

Swindon Borough Council

Audit Committee

Tuesday, 5 June 2018

Committee Room 6, Civic Offices

At 6.00 p.m.

Conservative Councillors

Steve Weisinger
(Chair)
Nick Martin
Roger Smith
Rahul Tarar

Labour Councillors

John Ballman
Des Moffatt
Kevin Small

Committee Officer: Iain Tucker (01793 463605)

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. Exempt Items - Exclusion of Press and Public

Certain items are expected to include the consideration of exempt information and the Audit Committee is, therefore, recommended to resolve "That, in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded during the discussion of the matters referred to in the items listed

below, on the grounds that they involve the likely disclosure of exempt information, as defined in the respective paragraph of Part 1 of Schedule 12A of the Act, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information".

<u>Item No.</u>	<u>Paragraph No.</u>
13	3

6. **Minutes** (Pages 5 - 8)
To receive the minutes of the meeting held on 20th March 2018
7. **Treasury Management Performance 2017/18** CDRG (Pages 9 - 16)
8. **Internal Audit report: Compliance with Contract Standing Orders** HIA (Pages 17 - 44)
9. **Audit Committee: Annual Report 2017/18** HIA (Pages 45 - 50)
10. **Head of Internal Audit Annual Report** HIA (Pages 51 - 74)
11. **Draft Annual Governance Statement** HIA (Pages 75 - 106)
12. **Head of Internal Audit Update** HIA (Pages 107 - 120)
13. **Outcome of the meeting of the Shareholder Panel to provide oversight of Council-owned Companies CMAG** HIA (Pages 121 - 168)

Date of Despatch: 29 May 2018

Key:

Officers:

CDRG - Corporate Director Resources and Growth
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, 20 MARCH 2018

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

An apology for absence was received from Councillor Kevin Small.

42. Declarations of Interest

Councillor Moffatt made a non-prejudicial interest in respect of agenda item no. 5 “Annual Statement of Accounts 2017/18” as he was an investor in Chapel Solar Farms.

43. Public Question Time

There were no public questions.

44. Minutes

Resolved - That the minutes of the meeting held on 28th November 2017 and the meeting held on 6th February 2018, as tabled, be confirmed and signed.

45. Annual Statement of Accounts 2017/18

The Committee received a report of the Director of Finance providing an update on the progress towards the completion of the 2017/18 Statement of Accounts and future changes affecting their production, and consequent update to the Accounting Policies for 2017/18 to reflect local changes in respect of Group Companies.

Resolved – (1) That the report be noted.

(2) That the Accounting Policies for 2017/18 be confirmed.

46. Letter to those charged with governance

The Head of Internal Audit submitted a report on the requirement of 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, 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, and by the Chair on behalf of the Audit Committee, set out in Appendix 1 to the report, were consistent with its understanding and whether there were any additional point Members wished to make.

Resolved – that the responses by (a) the management of the Council and (b) the Chair of this Committee to the various questions put by the External Auditors in relation to the specified risk areas identified in the report be confirmed as being consistent with this Committee’s understanding of the position.

47. External Audit Plan year ending 31.03.2018

Chris Hackett (Grant Thornton) presented the Audit Plan for 2017/18, explaining the External Auditors’ responsibilities in accordance with the requirements of the Code of Audit Practice issued by the National Audit Office (NAO), and detailing the work to be undertaken in relation to (a) the audit of the key challenges and opportunities the Council is facing, (b) the impact on the Audit Plan of key developments in the public sector and national audit requirements, as set out in the Code of Audit Practice, and (c) in support of the Value for Money conclusion. Mr Hackett also guided the Committee through the summary of the findings of the External Auditors’ interim audit work, and the impact of the findings on the accounts audit approach, the key dates of the audit cycle and fees for the Council audit and other services agreed at the time of the issue of the Audit Plan.

Resolved – That the External Auditors’ Audit Plan 2017/18 be accepted.

48. External Audit - Progress report and sector update

Chris Hackett (Grant Thornton) presented a report advising the Committee of the External Auditors’ progress, as at March 2018, 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.

49. Internal Audit Plan 2018/19

The Head of Internal Audit submitted a report setting out the draft Audit Annual Plan for 2018/19.

Resolved – (1) That the draft Internal Audit Plan for 2018/19 be approved.
(2) That the Head of Internal Audit be requested to consider the possibility of conducting an internal audit into the use and cost of Platform Building.

50. 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 2018, progress made against the Annual Internal Audit Plan 2017/18 and Internal Audit staffing and resource issues.

Resolved – (1) That the report be noted

51. Vote of Thanks

The Chair recorded his appreciation to the Head of Internal Audit and his team, the Director of Finance and his team, the Council’s External Auditors, the Committee

Officer and all members of the Audit Committee for their work during the year.

This page is intentionally left blank

Treasury Management Performance 2017/18

Audit committee

Date: 5th June 2018

Author: Cabinet Member for Finance
Corporate Director, Resources and Growth

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report sets out the Treasury Management performance for 2017/18.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Audit Committee is recommended to:

- 2.1 Note the 2017/18 Treasury Management performance as detailed at paragraphs 3.1 to 3.17 and Prudential Indicators shown at Appendix 1.

3. Detail

Treasury Management Performance 2017/18

- 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 2017/18, three new long-term loans (greater than one year) were taken out, each loan was for £10m, (interest rates are shown in brackets) and mature in July 2026 (1.89%), August 2067 (2.31%) and September 2064 (2.3%).
- 3.4 A number of long-term loans totalling £1.501m matured during the year. These were running at an average rate of 3.77%. Total long-term debt has therefore increased from £279.3m to 307.8 over the year. The average maturity period on all existing long-term debt is 18.5 years and the average rate on all long-term debt over the year was 3.48%

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 2017/18

Audit committee

Date: 5th June 2018

-
- 3.5 Short-term borrowing as at 31st March 2018 was £8.0m. This figure fluctuates daily and reflects the Council's daily cash flow requirements which are 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 2017/18 was 3.41%. This is an increase of 0.06% on the average for the previous financial year.

Investments

- 3.7 During 2017/18 there was an *average* daily investment balance of £56 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 2018 of £48m was an increase from £44m 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 £0.971m was earned in 2017/18 on all investments (cash and LAPF) at an average rate of 1.67%. The average investment rate achieved in 2016/17 was 1.53%.
- 3.9 The average balance in the property fund during 2017/18 was £15m with an average return of 4.53%. The other investments had an average balance of £41m returning an average rate of 0.63%. This rate exceeded the 3-month LIBOR (London Interbank Offer Rate) rate of 0.41% 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 2018 showed that Swindon's average rate of return was 0.68% compared with the benchmarking group average of 0.65%.
- 3.11 The Council's debt and investment position as at 31 March 2018 is summarised in the table below:

Treasury Management Performance 2017/18

Audit committee

Date: 5th June 2018

Analysis of Debt and Investments

Debt & Investments	31/03/2017		31/03/2018	
	£'000	Av. Rate (%)	£'000	Av. Rate (%)
Long Term Debt PWLB	239,256	3.54%	267,755	3.39%
Long Term Debt Market	40,000	3.59%	40,000	3.59%
Total Long Term Debt	279,256	3.55%	307,755	3.42%
<i>Of which HRA</i>	<i>125,532</i>		<i>114,015</i>	
<i>Of which GF</i>	<i>153,724</i>		<i>193,740</i>	
Short-term Borrowing	19,000	0.38%	8,000	0.48%
Total Debt	298,256	3.35%	315,755	3.34%
Investments	(44,000)	1.53%	(48,000)	1.67%
Net Borrowing Position	254,256		267,755	

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 2017/18

Audit committee

Date: 5th June 2018

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 increased from £458.3m to £462.2m over the year. This is a net increase of £3.9m. The general fund capital expenditure of £38.8m, was funded from S106 (£3.2m), CIL receipts (£1.1m), grant (£20.8m) and capital receipts (£3.4m) and £10.3m of notional borrowing. The £10.3m was further reduced by £1.4m of MRP contributions and £5m of HRA long term loan repayment leaving a net increase in borrowing of £3.9m
- 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 £51.28m, 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	193,740	114,015	307,755
CFR (Total borrowing requirement)	522,256	114,015	436,271
Further borrowing requirement	128,516	-	128,516

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 2017/18

Audit committee

Date: 5th June 2018

Compliance with Treasury Limits

- 3.19 During the 2017/18 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 2017/18 budget anticipated borrowing of £313m would be required in 2017/18. This compares with an actual year end borrowing position of £316m (inclusive of £8m of short term borrowing). The 2018/19 budget anticipates new borrowing of £16m, which would take total borrowing to £332m, this assumes that the borrowing is taken for the full financial year.
- 5.2 The average investment for the year was £56m this compares with an average of £68m from 2016/17. The 2018/19 budget has assumed that a similar level of interest will be achieved as that in 2017/18.
- 5.3 The Director of Finance (Section 151 officer) has put in place provisions to reduce the dependency on internal borrowing that will take advantage of the historically low long term interest rates, thus protecting the Council from a sudden peak in borrowing costs. This process is in line with the Treasury Management Strategy approved by the Council.

Legal and Human Rights Implications

- 5.4 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)

- 5.5 There are no such direct implications.

Diversity Impact Assessment (DIA)

- 1.1 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would have a detrimental impact on services.

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 2017/18

Audit committee

Date: 5th June 2018

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

8. Appendices

8.1 Appendix 1 – Prudential Indicators

9. Key Decision/Decision in Cabinet Work Programme

9.1 This is not a Key Decision and is included in the Cabinet Work Programme for June 2018.

Appendix 1 - 2017/18 Prudential Indicators

		Mar-17	Mar-18
		Indicator for 17/18	Actual for 17/18
<u>Borrowing Indicators</u>			
Operational Boundary			
	Borrowing	452,744	307,755
	Other Long term liabilities	51,280	51,280
	Total	504,024	359,035
Authorised Limit			
	Borrowing	457,744	307,755
	Other Long term liabilities	51,280	51,280
	Total	509,024	359,035

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 2017/18 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-17 Indicator for the year	Mar-18 Actual for the year
HRA	41.30%	44.30%
Non HRA	8.30%	8.10%

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 £16.5m of spend which is compared with an actual charge £18.4m (including revenue contributions to capital). 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).

