council's Audit Committee will undertake this role. The Chief Executive and the Leader of the Council will sign the statement once the Audit Committee has approved it in September 2016.
- 3.7 CIPFA/SOLACE has issued guidance '*Delivering good governance in Local Government*' which came in to effect from 1st April 2016 and will impact on the AGS for 2016/17.
- 3.8 The draft Annual Governance Statement is set out in Appendix 1 to this report.
- 3.9 As part of the document the Council must identify any areas of significant governance or internal control issues that have occurred during 2016/17. Potential areas for inclusion were discussed at Corporate Board. This included a review of last year's statement and agreeing whether any issues raised for 2015/16 could be taken off and whether any new issues needed to be included.
- 3.10 It is recommended that the following issues could be removed from the statement:
- ❑ IT service provision
 - ❑ Capacity and capability in the context of large scale change
 - ❑ Financial relationships with wholly owned subsidiaries
- 3.11 Further progress is still required in the following areas before they can be taken off the statement:
- ❑ Information Governance and Security
 - ❑ GCSE attainment
- 3.12 There are three new areas recommended for inclusion in the statement for 2016/17:
- ❑ Transfer of staff from SEQOL
 - ❑ Housing contract management
 - ❑ Parishing
- 3.13 There are various sources of assurance that can inform both Corporate Board and Audit Committee on how the governance arrangements and systems of internal control within the Council have been operating (see Appendix 2).

DRAFT Annual Governance Statement

Audit Committee

Date: 27th June 2017

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 This statement explains how the Council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

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

6.2 Corporate Management Team

7. Background Papers

7.1 None

DRAFT Annual Governance Statement

Audit Committee

Date: 27th June 2017

8. Appendices / Background papers

Appendix 1 – The Annual Governance Statement 2016/17

Appendix 2 – Assurance Framework

Appendix 3 – Definition of significant governance or control issues

9. Key Decision/Decision in Forward Plan

Not Applicable

SWINDON BOROUGH COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT: 2016/17

1. Scope of responsibility

Swindon Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework for Delivering Good Governance in Local Government (2016)*. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

3. The Council's framework for ensuring compliance with the core principles of effective governance:

Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusion. The Council's Local Code of Corporate Governance sets out the framework by which the Council will meet that commitment. The Code is based upon the following seven core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Local Code of Corporate Governance forms part of the Council's Constitution and the full version can be found at:

<http://ww5.swindon.gov.uk/moderngov/ecCatDisplay.aspx?sch=doc&cat=13338&path=0>

4. Review of effectiveness

Swindon Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Corporate Directors and relevant Heads of Service have completed an assurance questionnaire reviewing the control environment within their service and the results of the questionnaire have been used to help inform our assessment of significant control issues for the Council.

The following process has been applied in maintaining and reviewing the effectiveness of the system of internal control. Both in-year and year-end review processes have taken place.

In year review mechanisms include:

- The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It also receives reports relating to risk management and monitors the corporate risk register, as well as being responsible for key decisions and for initiating corrective action in relation to risk, performance and internal control issues.
- The terms of reference for the Audit Committee reflect CIPFA guidance best practice. The Committee is a full committee of the Council emphasising the commitment to ensuring that there are high standards of internal control within the Council. The Committee is responsible for reviewing the financial performance, risk management, has an oversight of Treasury Management and both, Internal and External Audit performance and their findings and recommendations.
- The Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues.
- The role of the Director of Finance as Section 151 Officer has been assessed by Internal Audit against CIPFA's statement on the *Role of the Chief Financial Officer in Local Government*. It was found that the requirements of the CIPFA statement are being met.
- The Internal Audit section has been externally assessed against the Public Sector Internal Audit Standards during 2016/17. The assessment, carried out by Bristol City Council, concluded that the Council's Internal Audit section conforms to the

requirements of the Standards. A self-assessment of the Head of Internal Audit's role has also been made against CIPFA's statement on the *Role of the Head of Internal Audit in Public Service organisations*. It was found that the requirements of the CIPFA statement are being met.

- The Senior Information Risk officer (SIRO) has assessed the Council's information governance and security arrangements and has stated that:

'Work has continued to develop and embed information governance policies and supporting processes in 2016/17. The Council has completely refreshed its information and technology policies. These policies have been out to consultation in 2016/17 and have now been approved, with a formal launch planned in early 2017/18. The launch will be supported by a programme of training.

There have been variable levels of take-up of mandatory information governance and security related training in the Authority in 2016/17. Work has been undertaken to address this and day one training for all new staff has been agreed as part of the Council's induction process, a new training platform has been procured to delivery mandatory ongoing training and Council has procured and is piloting a policy management solution to support the launch of new information policies.