Capital Financing Requirement: (CFR)

	Mar-17 Indicator for the year	Mar-18 Actual for the year
HRA	114,532	114,015
Non-HRA	318,212	322,256
PFI liabilities	51,280	51,280
Total	484,024	487,551

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 year
HRA	48,183	31,918
Non-HRA	51,577	38,798
Total	99,760	70,716

The 17/18 indicator shows the total capital programme approved as at the start of 2017/18 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-17 Indicator for the year	Mar-18 Actual for the year
Gross Borrowing	297,756	307,755
CFR (incl. PFI liabilities)	484,024	487,551

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

Internal Audit report: Compliance with Contract Standing Orders

Audit Committee

Date: 5th June 2018

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. The Internal Audit report on *compliance with contract standing orders*, was selected to be presented to this Committee meeting.
- 1.3 The initial report was finalised in January 2018.

2. Recommendations

The Committee is recommended to:

- 2.1 It is recommended that Audit Committee note the report.

3. Detail

Background

- 3.1 Contract Standing Orders set out the requirements, including the EU Procurement Regulations that must be upheld to ensure that the Council's procurement arrangements are legal. These form part of the Council's constitution.
- 3.2 The revised (October 2016) Contract Standing Orders have rationalised and simplified the financial thresholds at which tenders are required. For services and supplies the tender limit has been aligned to the EU Procurement limit of £164,176 but for works a tender limit has been set at a level below the EU limit i.e. £500,000.
- 3.3 Compliance with Contract Standing Orders will ensure that the Council meets the legal requirements of the EU Procurement Regulations.
- 3.4 Internal Audit carried a review of a sample of payments made through the Council's finance system to ensure that they were in compliance with Contract Standing Orders

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

Internal Audit report: Compliance with Contract Standing Orders

Audit Committee

Date: 5th June 2018

Key findings

- 3.5 Audit testing of works, services and supplies paid via the Oracle Financial system, found eleven of thirteen suppliers were procured in breach of Contract Standing Orders and eight of these were also in breach of the EU Procurement Regulations. In these instances there were no contracts or best value justifications in place to support the procurement.
- 3.6 A survey by the auditor of officers involved at different stages of the above procurements was carried out and 22% of these Officers rated their knowledge of Contract Standing Orders as good. However, the findings above demonstrate a low level of compliance which exposes the Council to the risk of legal and commercial challenge, financial penalty and reputation damage. This also compromises the Council's ability to demonstrate value for money.
- 3.7 Guidance and training has been and continues to be made available to commissioners in procuring works, services and supplies. Procurement Surgeries (comprising of officers representing Procurement, Finance and Legal functions) have been introduced and are run twice a week (subject to there being a need). Officers advised that they found the new surgeries helpful in dealing with both exemptions to Contract Standing Orders including single source specialists, unforeseen emergencies and the formal approval of contract extensions. However, the terms of reference for the Procurement Surgeries do not require escalation of any procurement non-compliance with Contract Standing Orders and EU Procurement Regulations, to the relevant Head of Service or Director of Law and Democratic Services. There is also a lack of a monitoring of decisions made at the Procurement Surgeries to ensure that any actions agreed to address emerging risks and issues have been discharged.
- 3.8 A report of total spends by supplier and financial period is available from the Oracle Financial System from which to monitor compliance with approved values of spend (Form C/Procurement Authorisation Document) and the EU Procurement Regulations. However, due to a lack of Procurement team resource this check is not performed on a regular basis to provide assurance regarding compliance. The current release of the Oracle Financials System, Accounts Payables, used by the Council does not include a commitment accounting function. There are no automatic alerts reported to highlight spend which is nearing the approved Procurement Approval Document value or where this may have been exceeded.
- 3.9 The auditor concluded that stronger rigour is needed around the basic principles of procurement practice and recommends mandatory training in the Procurement Toolkit for all commissioning officers.

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

Internal Audit report: Compliance with Contract Standing Orders

Audit Committee

Date: 5th June 2018

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

Diversity Impact Assessment

5.4 None

Risk Management

5.5 Potential risks to the Council are identified in the individual audit report attached as Appendix 1.

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.

6.2 The following officers were consulted on the Internal Audit report attached:

Corporate Director: Resources and Growth; Procurement Manager; Principal Solicitor; Corporate Director: Children Services; Director: Human Resources and Organisational Development; Head of Corporate Programmes and Innovation

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1: Internal Audit report – Compliance with Contract Standing Orders

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

This page is intentionally left blank

**Compliance with Contract
Standing Orders**

**January 2018
FINAL**

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Contents and Distribution

Contents

Executive Summary	2
Context.....	5
Risk Areas Examined and Findings	5
Overall Opinion	6
Action Plan	8
Appendices:	
A – Standard Audit Opinion	
B – Acknowledgements	
C – Procedure on ‘How to Buy’	
D – Summary of Testing for Compliance with Contract Standing Orders	
E – Spend on recruitment for temporary staffing	

Report Distribution – Final Report issued on 12th January 2018 to:

Director of Law and Democratic Services
 Procurement Manager
 Corporate Director: Resources and Growth
 Principal Solicitor
 Corporate Director of Children’s Services
 Director of Finance
 Head of Performance, People and Engagement.
 Head of Corporate Programmes and Innovation

Auditors:

Principal Auditor
 Auditor

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Executive Summary

Background

This audit is intended to provide assurance to the Director of Law and Democratic Services that the Council's Contract Standing Orders are being complied with and that the Council is not at risk of legal challenge or a breach of the EU Procurement Regulations.

On the 21st October 2015, a Cabinet report, produced by the Director of Law and Democratic Services, set out a proposal to adopt revisions to the Council's Contract Standing Orders. These proposals reflected changes in legislation, best practice and statutory requirements. An overview of the Contract Standing Orders relating to procurement are set out in Appendix C 'How to Buy'. Cabinet approved the revised Contract Standing Orders and these took effect from 1st November 2015.

The Director of Law and Democratic Services in the report to Cabinet stated that *'as the volume and diversity of works, services and supplies, procurement activity and the complexity of the partnering arrangements around service provision increase the Council's existing processes need to become more flexible to ensure that staff are spending the majority of their time driving the best solution and value for the organisation rather than managing the process and keeping people informed.'*

Audit Opinion

The impact and materiality of Contract Standing Orders is considered to be **high** and combined with the Auditor's opinion that **significant improvements** are required in control procedures, gives an overall risk assessment to the Council of **'of concern'**.

Key Messages

Contract Standing Orders set out the requirements, including the EU Procurement Regulations that must be upheld to ensure that the Council's procurement arrangements are legal. These form part of the Council's constitution. The revised Contract Standing Orders have rationalised and simplified the financial thresholds at which tenders are required. For services and supplies the tender limit has been aligned to the EU Procurement limit of £164,176 but for works a tender limit has been set at a level below the EU limit i.e. £500,000. Compliance with Contract Standing Orders will ensure that the Council meets the legal requirements of the EU Procurement Regulations.

Audit testing of works, services and supplies paid via the Oracle Financial system, found eleven of thirteen suppliers were procured in breach of Contract Standing Orders and eight of these were also in breach of the EU Procurement Regulations. In these instances there were no contracts or best value justifications in place to support the procurement. Further testing of compliance against the revised Contract Standing Orders for works contracts was undertaken in the Housing Capital Programme Delivery audit. The programme budget for 2015/16 was £16.9m plus an additional £9m of underspend which was carried forward from 2014/15. The audit included sample testing of twenty-two live works contracts. In October 2016 the Housing Capital Programme Delivery audit report identified significant overspends against five contracts and their internal forms of approval, ranging from £40,000 to £522,859, but all procurements were EU

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Procurement Regulation compliant. The auditor identified fundamental weaknesses in the process, resulting in a 'significant risk' audit opinion. In a follow-up of this audit, conducted in February 2017, the procurement of works were found to be compliant with Contract Standing Orders and the overall level of audit opinion improved to 'significant improvements required' and an 'of concern' risk opinion.

A survey by the auditor of officers involved at different stages of the above procurements was carried out to establish the awareness and application of the Council's revised Contract Standing Orders. Nine officers participated in the survey and 22% of these Officers rated their knowledge of Contract Standing Orders as good. However, the findings above demonstrate a low level of compliance which exposes the Council to the risk of legal and commercial challenge, financial penalty and reputation damage. This also compromises the Council's ability to demonstrate value for money.

Considerable guidance and training has been and continues to be made available to commissioners in procuring works, services and supplies. Procurement Surgeries (comprising of officers representing Procurement, Finance and Legal functions) have been introduced and are run twice a week (subject to there being a need). Officers advised that they found the new surgeries helpful in dealing with both exemptions to Contract Standing Orders including single source specialists, unforeseen emergencies and the formal approval of contract extensions. The terms of reference for the Procurement Surgeries were reviewed during this audit and they currently do not require escalation of any procurement non-compliance with Contract Standing Orders and EU Procurement Regulations, to the relevant Head of Service or Director of Law and Democratic Services. There is a lack of a monitoring of decisions made at the Procurement Surgeries to ensure that any actions agreed to address emerging risks and issues have been discharged.

A report of total spends by supplier and financial period is available from the Oracle Financial System from which to monitor compliance with approved values of spend (Form C/Procurement Authorisation Document) and the EU Procurement Regulations. However, due to a lack of Procurement team resource this check is not performed on a regular basis to provide assurance regarding compliance. The current release of the Oracle Financials System, Accounts Payables, used by the Council does not include a commitment accounting function. There are no automatic alerts reported to highlight spend which is nearing the approved Procurement Approval Document value or where this may have been exceeded.

The auditor concluded that stronger rigour is needed around the basic principles of procurement practice and recommends mandatory training in the Procurement Toolkit for all commissioning officers.

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Context

Payment data from the Council's Oracle Financial System, Accounts Payable was analysed for the financial years 2015/16 (£412 million of payments over 134,000 invoices) and 2016/17 (April to October 2016, £226m of payments over 72,000 invoices). A sample of suppliers was taken to test compliance with Contract Standing Orders/EU Procurement Regulations with effect from 1st November 2015.

It is acknowledged that the value of account payable transactions includes transactions which are not attributed to suppliers i.e. payment of statutory deductions from payroll including PAYE, National Insurance, Pension contributions, also payment of grants and school settlements etc. Therefore, it was not possible to differentiate the value of payments made purely to suppliers but it is anticipated these account for more than 50% of the overall annual value of accounts payable transactions.

The Council used a Form C document as the internal form of approval for procurement before the process was simplified from 1st November 2015 in the form of a Procurement Approval Document. Along with this change, the threshold values were increased so any procurement under £25,000 for goods or service did not require procurement scrutiny and could be completed with a sole quote. The simplified process also stated that goods or services valued above £164,176 and works above £4.1m require a full EU tender process. Services and supplies are subject to the Gateway Procedure at the EU Procurement threshold value and works subject to the process at £500,000. Health, social and related services are covered by the EU Procurement Regulations, Light Touch Regime, with a financial threshold exceeding £638,467. Any services procured below this value are not required to be registered in the Official Journal of the European Union (OJEU).

The simplified process is also accompanied by Procurement Surgeries where contract variations and overspends can be discussed / authorised by Officers from Procurement, Finance and Legal.

Risk Areas Examined and Findings

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

The key risks to the achievement of the business objectives were discussed and agreed with the Director of Law and Democratic Services before the commencement of the audit. The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of controls in place for each area of risk examined:

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Risk Area Examined and Findings	Audit Conclusion
<p>Risk: Breach of EU Procurement Regulations and Contract Standing Orders</p> <ul style="list-style-type: none"> Contract Standing Orders set out the requirements, including the EU Procurement Regulations that must be upheld to ensure that the Council's procurement arrangements are legal. These are embodied in the constitution of the Council. Testing of works, services and supplies paid via the Oracle Financial system, found eleven of thirteen suppliers were procured in breach of Contract Standing Orders and eight of these were also in breach of the EU Procurement Regulations. In these instances there were no contracts or best value justifications in place to support the procurement. Considerable guidance and training has been and continues to be made available to commissioners in procuring works, services and supplies. However, from testing a low level of awareness and application to ensure compliance has been observed. The new Procurement Surgeries offer a good means of procurement support to commissioning officers i.e. in securing compliant procurement resolutions for contract exemptions and contract extensions. Standard procurement documentation published on the Intranet does not include monitoring of spend against the Procurement Authorisation Document approved value with a record of any formally approved contract extensions/variations and/or Cabinet Member Briefing/Decision Notes to provide an overview and control document for procurement. A standard and consistent approach to contract monitoring is not in place to promote and ensure compliance with Contract Standing Orders and EU Procurement Regulations. 	<p>Significant improvements required</p>

Overall Opinion

Materiality and Impact: High. Materiality is high, with £412 million of spend in the 2015/16 financial year. Spend covers a range of works, services and supply procurements and represents a wide range of contracts across service areas including Housing Property Maintenance, Passenger Transport and Children's and Adults Services. The impact is also considered to be high based on the possibility of a breach in European Union (EU) Procurement Regulations and other legislation. This brings the risk of a commercial challenge on the Council in the event of improper procurement procedures being proven and risk of a financial penalty being imposed. In the event of poor procurement practice the Council is also exposed to the risk of fraud, corruption and bribery.

Opinion on system controls: Significant improvements required. The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

Swindon Internal Audit Services: Compliance with Contract Standing Orders

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

		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

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Action Plan

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

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.1	<p>A sample of thirteen procurements made since the change in Standing orders (approximately £5 million in value), across a range of services and supplies, but not works was tested. Details of the findings are included in Appendix D and are summarised below:</p> <ul style="list-style-type: none"> Two supplies tested (Jadu: £1,000 spend and King Edward Care Home: £1million spend were compliant with Contract Standing Orders and EU Procurement Regulations where required in the higher spend case. Eleven supplies procured across a range of service areas were in breach of Contract Standing Orders as the expenditure was not supported by a Procurement Authorisation Document (PAD) for either a single procurement or where multiple orders have been placed for a value below £5,000. In these cases there were also no compliant contracts or value for money justifications approved to support the procurement approach. For five of these procurements there was also a breach of the EU Procurement Regulations where the aggregate value of spend over a 48 month period exceeded the relevant works, services or supply threshold value. Two procurements were also close to the EU Procurement Regulation supply threshold limit and if the supply continues then an EU compliant tender would be required. 	<p>Implement the recommendations from this review to facilitate compliance with EU Procurement Regulations and the Council's Contract Standing Orders.</p> <p>Priority: High</p>	As set in action plan below.	Agreed

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.2	<p>Awareness and application of the new Contract Standing Orders</p> <p>Nine budget managers/officers who can authorise procurement returned an audit survey regarding their awareness and application of the revised Contract Standing Orders. The results are summarised below:</p> <ul style="list-style-type: none"> • 22% rated their awareness of Contract Standing Orders as good. • 11% stated that they had received training on the procurement process. • 100% were aware of where to find guidance on the procurement process. • 66% were aware of the November 2015 procurement simplifications. • 55% had used the revised Procurement Authorisation Document. • 55% were aware of how to calculate whether procurement spend was in compliance with EU Procurement Regulations. • 55% were aware of the new contract variations. • 11% were aware of how to apply permitted overspend. <p>The Auditor found that the Procurement Team were proactive in offering training to staff with high spend levels but this was not always taken up. 74% of officers accepted invitations for training however discussions with the Procurement Manager identified that turnout was much lower.</p>	<p>Relevant budget managers and any Officers with delegated procurement responsibilities should be required to undertake training of the requirements of the online Procurement Toolkit.</p> <p>Any procurement queries should be forwarded to the Procurement team and/or the Procurement Surgeries for resolution.</p> <p>Evaluate using the On-line Procurement Toolkit as an online e-training module for procurement best practice and to improve awareness and understanding of Contract Standing Order and the EU Procurement Regulations.</p> <p>Evaluate using the staff communications newsletter to publicise bite size updates of Contract Standing Orders and EU Procurement Regulations to update staff on key changes including the new Procurement Surgeries.</p> <p>Priority: High</p>	<p>Procurement Manager and Director of Law and Democratic Services</p> <p>March 2018</p>	<p>Partially Agreed</p> <p><u>Procurement Manager</u></p> <p>We have concerns over impact to current 'procurement' workload for both training and bite size updates.</p> <p>We have made some amendments to the website to make the toolkit more easily accessible and undertake the design on line training module.</p> <p>Separate training for commissioners relating to contract terms is planned.</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.3	<p>Contract monitoring.</p> <p>Following the testing carried out it is the auditor's view that the breach of Contract Standing Orders and EU Procurement Regulations is due, in the main, to a poor level of awareness leading to a high level of non-compliance with these requirements.</p> <p>There is no consistent or standard approach at a local or corporate level to monitor spend to ensure this does not exceed current contract approvals or that appropriate contracts support spend.</p>	<p>A standard and consistent approach to contract monitoring should be agreed, published then issued to all relevant officers responsible for procurement activities. This would help to ensure compliance with EU regulations, Council Contract Standing Orders as well as improving contract management.</p> <p>The Procurement Authorisation Document standard template document should be extended to include monitoring of spend against the approved value with a record of any formally approved contract extensions/variations. This should ensure that:</p> <ul style="list-style-type: none"> as part of the monthly budget monitoring process the budget manager demonstrates to the Finance Manager that spend does not exceed the value of individual current contract awards. any contract extension provided within contracts is triggered and formally notified to suppliers in advance of supply, where the aggregate value of spend with a supplier is not subject to an EU Procurement Regulation contract i.e. works (£4,104,394), services or supplies (£164,176) or health, social and related services with the Light Touch Regime (£638,467) the supply must not exceed this value. An EU Procurement Regulation compliant tender process should be triggered to ensure that future supply is complaint <p>Reference should be made to the Procurement Surgery for advice and guidance in the event of queries or emerging procurement issues/risks.</p> <p>Priority: High</p>	<p>Head of Corporate Programmes and Innovation as part of the Commissioning and Procurement work stream</p> <p>March 2018</p> <p>Procurement Manager</p> <p>February 2018</p> <p>Budget Managers / procurement initiating officer in conjunction with relevant service Finance Manager</p> <p>February 2018</p>	<p>Agreed</p> <p>Agreed</p> <p>Currently a dashboard is being reported to the Corporate Management Team for non-compliant contracts in excess of £250k annual.</p> <p>Agreed</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.4	Application of Procurement Surgeries The terms of reference for the Procurement Surgeries do not include reference to how persistent non-compliance (with EU Regulations and/or Council Standing Orders), by a commissioner would be dealt with and escalated.	The terms of reference for the Procurement Surgeries should be revised. This is to ensure that any non-compliance with Contract Standing Orders and/or EU Procurement Regulations which is not resolved through the Procurement Surgeries should, in the first instance, be referred to the relevant Head of Service relating to the procurement. In the event of persistent non-compliance the issue should then be escalated to the Director of Law and Democratic Services. Priority: High	Procurement Manager in conjunction with the Director of Law and Democratic Services February 2018	Agreed on the basis that this is limited to non-compliance that has been escalated / identified at the surgeries as there is no proactive monitoring of non-compliance due to resourcing constraints.
1.5	On-line Procurement Toolkit 'library' At the time of review the on-line procurement Toolkit did not contain all the relevant documentation in one location for easy access and reference.	The On-line Procurement Toolkit 'library' should be updated to include all relevant documentation within one location for ease of access. Priority: Medium	Procurement Manager January 2018	Agreed and achieved Amendments have been made to the procurement toolkit.