Due to several changes in the holder of the SIRO role in 2016/17, some information governance practices have not developed to their full potential. The Information Governance Board has not met in 2016/17. However, the SIRO role has now been allocated and the Chief Information Officer role designated. The Information Governance Group's membership has been refreshed and is due to start meeting again in early 2017/18. Information Asset Managers roles have started to mature but more work is required to embed these roles and the role of the Information Asset Assistant in the organisation.

Work to develop Information Risk Management is continuing and the Council's Information Asset Register is being developed to provide a more comprehensive picture of the information the Council holds and the threats and risks to be managed. Information risk has been escalated to the Council's corporate risk register, for Corporate Management Team awareness and scrutiny.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita.

The Council's archive for paper records has been made largely fit for purpose and a long-term archiving solution has been identified and is in the process of procurement.'

Other in-year reviews included:

- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2016/17. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified no material issues in their audit of the financial statements and issued an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2015/16.
- A Corporate Governance Working Group, consisting of both Members and officers including the Monitoring Officer, reviews the effectiveness of the Council's corporate

governance arrangements by reference to the CIPFA/SOLACE corporate governance standards and other best practice. The Group has streamlined the Council's decision-making process ensuring that agreed decisions could be implemented promptly and some decision making has been devolved locally. It has also looked at devolving some powers to localities and how this can be achieved.

- The Council has also revised its Local Code of Corporate Governance to reflect the updated guidance from CIPFA/SOLACE during 2016/17.
- Risk Management: the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Management Team and presented to both Cabinet and Audit Committee.
- The Council's Performance Framework is led by the Head of Performance, People and Engagement. The framework includes a Performance and Corporate Health dashboards that enables the Council to better target resources and demonstrates the organisation's desire to be as transparent as possible.
- The Council's Change Manager: Equality and Diversity has stated that 'the Council is compliant with the Public Sector Equality Duty (Equality Act 2010) and has in place a consistent approach to equality analysis. All Cabinet reports include specific equality consideration showing 'due regard' to the duty. This information is quality assured prior to Cabinet meetings. The Council has clear 2017/18 Equality objectives in place and receives scrutiny of its work by the Equalities Advisory Forum.'

A year-end review of governance arrangements and the control environment has also been completed which included:

- Obtaining assurances from all Corporate Directors and Heads of Service that key elements of the control framework were in place during the year in their departments. They were also asked to identify areas where control weaknesses had resulted in a significant issue arising for the department.
- Reviewing the Head of Internal Audit's annual audit report presented to Audit Committee.
- Obtaining specific assurances from Heads of Service with regard to the governance arrangements in place for key partnerships.

The review has identified that the following area included in last year's statement have progressed sufficiently for them not to be included as areas of focus in this year's statement:

- IT service provision
- Capability and capacity in the context of large scale change
- Financial relationships with wholly owned subsidiaries

These areas will continue to be reviewed and relevant risks will be included and managed through the Council's Corporate Risk register.

However, further progress is still required in the following areas before they can be taken off the statement:

- Information Governance and Security
- GCSE attainment

More detail on these areas is provided below.

5. Opinion on the Council's governance arrangements

The review has found that the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

6. Governance: Key Areas of Focus

The review process has highlighted a number of significant areas for enhanced focus regarding the governance and internal control environment and these are described briefly below. For each one, action plans have been determined by a responsible officer and are under implementation or are in the process of being prepared and a summary of the key elements of these are included below:

- **Information governance and security** – the Council has completely refreshed its information and technology policies. These have now been approved and will be launched in early 2017/18 supported by a programme of training. There have been variable levels of take-up of mandatory information governance training and work has been undertaken to address this.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita

Areas of improvement for 2018/19 include:

- Obtain and maintain Public Service Network Code of Compliance certification and achieve NHS Information Governance Toolkit compliance.
 - Launch refreshed information policies and supporting training. Increase compliance with mandatory information and security training.
 - Ensure the organisation is prepared to comply with the General Data Protection Regulations by May 2018.
 - Continue to embed Senior Information Risk Officer, Information Asset Owner and Information Asset Assistant roles in the Authority and continue to develop and embed good information management processes and practices.
- **GCSE Attainment** - Significant action was taken during 2016/17 to establish a robust governance structure that enables and challenges performance concerning school improvement in Swindon. This has included the establishment of the new Swindon Challenge Board. GCSE results are improving slowly but raising attainment across the Borough will not be a quick fix and time will be needed for the Board to have an impact on a rise in standards.

An on-going challenge for the Council will be ensuring the involvement of Academies in contributing to the improvement agenda. This has improved over the past twelve months with the Council and the Academies working closer together with national organisations and external academy trusts. All bar one of the Council's secondary schools is an academy and although the local authority has responsibility for school improvement there is a lack of direct power that the Council can use to influence the performance of academies and ultimately attainment.

- **Transfer of staff from SEQOL** – due to SEQOL ceasing to trade approximately 500 staff had to be brought back in-house over a very short time period. Services brought back in-house included: the front line social work team; two older people care homes;

a learning disability care service; shared lives; building futures; Swindon Support team; the Hospital social work team; Enterprise Works etc. Work was also required to find new providers for four older people day services.