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.6	<p>Recruitment of temporary staff</p> <p>The recruitment of temporary Social Workers and Managers for Children's Services was approved by a Cabinet Members Decision Note (CMBN) to be procured from agencies other than Pertemps, the Council's corporate contract provider. The CMBN approved the arrangement for the period July 2014 to July 2015 with a review of temporary recruitment arrangements required at the end of this period. However, these arrangements have continued and are currently subject to a review led by the Head of People Development, including review of the corporate temporary recruitment contract with Pertemps.</p> <p>From 1st November 2015 to 31st October 2016 a combined value of £1,469,351 has been spent with Supplier A (£444,564), Supplier B (£769,164) and Supplier C (£144,723) for the supply of temporary Social Workers and Manager for Children's Services. In excess of £3.6m has been incurred with these agencies between July 2014 and October 2016. Please see appendix E and F for details. The (previous) Corporate Director of Children's Services advised the Auditor that other agencies are also used for sourcing temporary social care staff for her service.</p> <p>Individual temporary staff appointments made under these arrangements has been subject to a 'Request to Fill' approval process with pay based on rates agreed through a Memorandum of Co-operation. These vacancies are presented to Pertemps to fill, but if this is not satisfied the vacancy is referred to agencies outside of the Corporate Contract which have declined to operate as second tier providers to the Pertemps contract.</p> <p>The latest value of spend exceeds the threshold limit of £638,467 for health, social and related services. The Cabinet Member Briefing Note should have been</p>	<p>An EU Procurement Regulation compliant contract should be put in place to ensure continuity of supply of temporary staff. In the short term and to speed up this process, evaluate the option of using recruitment framework agreements for temporary staffing already in place with other local authorities i.e. Bristol City Council staff recruitment framework.</p> <p>Evaluate performance of the Pertemps contract in meeting the needs of the Council, particularly in recruiting temporary Social Workers and Managers, in specifying and contracting future arrangements.</p> <p>Priority - High</p>	<p>Director of Human Resources and Organisational Development and Head of Children, Families and Community Health</p> <p>April 2018</p>	<p>Corporate Director of Children's Services: I will work through a response, initially with the Head of Children, Families and Community Health and liaise with the Director of Human Resources and Organisational Dev. as appropriate.</p> <p><u>Audit Comment</u> Spend during 2017/18 with the suppliers identified is anticipated to reach approximately £2m. This takes the aggregate spend with these non-contracted agencies to approximately £8m between 2014/15 and 2017/18.</p> <p>Head of Children, Families and Community Health and the Director of Human Resources and Organisational Development: There is a regional agreement in place, led by SBC, to ensure that agency spend on Social Workers Agency staff must comply with the agreed rates and social workers are unable to negotiate rates. There is close monitoring</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
	<p>extended and in view of the eventual level of spend a Procurement Authorisation Document, Gateway Procurement Approval or advertising and award of a tender put in place in accordance with EU Procurement Regulations.</p> <p>This represents a breach of Contract Standing Orders and EU Procurement Regulations, Light Touch Regime with the value of spend exceeding the threshold limit of £589,148, for health, social and related services.</p> <p>A best value case for agency fees has not been made during the period of using agencies outside the corporate contract with Pertemps.</p>			<p>of off-contract spend.</p> <p>There is an ongoing wider piece of corporate work to look at a managed service for all non-permanent recruitment which will mitigate off contract spend. ESPO agreement – Pertemps 1 to May 2018 +1 year contract</p> <p>Managed service provider</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.7	<p>Estate Management House clearance</p> <p>Two suppliers are used by Housing Estate Management to provide a variety of services including property clearance and cleaning, home moves and garden works.</p> <p>This means that procurement represents a disaggregation of supply both by order value and by achieving the supply across suppliers. This has inadvertently avoided a procurement supported by both a Procurement Authorisation Document and an open market tested and contracted supply. The total value of spend with these suppliers between April 2014 to 31st October 2016 across the Council was £312,608, which exceeds the EU Procurement Regulations supply threshold limit of £164,176. Expenditure within the Housing Estate Management over this period was £151,281.24.</p> <p>Due to the repetitive nature of orders and long term use of these suppliers, for the same supply, an EU Compliant tender would be required to support the aggregate value of procurement.</p>	<p>Determine a single point for commissioning house clearance services for Housing Estate Management.</p> <p>As an interim measure produce a specification for house and garden clearance services and contract a supply through the South West Procurement Portal in accordance with Contract Standing Orders.</p> <p>Based on the assumption that spend on house-clearance will continue above the EU Procurement supply threshold, of £168,711 over four years, enter into an EU Procurement Regulation compliant contract through the South West Portal to following termination of the one year short-term contract.</p> <p>If support is required to tender this contract, reference should be sought from the Procurement Surgery. Additional resources are available on the intranet under business support/procuring for your business.</p> <p>Priority - High</p>	<p>Tenancy Services Manager</p> <p>March 2018</p>	<p>Agreed</p> <p>Initially looked at procurement as recommended. This is an area that Tenancy Services have no experience of so advice sought from colleagues in Property who specialise in procurement. Unfortunately they do not have the capacity to provide any support currently. Therefore discussions underway with the StreetSmart grounds maintenance team. They are in agreement that in future they will begin to undertake this work in-house. As the summer is their busiest time this change will take place from the autumn. It is believed that once this is in place it will leave a minimal spend with external contractors.</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.8	<p>Stores, materials and equipment</p> <p>Stores staff at the Waterside Depot have ordered materials/equipment on an ad-hoc basis using regular and low value orders with local suppliers' i.e.</p> <ul style="list-style-type: none"> one supplier has had £39,552 spend since November 2015 and; another has £84,711 spend since November 2015. <p>Procurement Authorisation Documents, contracts or a best value justification are not in place to support these procurements which are a breach of Contract Standing Orders.</p> <p>If the level of spend over this period is expected to continue then it is likely that this will exceed the EU Procurement Regulations threshold limit for supply of £164,711.</p>	<p>An analysis of Stores orders placed for materials and equipment should be conducted to determine the aggregate value of spend by category of materials or equipment in the last year.</p> <p>Where possible, bring together common categories of supply for materials and equipment to determine the estimated contract value that could be packaged.</p> <p>Where projected package values over a four-year period (period required to determine if an EU Procurement is applicable) are estimated to exceed £164,176, then an EU Complaint tender should be undertaken. If the period spend is projected below this threshold than Contract Standing Orders compliant contract should be procured through the South West Portal.</p> <p>Priority – High</p>	<p>Stores and Procurement Manager</p> <p>February 2018</p>	<p>Agreed</p> <p>A review of all spend going through the stores has been undertaken. Spend is now categorised by trade i.e. gas and plumbing supplies. Work has now started with the housing section to undertake a fully compliant procurement process. A timetable of procurement has been created.</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.9	<p>Passenger Transport Services</p> <p>From testing of invoice payments to the Council's Transport contractor it has not been possible to align spend with current contracts because transport routes within the large number of current contracts have changed and some contracts have expired. However, the value of spend with the contractor exceeds the level of Procurement Authorisation Document /contract approvals by more than £164,176 i.e. the trigger for an EU Procurement Regulation compliant contract.</p> <p>Contract extension notes were reviewed but nothing could be found relating to the contractor to support this additional spend.</p> <p>The Passenger Transport Manager has been requested on numerous occasions by the Auditor to provide details of transport contracts with the contractor, however this information request has been outstanding due to other service pressures.</p> <p>The Auditor referred this procurement to the Thursday Procurement Surgery for resolution. However, a month after attendance at the Procurement Surgery, the Passenger Transport Manager has yet to provide information required to review and resolve contracts, it is understood that this is due to on-going service pressures. In the meantime the value of supply with the contractor is not compliant with Contract Standing Orders or the EU Procurement Regulations.</p> <p>It is noted that existing Passenger Transport contracts are subject to set routes. If routes alter in response to the changing needs then the contract does not ensure flexibility and transparency of supply and costing of service.</p>	<p>Details of the Passenger Transport contacts and payments made to the contractor must be provided to the Procurement Surgery. This is to assist in putting in place a legally compliant contract. It may be possible to contract with the existing supplier, without going out to tender, on a value for money basis with rates applied from previous market tested contracts. In this instance an extension note and contract could be put in place as a short-term measure and a contract tendering process triggered to go to market with an EU Procurement Regulation compliant contract where necessary.</p> <p>With the assistance of the Procurement Surgery put in place a contract procurement plan to support compliance with Contract Standing Orders and the EU Procurement Regulations.</p> <p>Evaluate using a framework agreement for future Passenger Transport contracts for buses, mini-buses and taxis so that in the event of route changes there is flexibility and transparency of supply and costing of service.</p> <p>Priority - High</p>	<p>Passenger Transport Manager</p> <p>February 2018</p>	<p>Agreed</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Risk: Breach of European Union Procurement Regulations and Contract Standing Orders			
1.10	<p>Relocation of staff and office refurbishment.</p> <p>Following the decision to bring services delivered by SEQOL back into the Council in late 2016/17 many staff on the Civic Offices campus have been relocated to accommodate this move. The Project Management Office (PMO) has delivered the relocation of. A Procurement Authorisation Document (PAD) was completed for this move and a contractor selected. Expenditure with the supplier was in line with the contracted spend outlined within the procurement documentation.</p> <p>The refurbishment of Clarence House was a project delivered by the PMO during 2014-15 as part of a wider project of Stronger Together moves to deliver a range of office refurbishments and relocations. A procurement exercise was undertaken for the Clarence House aspects of the project, with a contract value of £105,450.80. A review of the Oracle code found total expenditure of £181,894.10. This followed a change to the phasing of the moves and additional paperwork which extended the initial procurement with Elm Office The over spend of this aspect of £76,443.30 was accommodated within the overall Stronger Together moves project.</p> <p>As part of these moves, the PMO used a different supplier to move office equipment and records between sites. However, it has also not been possible to establish Procurement Authorisation Document or contract documentation for this supply from either PMO or corporate procurement records. Whilst orders have been placed with this supplier previously they had not been subject to open market competition so the option of applying for a best value procurement through the Procurement Surgery was not available.</p>	<p>A Contract Standing Orders Compliant contract, advertised through the South West Procurement Portal, should be put in place for future furniture and office removal services.</p> <p>If demand for these services over a four-year period, are estimated to exceed £164,176, then an EU Complaint tender should be undertaken.</p> <p>Priority - High</p>	<p>Asset Transformation Delivery Lead</p> <p>March 2018</p>	<p>Agreed</p> <p>The recommendation is noted and the Swindon Programme is being developed and will incorporate any future phases of office and estates refurbishment. This will include ensuring appropriate contracts and procurement arrangements are implemented for the life of the project.</p> <p>Document retention policies and filing storage will also be reviewed and clarified to ensure effective mechanisms are in place.</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Breach of European Union Procurement Regulations and Contract Standing Orders</i>			
1.11	<p>Bristol Fire</p> <p>Property Maintenance issue orders for statutory building fire compliance inspections and remedial works (up to £250 per job). The Building Statutory Service function was formerly delivered by Capita and none of the specialist suppliers appointed to carry out these services were tendered.</p> <p>Since return of the function to the Council this service has not been tendered or contracted and although this is expected to happen a date for this has not been set. A detailed specification is required to support this contracting process i.e. covering the specific requirements for all corporate buildings fire inspections and maintenance, but this is yet to be prepared.</p> <p>The value of payments made to this single supplier totalled £86,619 for the period between November 2015 and October 2016. This is made up of multiple orders each valued below £5,000. Based on the on-going need for this service the aggregate value of orders is expected to exceed the EU Procurement Regulations threshold for services, £164,711. Looking back on payments to this supplier £282,059 has been paid between 2014/15 and October 2016, representing a breach of the EU Procurement Regulations.</p> <p>A value for money justification for the continued appointment of this supplier is not in place or authorised to support this procurement.</p>	<p>A specification should be prepared for corporate building fire inspections to be conducted in the next year and a short-term tender put to market to ensure compliance with Contract Standing Orders.</p> <p>In the mean-time an EU Procurement Regulation compliant tender should be prepared and put to market with the start of supply to co-inside with the end of the short-term contract.</p> <p>Priority - High</p>	<p>Building Services Manager</p> <p>March 2018</p>	<p>Agreed</p> <p>Following the return of Capita Symonds work to the Council, a rationalisation of service provision has been conducted. This has resulted in a separation of work provided formally by a contractor with the Council's in-house direct labour conducting service and maintenance of fire panels in corporate and housing buildings.</p> <p>The provision of fire extinguishers and other firefighting equipment has been subject to market tender and awarded to another supplier.</p> <p>The remaining work for technical support and fault resolutions in high risk buildings including fire panel replacements i.e. David Murray John building continues to be placed with the contractor. This procurement will be referred to the procurement clinic to determine the best approach to the market and preparation of specifications.</p>

Swindon Internal Audit Services: Compliance with Contract Standing Orders

APPENDIX A

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

Acknowledgements

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

Job Title

Procurement Manager
 Head of Property and Assets
 Service Manager: Children Looked After
 Building Services Manager
 Grounds and Street Cleaning Service
 Grounds Operations Manager
 Neighbourhood Housing Manager
 Chief Information Officer
 Passenger Transport Manager
 Social Work Team Manager, ACP/Family
 Senior Procurement Officer
 Commissioning, Placements and Specialist
 Corporate Change Partner
 Stores and Procurement Manager
 Senior Project Manager
 Accounts Payable Supervisor
 Finance Business Partner
 Finance Manager-Economy
 Senior Programme Manager
 Senior Project Manager
 Assistant Project Manager
 Project Manager

Swindon Internal Audit Services: Compliance with Contract Standing Orders

APPENDIX C

Procedure on 'How to Buy'

Procurement Requirement	Value	Procurement Process	Acceptable format for receipt of tenders/quotes	Officers present at opening	Formalities for Contract completion
All requirements	Up to £25,000	Under £1,000 - at least one verbal quotation Over £1,000 - at least one written quotation obtained. All requirements in excess of £5,000 must be recorded using the Procurement Authorisation Document. Best Value <u>must be evidenced</u> if only one quotation sought or received and the reasons recorded on self-certified Authorisation Document .	Approved E-tender system or Secure Electronic e-mail account or Hard copy paper format	One Officer	£5,000 - £25,000 Signature by two Officers
Goods and Services	Between £25,000 and *EU Procurement Thresholds	Invite at least three written quotations from the relevant industry (one if 'direct call off' only from an approved framework agreement). Recommend advertising to ensure suitable competition. Best Value must be evidenced if only one quotation/tender received or advertising is not applied and the reasons recorded on self-certified Authorisation Document .	Approved E-tender system or Secure Electronic e-mail account or Hard copy paper format	Minimum two Officers	Signature by two Officers including a Senior Officer
Works	Between £25,000 and £500,000	Invite at least three written quotations from relevant industry (one if 'direct call off' from an approved framework agreement). Recommend advertising to ensure suitable competition. Best Value must be evidenced if only one quotation/tender received or advertising is not applied and the reasons clearly recorded on self-certified Authorisation Document .	Approved E-tender system or Secure Electronic e-mail account or Hard copy paper format	Minimum two Officers	Signature by two Officers including a Senior Officer
Goods and Services	Above *EU Threshold	EU Compliant Tender process, procurement strategy must be approved through Gateway Procedure prior to tender. Authorisation Document must also be completed.	Approved E-tender system or Hard copy paper format which must be returned to the Director of Law and Democratic Services	Minimum two Officers, one of whom must be a Senior Officer	Contract Sealing by Director of Law and Democratic Services
Works	Between £500,000 and *EU Works threshold	Advertising is strongly advised. Alternatively, and if justification to not advertise can be evidenced, invite at least five written quotations from relevant industry. Best Value must be evidenced and the reasons recorded on self-certified Authorisation Document if advertising not undertaken. For all works contracts in excess of £500,000 Procurement strategy must be approved through Gateway Procedure prior to tender.	Approved E-tender system or Hard copy paper format which must be returned to the Director of Law and Democratic Services	Minimum two Officers, one of whom must be a Senior Officer	Contract Sealing by Director of Law and Democratic Services
Works	Above *EU Threshold	EU Compliant Tender process, procurement strategy must be approved through Gateway Procedure prior to tender. Authorisation Document must also be completed.	Approved E-tender system or Hard copy paper format which must be returned to the Director of Law and Democratic Services	Minimum two Officers, one of whom must be a Senior Officer	Contract Sealing by Director of Law and Democratic Services

Swindon Internal Audit Services: Compliance with Contract Standing Orders

APPENDIX D

Page 42

	Summary of Testing for Compliance with Contract Standing Orders													
	Company Name	Spend 2014/15	Spend before 13/11/15	Total Spend Before Updated CSO	Spend after 13/11/16 (updated CSO)	Spend Apr-October 2016	Total Spend since the Revised CSO came into effect	Spend before and after CSO review	EU Procurement Regulation Compliant	Is there a PAD in place?	Is there a contract in place?	Disaggregation of spend, individual transaction below £5000	Cabinet Member Briefing Note	Audit Comments
2	John Edwards Care Home Ltd	£ 924,208.46	£ 588,917.72	£ 1,513,126.18	£ 381,741.23	£ 685,898.19	£ 1,067,639.42	£ 2,580,765.60	✓	✓	✓	No	✓	CMBN in place since 17/10/11 however previously exempt from EU Regs until changes in the Regulations from Feb 2015. Gateway 3 paper currently with Legal as supplier now part of framework. PAD retrospectively completed for framework and dated back to April 2016. OJEU with framework mini-bid.
3	Bristol Fire	£ 107,838.37	£ 87,601.14	£ 195,439.51	£ 40,877.23	£ 45,742.47	£ 86,619.70	£ 282,059.21	×	×	×	Yes	N/A	The supply was initially procured by Capita, however following return of the service to Property Services it has not yet been subject to tender.
4	Les Jennings	£ 77,373.77	£ 44,715.91	£ 122,089.68	£ 28,932.57	£ 44,220.65	£ 73,153.22	£ 195,242.90	×	×	×	Yes	N/A	There is disaggregation of low value and high frequency orders placed across the two suppliers for the same service. This is in breach of Contract Standing Orders and the EU Procurement Regulations.
5	The Odd Couple Cleaning Services	£ 31,562.04	£ 28,924.00	£ 60,486.04	£ 16,812.00	£ 40,068.00	£ 56,880.00	£ 117,366.04		×	×	Yes	N/A	
6	Elm Office Products Ltd	£ 136,194.80	£ 74,926.95	£ 211,121.75	£ 66,393.50	£ 11,160.00	£ 77,553.50	£ 288,675.25	Expenditure through the financial year 2014/15 for the Clarence House move came to a total of £181,894.10. The form C for the project stated a total authorised spend of £105,450.80. Due to this, there was an overspend on the project of £76,443.30. Expenditure through 2015/16 and 2016/17 was covered by the PAD's provided to the Auditor by the PMO team.					
7	Mister Shifter UK Ltd	£ 44,532.76	£ 54,714.25	£ 99,247.01	£ 28,564.57	£ 30,754.60	£ 59,319.17	£ 158,566.18	N/A	×	×	Yes	N/A	Single supplier not subject to market competition. At the time of review further staff relocation works were underway following the relocation of staff and return of staff from SEQOL in late 2016/17. Consequently, the total spend with this supplier is expected to exceed the EU Procurement Regulation supply threshold limit of £164,176.
8	Beesleys Tools	£ 1,447.64	£ 38,000.58	£ 39,448.22	£ 18,450.06	£ 21,102.23	£ 39,552.29	£ 79,000.51	N/A	×	×	Yes	N/A	Single supplier not subject to market competition.
9	Jadu Ltd	£ -	£ 75,900.00	£ 75,900.00	£ 1,000.00	£ -	£ 1,000.00	£ 76,900.00	N/A	✓	✓	No	N/A	Form C and contract in place with no overspend
10	Plumbase	£ 453.63	£ 47,243.65	£ 47,697.28	£ 37,616.33	£ 47,095.44	£ 84,711.77	£ 132,409.05	N/A	×	×	Yes	N/A	The supply comprises of a high number of low value orders below £5,000 from a single supplier.
11	Akcess CIC	£ 1,470,361.30	£ 1,068,598.28	£ 2,538,959.58	£ 685,109.26	£ 1,244,342.35	£ 1,929,451.61	£ 4,468,411.19	The value of spend with the supplier exceeds the level of current approvals (PAD and former Form C) and contracts required by Contract Standing Orders by more than £164, 176 which is the trigger for an EU Procurement Regulation compliant contract.					
12	Caritas Recruitment	£ 908,090.38	£ 640,218.45	£ 1,548,308.83	£ 252,698.40	£ 302,765.82	£ 555,464.22	£ 2,103,773.05	The use of these agencies date from a July 2014 Cabinet Member Briefing Note (CMBN). The CMBN approval ran for twelve months after which a review of the temporary recruitment arrangements was to be conducted in July 2015. However, to date the use of these agencies continues and a review of the Corporate Temporary Recruitment Contract is underway by HR. Procurement Approval Documents support individual officer appointments with each agency, but a Contract Standing Orders and EU Procurement Regulations compliant procurement is not in place to support the use of these agencies with aggregate spend in excess of the EU Light Touch Regime threshold level of £638,467.					
13	Liquid Personnel	£ 188,947.57	£ 358,230.40	£ 547,177.97	£ 241,119.45	£ 528,044.58	£ 769,164.03	£ 1,316,342.00						
14	Nonstop Recruitment	0.00	£ 38,518.75	£ 38,518.75	£ 55,343.97	£ 89,379.51	£ 144,723.48	£ 183,242.23						
	Total Spend	£ 3,891,010.72	£ 3,146,510.08	£ 7,037,520.80	£ 1,854,658.57	£ 3,090,573.84	£ 4,945,232.41	£ 11,982,753.21						