The transfer of staff and services required significant work regarding consultation with staff, sorting out accommodation requirements and the novation of contracts. On transfer budgets and cost centres needed to be rebuilt; staffing vacancies filled, TUPE arrangements agreed, as well as restructuring the staff as there was no management structure.

The staff transfers were carried out in a very short period and involved a significant amount of officer time, however there was no adverse effect on service users.

- **Housing contract management** - an Internal Audit review of the contract management arrangements within Housing was undertaken during 2016/17. The audit found a number of significant weaknesses including:
 - Management arrangements were not sufficiently robust to effectively monitor and manage the overall Housing capital programme of works. A number of contracts have overspent their contract award/contract extension values breaching the Council's Contract Standing Orders requirements i.e. section 28 relating to Contract Variations specifically relating to works contracts.
 - Emerging key risks and issues have not been identified within projects and the overall programme of work.
 - There have been delays in getting contracts mobilised due to difficulties encountered in clearing contract awards at Gateway three.

A subsequent follow-up audit carried out during 2016/17 found that procedures had improved but there was still a significant amount of work required to implement agreed audit recommendations.

- **Parishing** – a significant diversion of resources was required to:
 - Work with pilot parishes regarding the transfer of services
 - Establish new parishes including the election of new Councillors
 - Disaggregate budgets and service provision
 - Consult regarding the proposed changes

All areas of the Council have now been successfully parished. The bedding in of the transition process will be closely monitored to ensure that this continues to happen smoothly.

7. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year although we recognise the areas for additional focus identified in section 6. We are satisfied that these enhancements will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

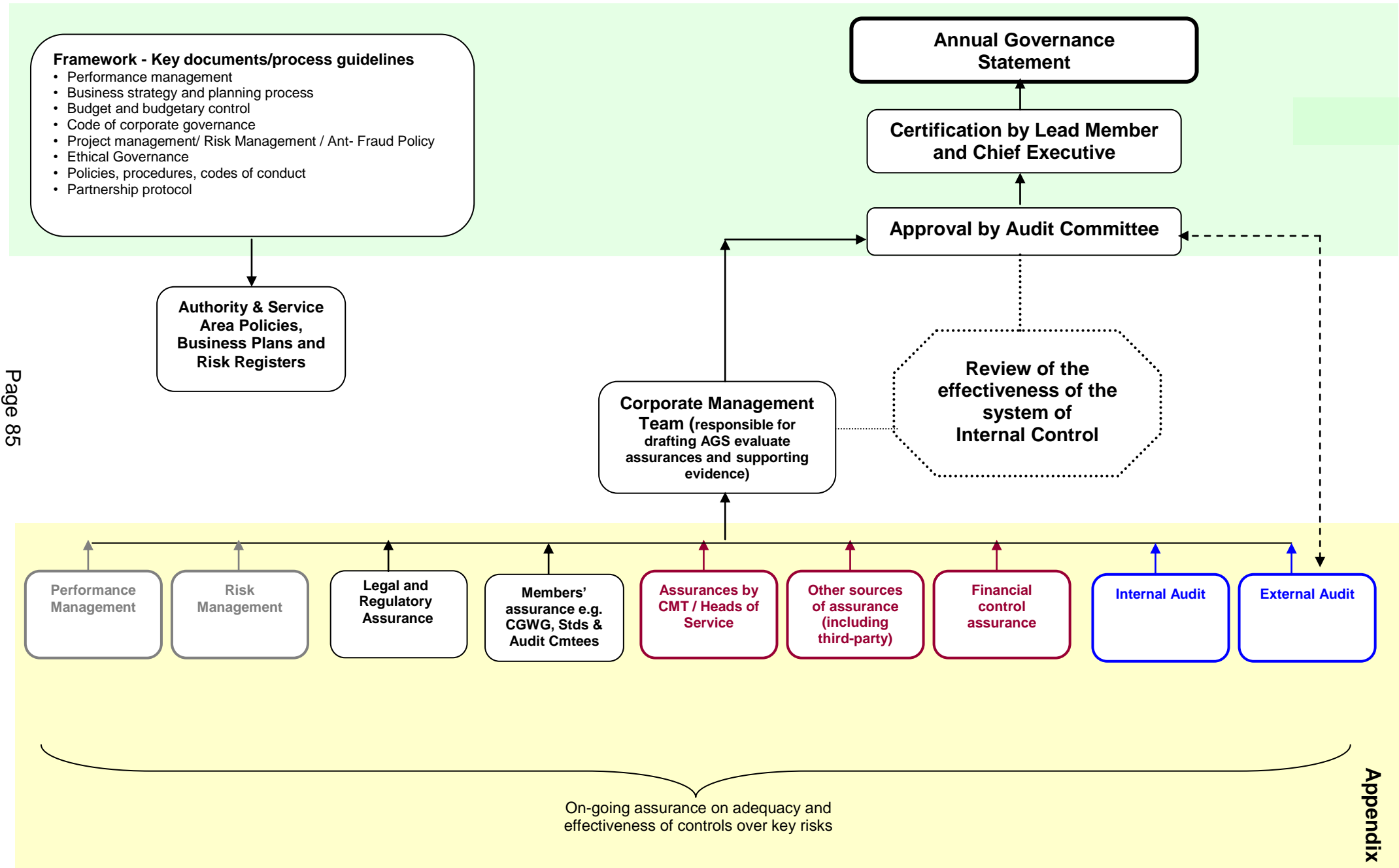
Signed:

Signed:

Councillor David Renard
Leader of the Council

John Gilbert
Chief Executive

ANNUAL GOVERNANCE STATEMENT FRAMEWORK (FLOWCHART)



Definition of Significant Control and Governance Issues

Guidance issued by CIPFA in relation to what should be considered 'significant', for inclusion in the Council's Annual Governance Statement, may be those which:

- Have seriously prejudiced or prevented achievement of a principle objective
- Has resulted in the need to seek additional funding to allow it to be resolved
- Required a significant diversion of resources
- Has had a material impact on the accounts
- The Audit Committee has advised that it should be considered as significant
- Has resulted in significant public interest or has seriously damaged reputation
- Has resulted in formal actions being taken by the Chief Financial Officer or Monitoring Officer
- Received significant adverse commentary in external; inspection reports that has not been able to be addressed in a timely manner.

The above is only guidance and not an exhaustive list.

This page is intentionally left blank

Update regarding changes to arrangements for appointment of an External Auditor

Audit Committee

Date: 27th June 2017

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 This report provides an update to Members regarding 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.

2. Recommendations

The Committee is recommended to:

- 2.1 Note the updated position regarding the appointment of External Auditors including the timescale for challenging any appointment.

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 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.
- 3.5 The scope of the audit will still be specified nationally, the National Audit Office 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.

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

Update regarding changes to arrangements for appointment of an External Auditor

Audit Committee

Date: 27th June 2017

- 3.6 The intention is for the External Auditor to be appointed for a period of five financial years beginning 1st April 2018.
- 3.7 A report was presented to the November 2016 meeting of the Audit Committee setting out the various options for procuring an External Auditor. Audit Committee recommended that the Council opt for the Sector led body (Public Sector Audit Appointments) to make the procurement arrangements. This was subsequently endorsed by Full Council.

Update: Public Sector Audit Appointments (PSAA) - Procurement progress

Selection stage

- 3.8 The selection stage ran from 16 February to 21 March 2017. Nine potential suppliers were invited to tender. Feedback was also received from firms and authorities on the draft contract during this period.

Invitation to tender

- 3.9 The tender period was from 6 April to 10 May 2017. Eight responses were received and then evaluated by PSAA. This was completed on 25th May 2017.
- 3.10 A strategy and approach for the auditor appointment, allocation and consultation has been agreed by the PSAA Board. The key principles for allocation of firms to authorities will include:
- Auditor independence
 - Meeting contractual commitment
 - Accommodating joint/shared working arrangements as far as possible
 - Ensuring a blend of authority types for each firm
 - Taking account of a firm's principal location
 - Continuity of audit firm, if possible

Consultation

- 3.11 The audit firms need to confirm their position on independence issues for each opted-in body before PSAA can consult audited bodies on proposed appointments.
- 3.12 Audited bodies will have five weeks (14 August to 22 September 2017) to consider the auditor proposed by PSAA. Where a body is content with the appointment no further action is needed.
- 3.13 However, in some instances there could be valid reasons why the proposed firm may not be appointed. The Council will have two opportunities to make representations on the proposed appointment, if required, i.e.
- 16-27 October 2017 (following the main consultation period)

Update regarding changes to arrangements for appointment of an External Auditor

Audit Committee

Date: 27th June 2017

- 10-24 November 2017 (final opportunity before PSAA Board approves all appointments)

Representations

3.14 Possible reasons for making a representation include:

- There is an independence issue, of which PSAA had not been informed;
- There are formal and relevant joint working arrangements, of which PSAA had not been informed; or
- There is another valid reason, for example a body can demonstrate a history of receiving inadequate service from a particular firm

3.15 If the Council wishes to make a representation regarding the appointment of its External Auditor it will need to do so in writing. The PSAA will consider all representations and will consult with the Council regarding a revised appointment. However, the PSAA Board will make the final decision.