Swindon Internal Audit Services: Compliance with Contract Standing Orders

APPENDIX E

**Temporary staffing procured from suppliers outside of the Council's corporate recruitment contract with Pertemps.
This is for the supply of temporary social workers and managers predominately to Children's Services.**

	2014/15	2015/16	Apr-Oct 2016	Total Spend By Supplier
Caritas Recruitment	£ 908,090.38	£ 892,916.85	£ 302,765.82	£ 2,103,773.05
Liquid Personnel	£ 188,947.57	£ 599,349.85	£ 528,044.58	£ 1,316,342.00
Nonstop Recruitment	-	£ 93,862.72	£ 89,379.51	£ 183,242.23
Aggregate value of spend (31 months)				£ 3,603,357.28
Indicative value of spend over 48 months (EU Procurement Spend Determination)				£ 5,579,391.92
EU Procurement Threshold applicable to Services				£ 638,467.00
Benchmarking to demonstrate best value as requirement of CSO on agency fees				
Pertemps	£ 3.50 per hour			
Caritas Recruitment	Regional cap means the Council can pay up to £31 per hour to social care agency staff. However, agency will negotiate their fee. There is a lack of transparency as a total cost per hour is provided by these agencies rather than a breakdown of wage and fee.			
Liquid Personnel				
Nonstop Recruitment				

Temporary staffing procured from suppliers outside of the Council's corporate recruitment contract with Pertemps.**This is for the supply of temporary social workers and managers predominately to Children's Services continued.**

Spend with one supplier, Caritas Recruitment, was supported by a Cabinet Member Briefing Note (CMBN) in July 2014. The CMBN gave exemption from Contract Standing Orders for sourcing temporary social care staffing from an agency other than Pertemps (which is appointed the Council's corporate recruitment contract) with an internal form of approval (Form C or Procurement Approval Document) required to be raised for each temporary member of staff recruited through this arrangement. This supply was put in place to provide an alternative recruitment route as the Pertemps was unable to provide suitable staffing to fulfil social care vacancies for the Council. In the normal course of events, where Pertemps is unable to source staff directly they would appoint 'second tier' suppliers through their contract with the Council, however it is understood from the Recruitment Business Partner that the social care temporary agencies refused this approach. The arrangement was to be reviewed within one year of the date of the CMBN i.e. July 2015, but the Auditor has been unable to find evidence of such a review.

The Director Children's Services, who raised the Lead Member Briefing Note (LMBN), advised that she would not conduct the procurement review for temporary staffing. Instead, she expected this to be addressed as part of a Council wide procurement exercise for temporary staffing arrangements. The Corporate contract with Pertemps is nearing the end of its term and HR is due to review this and the Council's temporary requirements going forward.

From an analysis of cost codes used to charge payments made to Caritas Recruitment it is evident that other staffing agencies have been used to source temporary social care staff i.e. from Liquid Personnel and Nonstop Recruitment. It is noted that these agencies are also being used by Adults Social Care, albeit to a smaller spend value than Children Services. From 2014/15 to October 2016 an aggregate value of £3.6 million has been spent on temporary staff sourced across the three agencies. This value of spend has exceeded the Light Touch Regime EU Procurement Regulation Limit of €750,000 (£638,467) and therefore the Council is in breach of this directive. In accordance with Contract Standing Orders, the supply of temporary staffing outside of the corporate Pertemps temporary recruitment contract should be subject to Gateway approval and have formal legal contracts in place, so there is also a breach of these Orders.

As required by the LMBN, individual internal forms of approval (Form C or Procurement Approval Document) have been seen for a sample of these arrangements by the Auditor i.e. to support individual temporary social care placements procured from Caritas Recruitment. It is the Auditor's opinion that Officers arranging temporary staff placements through this route perceive they are complying with both the Council's Contract Standing Orders and the EU Procurement Regulation as the value of supply for individual placements is below the EU services threshold limit and the internal gateway limit. The value of overall spend through the three employment agencies, other than Pertemps, is disaggregated and costs charged across a number of staffing budgets. The overall spend value of £3.6m is therefore not visible, monitored or managed as one procurement.

Audit Committee: Annual Report 2017/18

Audit Committee

Date: 5th June 2018

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

1.1 To present Members with the Audit Committee's annual report for 2017/18.

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 2017/18.

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.

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 2017/18

Audit Committee

Date: 5th June 2018

- 3.3 The Committee's Terms of Reference are to provide independent assurance to the Council in relation to:
- 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 John Ballman
Councillor Malcolm Davies
Councillor Mary Friend
Councillor Nick Martin
Councillor Des Moffatt
Councillor Kevin Small
- 3.6 The Director of Finance and the Head of Internal Audit regularly attended Committee meetings. The Council's External Auditor Grant Thornton also attends meetings on a regular basis. Iain Tucker (Committee Officer) supports the committee.
- 3.7 The Committee met six times during 2017/18. Committee agenda papers and minutes are available on the Council's website at: www.swindon.gov.uk

Audit Committee: Annual Report 2017/18

Audit Committee

Date: 5th June 2018

Benefits of an effective audit committee

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

- 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 2017/18, 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 Education regarding GCSE attainment.
- 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 a report on the oversight of Council subsidiaries and partner bodies.
- 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 for 2016/17.
- Agreed an annual report for the Audit Committee summarising the work carried out during 2016/17.

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

Audit Committee: Annual Report 2017/18

Audit Committee

Date: 5th June 2018

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

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 (2016/17) - 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 2017/18 – 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:
- Domestic Abuse Strategy
 - Transformation Programme
 - Performance Framework
 - Risk Management
 - Commercial Assets
 - New Eastern Villages

Audit Committee: Annual Report 2017/18

Audit Committee

Date: 5th June 2018

- 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.
- 3.15 The Committee also received a presentation on the work of the Corporate Fraud Team detailing the work carried out by the team, savings made and examples of types of fraud that have been identified.

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 2017/18:
- External Audit Plan and audit fee letter
 - Annual Statement of Accounts and External Audit findings
 - Annual Audit letter
 - Certification letter
 - Regular progress and 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. The Council's External Auditor will continue to be Grant Thornton.

Looking forward:

- 3.19 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

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 2017/18

Audit Committee

Date: 5th June 2018

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

Diversity Impact Assessment

- 5.4 None

Risk Management

- 5.5 Potential risks to the Council are identified in the individual audit reports.

6. Consultees

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

- 6.2 Councillor Steve Weisinger (Audit Committee Chair 2017/18)

7. Background Papers

- 7.1 None

8. Appendices / Background papers

None

9. Key Decision/Decision in Forward Plan

Not Applicable

Head of Internal Audit Annual Report

Audit Committee

Date: 5th June 2018

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

1. Purpose and Reasons

- 1.1 To present Members with the Head of Internal Audit's annual report for 2017/18.
- 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 2017/18 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
-

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: 5th June 2018

Council's internal control environment, risk management and governance 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 Growth, in their 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 2017/18 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.

Head of Internal Audit Annual Report

Audit Committee

Date: 5th June 2018

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

5.3 None

Diversity Impact Assessment

5.4 None

Risk Management

5.5 Potential risks to the Council are identified in the individual audit reports.

6. Consultees

6.1 Director of Finance (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, Corporate Directors and Members who have contributed to individual audits during the course of 2017/18.

7. Background Papers

7.1 None

8. Appendices / Background papers

Appendix 1 – Head of Internal Audit's Annual report: 2017/18

9. Key Decision/Decision in Forward Plan

Not Applicable

This page is intentionally left blank

SWINDON INTERNAL AUDIT SERVICES

Internal Audit Annual Report 2017/18

Page 55

Report issued by: Nick Hobbs

Date: 5th June 2018

Nick Hobbs
Head of Internal Audit
01793 463940
nhobbs@swindon.gov.uk



A word cloud graphic featuring various terms related to internal audit and risk management. The words are arranged in a circular pattern, with 'swindon' and 'programme' being the largest and most prominent. Other visible words include 'risk', 'assurance', 'independent', 'professional', 'improvement', 'governance', 'audit committee', 'review', 'certification', 'consultancy', 'internal control', 'added value', 'fraud', 'advice', 'compliance', 'information technology', 'investigations', 'support', 'objective', 'best practice', and '30 in 30'.

Contents

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	9
Successes	11
Whistleblowing and Investigations	12
Other activity	12
Review of Performance Management and Quality Assurance Framework	13
Corporate Fraud Team	15
Acknowledgement	17
Appendix 1: Audit dashboard	

Executive Summary

This annual report provides a summary of the work completed by Swindon Internal Audit Services for 2017/18 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.

MODERATE

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 system audits.

By ensuring that governance, risk management and internal control arrangements are effective helps the Council to deliver its priorities and pledges. It will also help to contribute to the Swindon Programme.

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
- 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 2017/18 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 Chief Executive, Director of Finance (Section 151 Officer), the Director of Law and Democratic Services (Monitoring Officer) and Chair of Audit Committee during 2017/18.

Annual Governance Statement

The outcome of the audits performed during 2017/18 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 GCSE attainment therefore these remained on the Statement for 2017/18. Corporate Management Team also added the following areas added to the statement: Premises Management (following an Internal Audit review); Financial Stability and the Swindon Programme; and Children Services.

The following areas were taken off the Statement from last year: Transfer of staff from SEQOL; Parishes; and Housing Maintenance Contract Management.

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. An updated version is due to be published this year and an assessment against this best practice will be undertaken and reported back to Audit Committee.

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 (Applying the IIA International Standards to the UK Public Sector). 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 now been 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 2017/18 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
- 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 Management Team before being approved by the Council's Audit Committee.

We managed to complete 87% against a target of 92% of the number of audits included in the plan. This coverage included 100% completion of audits identified as key during the financial year. These audits include the main financial system reviews 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 2017/18 are set out in Appendix 1a to this report.

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 2017/18 identified that two of the main financial systems (Treasury Management and Housing Rents) were found to have a high standard of internal control. All the other eight reviewed (Main Accounting, Creditors, Housing Benefits, Payroll, NNDR, Council Tax, Debtors and Asset Management) were found to have had a satisfactory level of system control. In the opinion of the auditor all ten of the main financial systems audited were found to present only a **moderate** risk to the Council.

The internal audit review of the Council's risk and performance framework found arrangements to be satisfactory.

Based on our work carried out during the year, my overall opinion is that the Council's overall internal control arrangements during 2017/18 are considered to be **satisfactory**, resulting in a '**moderate**' level of risk.

A number of the other areas audited during 2017/18 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: Premises Management. An action plan has been agreed with management and the Corporate Director Resources and Growth has put in place an officer work stream to address the issues raised in the report.

Those systems reported during the year where an **'of concern'** risk to the Council was reported were:

- Emergency duty service
- Housing and ASC joint solutions programme
- Corporate reporting
- Compliance with contract standing orders
- New Eastern Villages
- PPS Waste service
- Starters and leavers asset management
- General Data Protection Regulations (GDPR)
- Adult safeguarding
- Oracle: system control and integrity
- IT management

The key recommendations relating to these systems are 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 2017/18 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 90% rating the audits as GOOD or EXCELLENT, the remaining audits were ranked between good and average, none were rated as 'poor'.
- The Corporate Fraud team continues to work effectively after obtaining funding from the DCLG for Counter Fraud work during 2014/15. A full report on the work of the Corporate Fraud Team is set out in Appendix 2. During 2017/18 the team recovered nineteen properties (nominal saving of: £342,000) and stopped five fraudulent right to buy applications (discount saved of £377,243).
- A business case was also accepted to undertake work on Council Tax single person discount fraud during 2018/19
- Certification of the Public Health Grant claim identified that, on a one off basis Public Health did not require a contribution of £129,300 from the general fund at financial year-end 2017/18.
- We have successfully delivered part of Bristol City Council's IT audit provision during 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 our Trainee Auditors completed her Certified Internal Auditor (CIA) examinations during 2017/18. Also, one of our Principal Auditors was accepted on the Council's Future Leader course and another Principal Auditor and the Corporate Fraud Team's Intelligence Officer were both accepted on the Aspiring Leaders course.
- The Head of Internal Audit was re-elected as a Board member on the National Anti-Fraud Network (NAFN).

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 thirteen new whistleblowing cases during the year and an additional eight 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 to this report.

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 Corporate Directors/Head of Services' assurance questionnaires.
- **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.

- **Swindon Programme** – the section has contributed to the Swindon programme through undertaking relevant audits and sharing findings but also by attending and contributing to Theme Boards and through the Future and Aspiring Leaders Programmes.

- **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 2017. 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
 - Corporate Management Team
 - Swindon Programme Theme Boards
 - Chief Auditors Network (formerly County Chief Auditors Network)
 - West of England Chief Internal Auditors Group and its sub groups
 - 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 (PSIAS) 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.

During the course of the year audit work is reviewed by management to ensure individual audit work is in compliance with the PSIAS. A self-assessment is also undertaken by the Head of Internal Audit as part of the section's Performance Management and Quality Assurance Framework to ensure that the section complies with the Standards and strives for continuous improvement. Key areas for improvement identified from this review include the need to improve the timeliness of the audit review process ensuring that reports are

issued on a timely basis; the need to improve the response levels of customer feedback (the feedback that has been received has been very positive); and improvement in the follow-up process.

Set out below is the section's achievement against our key performance indicators.

- (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 (87% against a target of 92%). This was due in the main to the failure to successfully recruit to a Senior Auditor post.

The section had three key performance indicators in 2017/18:

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

Justification for this performance indicator: <i>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.</i>	
Target: 92%	Achievement: 87%
Therefore target not achieved in 2017/18	
<p><i>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:</i></p> <ul style="list-style-type: none"> • <i>The failure to make a suitable appointment to a Senior Auditor role</i> • <i>The number and complexity of the fraud investigations</i> • <i>Increased demands on the Corporate Fraud team</i> 	

- **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: <i>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.</i>	
Target: 100%	Achievement: 100%
Therefore target achieved in 2017/18	

- **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: 90% (average score from Customer Feedback Forms - the other 10% rated the service as good/average)
Therefore target exceeded in 2017/18	

- (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.

Corporate Fraud Team

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 and this continued into 2017/18. 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, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures and policies and procedures.

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:

The success of the Team was such that the Head of Housing Services agreed to continue to provide funding for 2017/18 and in to 2018/19. The following outcomes were achieved during 2017/18:

- 56 cases investigated and closed
- 19 Council houses recovered with an estimated saving (using a nationally recognised figure of £18,000 per property) of £342,000 (11 in 2016/17 nominal saving of £198,000)
- 5 right to buy applications stopped resulting in savings in discounts that would have been allowed on the sale of properties of £377,243 (7 cases in 2016/17 with discount valued at £418,123)
- Student Council Tax exemption fraud totalling £9,558.68
- Other fraud of £19,520.47
- A business case has been accepted to fund work on identifying potential Council Tax single person discount fraud and error. This involves data matching Council held data regarding discounts awarded to financial footprints at relevant properties. The Team are working with a contractor, Datatank, on this project.

During 2017/18 the Team also:

- 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
- Continue to lead on 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

- Work closely with the Council's Housing department providing advice and support
- Continued to strengthen links both with internal departments including Parking, Blue Badges, Payroll, Schools Admissions and Revenue and Benefits; and externally with Bristol City Council, Immigration, HMRC, Police, Joint Intelligence Cell, Amberhill, Local Authorities, NHS, housing associations within Wiltshire and tenancy fraud forums.
- Continue to deliver awareness sessions at departmental Team Meetings

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 2017/18 INTERNAL AUDITS

SYSTEM CONTROL	MATERIALITY AND IMPACT		
	High	Medium	Low
High Standard	<ul style="list-style-type: none">Treasury managementHousing Rents <div>[Moderate risk]</div>	<ul style="list-style-type: none">Improvement grants <div>[Minimal risk]</div>	<div>[Minimal risk]</div>
Satisfactory	<ul style="list-style-type: none">Risk managementPerformance managementAsset management – valuationCivic campus – securityHousing benefitsPatch managementSpecial Educational Resources and Assessment Panel (SENRAP)Main accountingDebtorsWhitbourne HouseCreditorsPayrollHousing rentsCouncil TaxNNDR <div>[Moderate risk]</div>	<ul style="list-style-type: none">Care leaver paymentsMunicipal burials and crematoriumStartersRegistrarsFleet management <div>[Moderate risk]</div>	<div>[Minimal risk]</div>
Significant improvements required	<ul style="list-style-type: none">Emergency duty serviceHousing and ASC joint solutions programmeCorporate reportingCompliance with contract standing ordersNew Eastern VillagesPPS Waste serviceStarters and leavers asset managementGeneral Data Protection Regulations (GDPR)Adult safeguardingOracle: system control and integrityIT management <div>[Of Concern risk]</div>	<ul style="list-style-type: none">ID badgesWorkplace healthPlas PencelliSTEAMConcessionary travelLawn Primary SchoolPhonesChildren’s health visitingUse of social mediaStreet worksStaff training <div>[Moderate risk]</div>	<div>[Moderate risk]</div>
Fundamental weaknesses	<ul style="list-style-type: none">Premises Management <div>[Significant risk]</div>	<div>[Of Concern risk]</div>	<div>[Moderate risk]</div>

Non-opinion audits/reviews:

- Library evaluation
 - Organised crime checklist
 - Homelessness
 - Voluntary Sector: Supported Employment
- National Fraud Initiative
 - Managed accounts: DHI
 - Nursery funding
 - Modern Slavery and human trafficking
- Annual Governance Statement
 - Business continuity f/up
 - HB cheques
 - Management of capital projects: contingencies
- Duplicate Payments
 - Newton Europe
 - HR support: schools
 - Corporate programme - templates
- S.151 Officer responsibilities
 - Debtors recovery
 - Commercialisation

Grants:

- Public Health Assurance Statement
- Troubled Families (4 grant claims: 2017/18)
- Carbon Reduction Commitment
- NNDR3
- Bus subsidy

Investigations: 21 Investigations including Whistleblowing (13) External work: St. Joseph’s Catholic College; UTC; Bristol City Council IT

This page is intentionally left blank

Draft Annual Governance Statement

Audit Committee

Date: 5th June 2018

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

1. Purpose and Reasons

- 1.1 It is a requirement of the Accounts and Audit Regulations 2015 that the Council prepares an Annual Governance Statement.
- 1.2 The purpose of this report is to provide Audit Committee with an Annual Governance Statement in respect of 2017/18 for approval.
- 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 and approves the Annual Governance Statement prior to sign off by the Leader and Chief Executive.

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, <http://ww5.swindon.gov.uk/moderngov/ecSDDisplay.aspx?NAME=SD6032&ID=6032&RPID=5721575>, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government.
- 3.4 The Annual Governance Statement (see Appendix 1) explains how the Council has complied with the local code and also meets the requirements of the

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: 5th June 2018

Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

- 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.
- 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 2017/18. The revised guidance requires more focus in the Statement to be on outcomes and value for money.
- 3.8 The Annual Governance Statement is set out in Appendix 1 to this report.
- 3.9 Details of the review of the effectiveness of corporate governance arrangements is set out in Appendix 2.
- 3.10 As part of the document the Council must identify any areas of significant governance or internal control issues that have occurred during 2017/18. Potential areas for inclusion were discussed at Corporate Management Team and with the Council's Monitoring officer and Chief Finance Officer. This included a review of last year's statement and agreeing whether any issues raised for 2016/17 could be taken off and whether any new issues needed to be included.
- 3.11 It is recommended that the following issues could be removed from the statement (further detail is provided in the Annual Governance Statement):
- ☐ Transfer of staff from SEQOL
 - ☐ Parishes
 - ☐ Housing maintenance contract management
- 3.12 It was agreed that further progress was still required in the following areas before they can be taken off the statement (again further detail is provided in the Annual Governance Statement):
- ☐ Information Governance and Security
 - ☐ GCSE attainment
- 3.13 There are three new areas recommended for inclusion in the statement for 2017/18 (again, further detail is provided in the 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: 5th June 2018

- ❑ Financial stability and the Swindon Programme
- ❑ Children services
- ❑ Premises management

- 3.14 The Council also recognises that there has been significant changes to its senior management including at Corporate Management Team including a new Corporate Director: Resources and Growth; Corporate Director: Children and a new Corporate Director: Communities and Housing as well as the retirement of the Chief Executive, in addition to a number of Heads of Service leaving the Council.
- 3.15 There are various sources of assurance that can inform both Corporate Management Team and Audit Committee on how the governance arrangements and systems of internal control within the Council have been operating (see Appendix 3).
- 3.16 The definition used in the CIPFA guidance regarding what constitutes a significant issue is set out in Appendix 4.