Auditor appointment timetable:

Activity	Target date
Prepare schedule of proposed appointments	12 th July 2017
PSAA Board approve proposed appointments	19 th July 2017
Consult firms on proposed schedule of appointments	20 th July – 14 th August 2017
Consult audited bodies on proposed appointment	14 th August – 22 nd September 2017
Review any representations and consult and consult on proposed alternative appointment (iteration 1)	23 rd September – 27 th October 2017
Review any representations and consult and consult on proposed alternative appointment (iteration 2)	28 th October – 27 th November 2017
PSAA Board approves appointments	14 th December 2017
PSAA issues appointment confirmation letters	18 th December 2017
Consultation on proposed scale fees (see below)	October 2017 – January 2018
Scale fee approved by PSAA Board and confirmed	By 31 st March 2018
Start date for auditor appointments for 2018/19	1 st April 2018

Fee Setting Process

3.16 The 2018/19 fees will be determined by the prices achieved in the auditor procurement process. The PSAA will pool the scheme costs and charge fees to audited bodies in accordance with a scale of fees which has regard to size,

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

Update regarding changes to arrangements for appointment of an External Auditor

Audit Committee

Date: 27th June 2017

complexity and audit risk, most likely as currently evidenced by audit fees for 2016/17.

- 3.17 Firms must seek the PSAA approval to charge more or less than the scale fee. Variations are only expected to occur where the audits risks are significantly different from those identified and reflected in the previous years' fees.
- 3.18 An update regarding the appointment of an External Auditor will be brought to September's Audit Committee.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The Council opted for the national Sector Led Body to make the appointment of its External Auditor. It is hoped that that this will limit the extent of any Audit fee increase by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. Actual costs will not be known until relevant audit firms have submitted their quotes to the Sector Led Body.

Legal and Human Rights Implications

- 5.2 The Council has to appoint an External Auditor to comply with the requirements of Section 7 of the Local Audit and Accountability Act 2014 (the Act).
- 5.3 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.
- 5.4 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)

- 5.5 None

Update regarding changes to arrangements for appointment of an External Auditor

Audit Committee

Date: 27th June 2017

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.6 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

- 5.7 None

Risk Management

- 5.8 There is no immediate risk to the Council.

6. Consultees

- 6.1 The Chief Executive
- 6.2 The Director of Finance (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

None

This page is intentionally left blank

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

14 June 2017

Page 95

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

Anna McWilliam

Executive

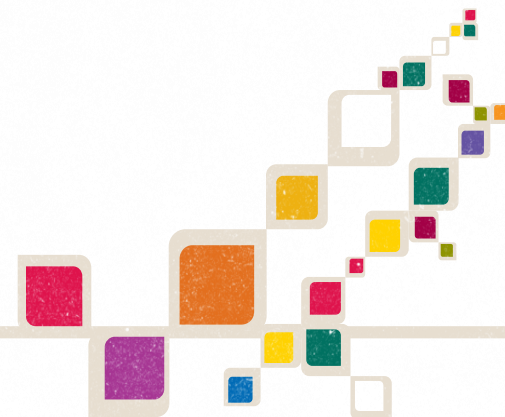
T 0117 3057611

E Anna.K.McWilliam@uk.gt.com

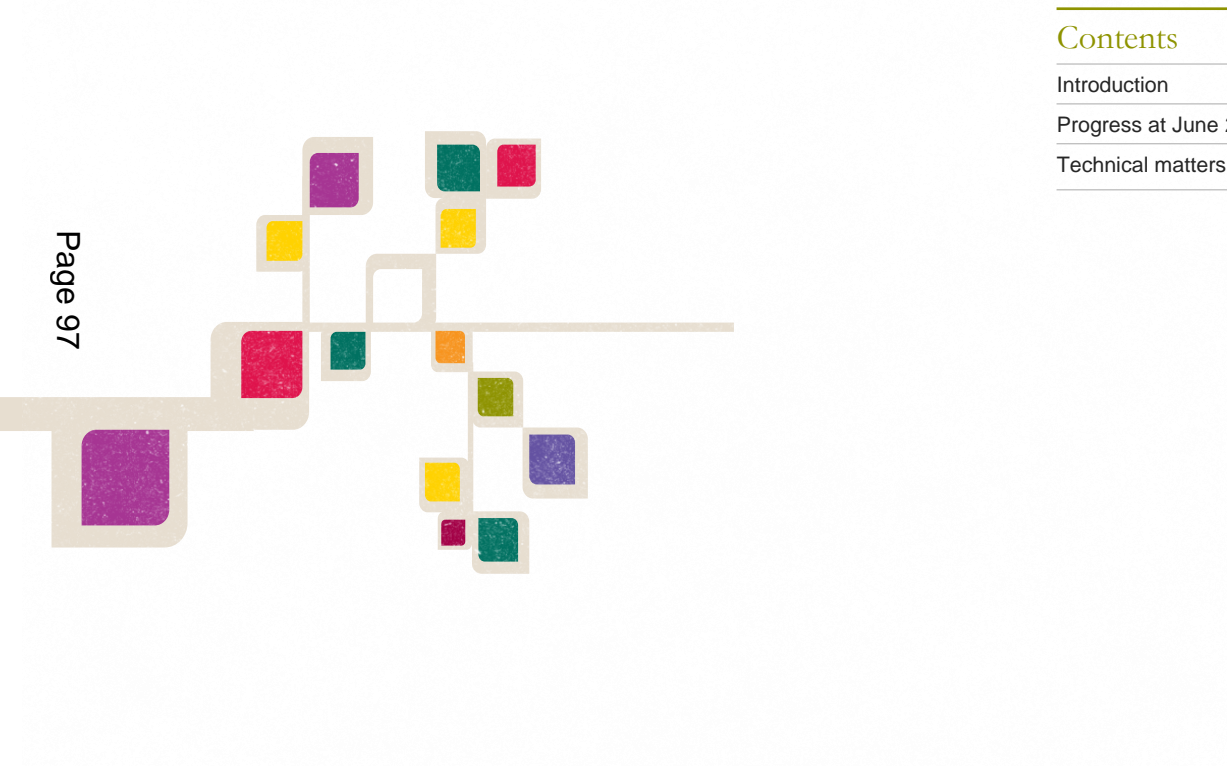
Agenda Item 13



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.



Contents



Contents	Page
Introduction	4
Progress at June 2017	5
Technical matters	7

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:

- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government = transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

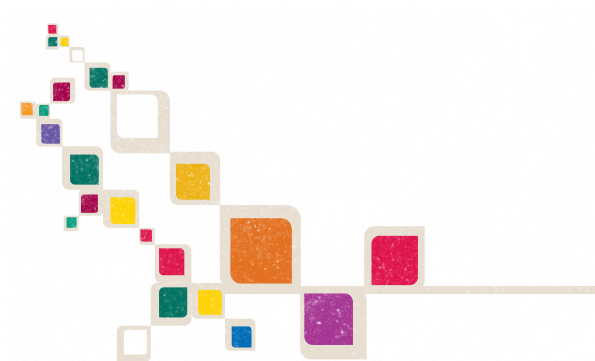
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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



Progress at 14 June 2017

2016/17 audit



Progress against plan
On track



Opinion and VfM conclusion
On Track

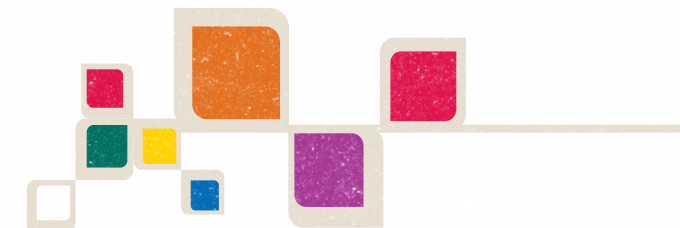


Outputs delivered Fee letter,
accounts audit plan.

Page 99

2016/17 work	Completed	Comments
Fee Letter We issued the 'Planned' fee letter for 2016/17 in April 2016.	April 2016	
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 2016-17 financial statements. We also inform you of any subsequent changes to our audit approach.	April 2017	Reported to the April Audit Committee meeting
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • 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 	Yes	Reported in Accounts Audit Plan.

Progress at 14 June 2017



2016/17 work	Completed	Comments
Final accounts audit Including: <ul style="list-style-type: none"> Audit of the 2016-17 financial statements proposed opinion on the Council's accounts 	No	The matters arising from our work will be reported to the September Audit Committee.
Value for money Including review of arrangements and risks identified in the Accounts Audit Plan.	No	The matters arising from our work will be reported to the September Audit Committee.
Grant Certification We are required to complete work on the following returns: <ul style="list-style-type: none"> Housing Benefit Homes and Communities Agency return Teachers Pension Return Pooled capital receipts return 	N/A	Our work will be completed by the deadline of 30 November 2017.
Other activities We provide a range of workshops, along with network events for members and publications to support the Council.	On-going	Our accounts workshop took place on 1 st March 2017.
Annual Audit Letter	No	The Annual Audit Letter will be completed by October 2017.

Technical Matters

Page 101



Sector issues and developments



Local authority accounts – a guide to your rights

In addition to their statutory duties and powers in respect of the Code of Audit Practice and guidance to auditors, the Comptroller and Auditor General has agreed to maintain and publish Local authority accounts – a guide to your rights

This document provides information on how people can ask questions and raise objections about the accounts of their local authority

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights>

LAAP BULLETIN 105 Closure of the 2016/17 Accounts and Related matters

This bulletin covers the closure of accounts and related matters for the 2016/17 year and provides further guidance and clarification to complement the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners* (Code Guidance Notes). It addresses frequently asked questions, and other issues that have arisen since the publication of the Code Guidance Notes.

The bulletin focuses on those areas that are expected to be relevant for most authorities. It is not intended to replace authorities' processes for identifying issues, but to complement them.

In addition, the bulletin addresses matters that will generally be applicable to authorities across England, Wales, Scotland and Northern Ireland.

Grant Thornton



The Board: creating and protecting value

Our new cross sector Board Effectiveness Report

Grant Thornton reports

In all sectors, boards or Cabinets are increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability. Building on the success of our cross sector audit committee effectiveness survey- Knowing The Ropes, the Grant Thornton Governance Institute extended its research to look at the effectiveness of boards across the corporate, public and not for profit sectors.

This report raises key questions that all boards should ask themselves to challenge their effectiveness. Their organisations may operate in different sectors and be subject to a variety of statutory and governance requirements, but they all share a common overriding principle: the governing body is a collective charged with developing the organisation's purpose.

Key messages:

- There is a strong future focus on boards
- Executive behaviours tend to dominate - not the best scenario for good governance or an organisation's future focus
- There are strongly held opinions about the relationship between the board and the executive which will impact on efficiency
- More than 88% of respondents see their executives as being strong leaders of the organisation
- There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation
- Non-executives also need to live and breathe those values – only 82% of respondents agreed that the non-executives inspire and guide the executive to realise the organisation's purpose
- Over 60% of board members believe that are adequate processes in place to evaluate performance

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This framework allows organisations to have a better understanding about where they are focusing their energies.

Download the report here: <http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

Challenge question:

Are you familiar with this report?

The income spectrum

Helping local authorities to achieve revenue and strategic objectives to create a vibrant economies

Grant Thornton market insight

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our new research on income generation which includes our CFO Insights too, suggests that:

- councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

To support local authorities as they develop income generation strategies, the report provides:

- case study examples
- local authority spend analysis
- examples of innovative financial mechanisms
- critical success factors to consider





© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

This page is intentionally left blank

Head of Internal Audit Update

Audit Committee

Date: 27th June 2017

Author: Head of Internal Audit

Wards: 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 April 2017, 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 2017/18

- 3.1 Details of audits finalised since the April 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 2017/18 plan as at the year-end. As at the end of May 2017, 13% of the number of audits in the audit plan has been completed against a target of 16%.

Staffing update

- 3.3 The section has been without a Senior Auditor since January 2017. The section advertised for a Senior Auditor role to fill the current vacancy. Unfortunately this was unsuccessful, we are currently going through a second recruitment process.

Corporate Fraud Team

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

Head of Internal Audit Update

Audit Committee

Date: 27th June 2017

- 3.4 Continued HRA funding for the Corporate Fraud Team has been agreed with the Head of Housing Services for 2017/18.
- 3.5 An annual report of the Corporate Fraud Team is included in the agenda for this meeting. So far in 2017/18 the Corporate Fraud Team has received a total of 56 referrals. To the end of May the team has:
- Recovered 3 housing properties (estimated savings £54,000)

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.

Head of Internal Audit Update

Audit Committee

Date: 27th June 2017

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 2017/18.

7. Background Papers

- 7.1 None

8. Appendices

Appendix 1 – Internal Audit Reports finalised since the February 2017 Audit Committee.

Appendix 2 – Progress against the Internal Audit plan 2017/18

This page is intentionally left blank

INTERNAL AUDITS FINALISED SINCE THE LAST AUDIT COMMITTEE MEETING: APRIL 2017

Audit Title:	Housing Rents						
Date of Report:	05/04/17			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	High Standard	Previous Audit Opinion:	High Standard	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> <ul style="list-style-type: none"> There are no key recommendations as a result of this review. 							

Audit Title:	Improvement Grants follow up						
Date of Report:	16/05/2017			Materiality/Impact:		Medium	
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	1	Previous Audit Opinion:	1	Overall Evaluation (Risk):	Minimal
<u>Key Recommendations</u> <ul style="list-style-type: none"> There are no key recommendations made as a result of this review. 							

Audit Title:	Northgate System Control and Integrity Follow-Up						
Date of Report:	April 2017			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	N/A	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> <p>No key recommendations were made as a result of this review.</p>							

Audit Title:	ICT and Information Governance Policy Library						
Date of Report:	May 2017			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	3	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Of concern
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> • Policies should be reviewed to determine whether they are replacing any existing policies. If they are, the new policy will need to be approved by the same method of approval for the old policy (e.g. by Corporate Management Team, Cabinet Member Briefing note or Cabinet). If there is no clear previous route of approval, then advice should be taken from the Director of Law and Democratic Services on the most appropriate route for these. In addition, if the policies result in changes to staff terms and conditions e.g. prohibition of personal use of equipment, then a formal consultation will need to be carried out before they can be formally adopted. Once the policies have been approved, an official launch of the Policy Library should be carried out to support its implementation, by ensuring that it is clearly communicated to staff, Members, and other users of the Council's information systems (for example temporary staff, consultants, etc.). • Information security and governance training and knowledge requirements including what policies should be mandatory, for standard users, should be set. Targeted requirements for other staff based on their roles and responsibilities should also be set. Any mandatory training / knowledge requirements should be communicated to users e.g. in the Acceptable Use Policy. The rollout of MetaCompliance should be completed, to capture that users have read, understood and accept the mandatory information governance policies. The requirement for users to sign the Acceptable Use Policy and return the slip to HR should be removed from the policy. 							

Audit Title:	Open Housing System Control and Integrity Follow-Up						
Date of Report:	April 2017				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	N/A	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> The level of protective monitoring required for the system should be determined by a security risk assessment. The frequency of audit log reviews and who should perform them should also be determined. When considering logging and monitoring requirements for the system, establish whether running the application and database on upgraded hardware (virtual or physical) would remove performance issues that currently prevent the full audit log being enabled and evaluate whether the cost of this is met by the benefit of enhanced logging. 							

Audit Title:	Registrars						
Date of Report:	May 2017				Materiality/Impact:		
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	2	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> • A risk based decision should be made on whether to dispose securely of the card transaction receipts displaying the full PAN immediately, or retain them until they reach the retention period. • In line with the Council's Financial Regulations, internal orders should be completed for all purchases. The order form should be used as a reference to check that the correct goods/services are received, and charged for. A segregation of duties should exist between the officer authorising the order of goods/services and the officer authorising the payment for goods/services. 							

Audit Title:	TUPE arrangements						
Date of Report:	March 2017				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	3	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Of concern
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> • A more structured project management approach to guide the TUPE process is necessary to ensure consistency and robustness to the process. Where possible, this should include setting up a project team, to include key services involved in the process and be guided by template project plans and timetables. Standardised documents and templates should be in place to support the TUPE process, reinforced through up to date guidance that provides Managers with clarity over roles and responsibilities. Where necessary, guidance should be supplemented by TUPE training, to ensure staff are aware of the Regulations and their potential role in transfers. • A designated Officer from both Legal and Finance should be involved in the Project Team on each TUPE. TUPE guidance should be clear as to when Legal advice should be sought, with particular attention given for ensuring this is done in advance of the transfer taking place, to allow for key processes to be reviewed. The Finance Team's involvement in the TUPE process should also be clarified and a standard process documented where possible to guide future involvement. • Indemnities and warranties should be in place for each TUPE and evidence held in a central TUPE file. Where possible, further evidence of due diligence checking should be clearly recorded. 							

- Rationalise and agree the approach and acceptability of placements for Children where suitable Foster Carers are not available i.e. what checks are required to be completed on the person offering a placement? Is it appropriate to place children with a person who is known to the service and in what circumstances? How long this type of placement should be permitted before being review etc.? The Foster Care Team should ensure that the daily Foster Care list provided to the out of hours EDS consists of available foster carers. If support workers are required for any of the available foster care placements then details of available support workers should also be provided to ensure the option is viable.
- The Swindon Procedures Manual would benefit review to ensure that it provides specific guidance to the EDS for the following: a definition setting out the type and nature of emergency referrals that the EDS team manage out of hours (and those which are not emergency referrals). This should emphasise that the service only deals with significant risks. Incidents that are not classified as such notified to the relevant day time services on the next working day; a procedure for logging and communicating referrals to day services along with action taken, including the notification process for urgent and significant risks client referrals.
- Ensure there is a specific, understood and communicated working protocol between the EDS and day time services in Children's Social Care including Mental Health. This should:
 - Cover the basis of any significant and urgent referrals of clients from day time services to EDS including service cut off times and referral of client to EDS, means of communication and extent of information required.
 - Determine if welfare visits are to be conducted by EDS and the criteria applicable to be met for these to be requested. Also evaluate the impact of welfare visits not being conducted if EDS staff have other more significant referrals to manage and respond to.
 - Review and refresh the referral forms completed by the EDS Team and sent on to day time services (Children's and Families, Adult Social Care and Mental Health) to rationalise and standardise the information required in a concise form.
- The EDS staff should be trained in case recording to ensure this is of a clear, consistent and quality standard from which to conduct care assessments.
- It is recommended that a case meeting to review the suitability of care plans put in place by the Looked After Children Team / Youth Offending Team for the two children referred to court on 19th November 2016. Apply any lessons learnt to future referrals.
- Secure RIO mental health care system access for relevant Council staff with Mental Health Care responsibilities so that they can directly access and input client information.

The following reports are currently in draft:

- Street Works
- Fleet management
- Compliance with Standing Orders
- Children's health
- Commercial assets
- ID badges
- Risk management
- Performance management
- Corporate reporting
- Asset management
- Creditors
- Plas Pencelli
- Workplace health

This page is intentionally left blank

Key Audits Completed (Audits) - Draft - Total 36

[illegible]

Total other Audits Completed - Draft (54)

[illegible][illegible]

This page is intentionally left blank