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

Diversity Impact Assessment

- 5.4 None

Draft Annual Governance Statement

Audit Committee

Date: 5th June 2018

Risk Management

- 5.5 Potential risk areas identified in the report are taken from the Council's Corporate Risk register.

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.
- 6.2 Corporate Management Team

7. Background Papers

- 7.1 None

8. Appendices / Background papers

Appendix 1 – The Annual Governance Statement 2017/18

Appendix 2 – Review of the effectiveness of corporate governance arrangements
(detail)

Appendix 3 – Assurance Framework

Appendix 4 – Definition of significant governance or control issues

9. Key Decision/Decision in Forward Plan

Not Applicable



ANNUAL

GOVERNANCE

STATEMENT

2017/18

Introduction

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 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

The Council is required to produce an Annual Governance Statement each year which describes its governance arrangements. The Council reviews its governance framework through the Audit Committee. This review identifies where the framework is working and whether there are any significant governance issues that need to be addressed.

The Annual Governance Statement is signed off by both the Leader of the Council and the Chief Executive after being reviewed by the Audit Committee.

Corporate Governance

The purpose of a governance framework

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.

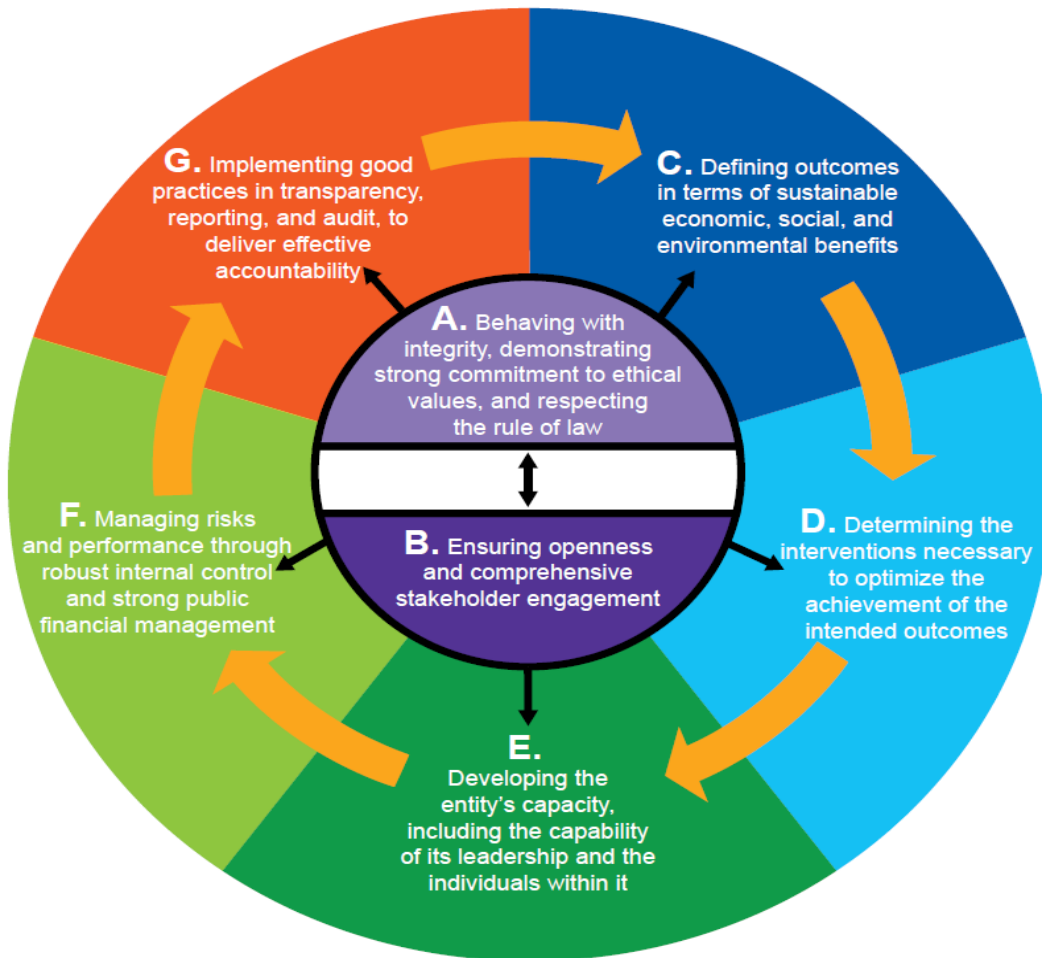
The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and 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 an 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.

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:

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**



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

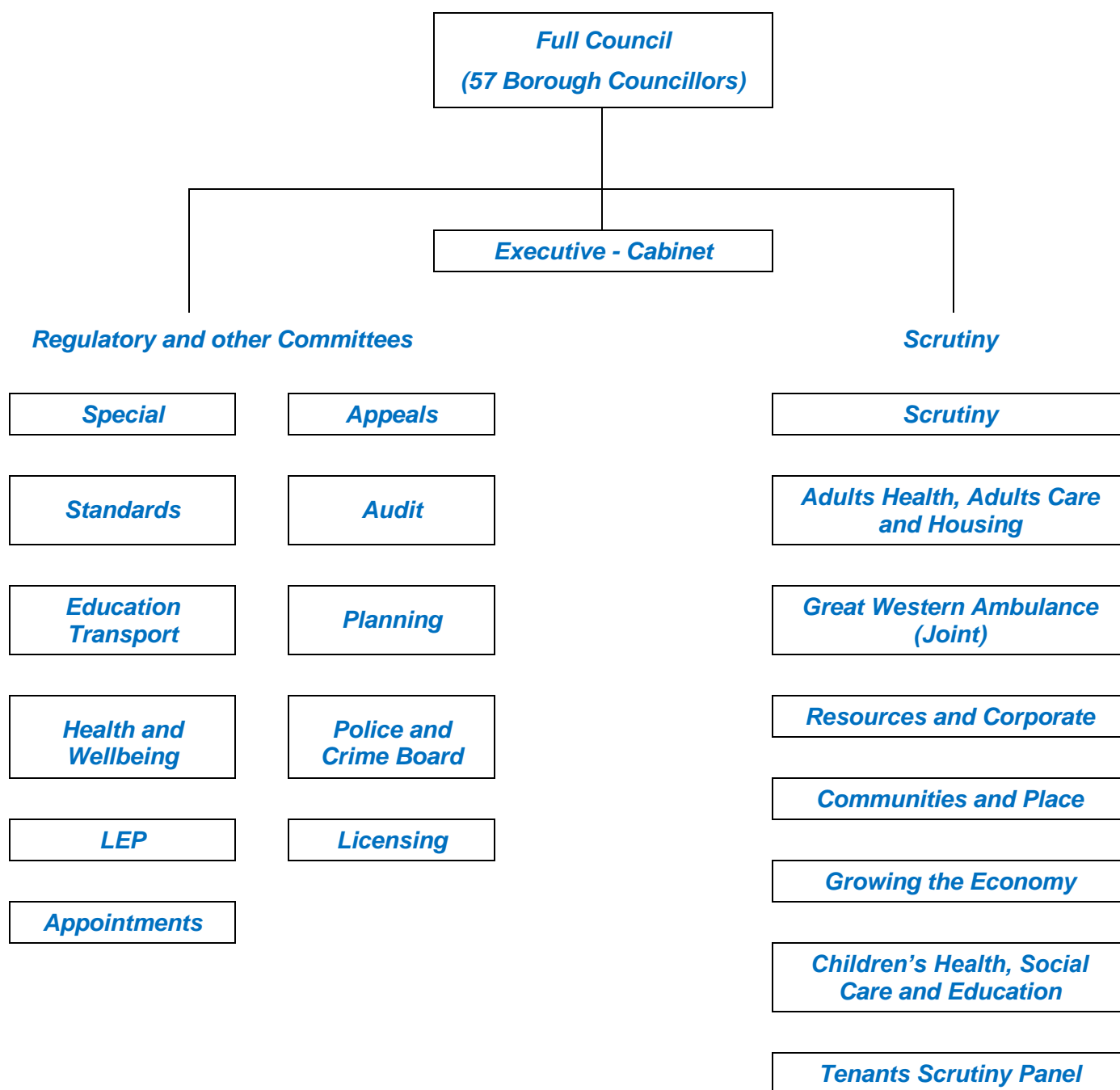
<http://ww5.swindon.gov.uk/moderngov/ecSDDisplay.aspx?NAME=SD6032&ID=6032&RPID=5603053>

The Council has 57 Councillors and operates a Leader and Executive model of decision making. All Councillors meet at Full Council to agree the budget and the policy framework etc. Ten Councillors, including the Leader, form the Executive (Cabinet). The Executive decide on how to deliver the budget and the policy framework.

The remaining 47 Councillors form scrutiny committees. These committees review the policies, process and implications of Cabinet, Cabinet Member and Officer decision- making and the way in which Cabinet and Cabinet Member decisions are made.

There are also a number of regulatory committees such as Audit, Standards, Planning and Licensing.

The Council's current Committee structure is set out below:



Outcomes

The Council's vision, priorities and pledges:

By 2030, Swindon will have all of the positive characteristics of a British city with one of the UK's most successful economies; a low-carbon environment with compelling cultural, retail and leisure opportunities and excellent infrastructure. It will be a model of well managed housing growth which supports and improves new and existing communities.

Swindon will be physically transformed with existing heritage and landmarks complemented by new ones that people who live, work and visit here will recognise and admire. It will remain, at heart, a place of fairness and opportunity where people can aspire to and achieve prosperity, supported by strong civic and community leadership.

The Corporate Plan sets out a clear set of priorities and pledges, which will enable Councillors and officers to prioritise their work and ensure that the Council is using its increasingly limited resources to

best effect in pursuit of delivering the vision for Swindon. You can find out how the Council is performing against each of its priorities and pledges by selecting the priority or pledge links below:

[Priority one: Improve infrastructure and housing to support a growing, low-carbon economy](#)

[Priority two: Offer education opportunities that lead to the right skills and right jobs in the right places](#)

[Priority three: Ensure clean and safe streets and improve public spaces and local culture](#)

[Priority four: Help people to help themselves while always protecting the most vulnerable children and adults](#)

Currently, the Council's Performance Dashboard shows that the following progress has been made:

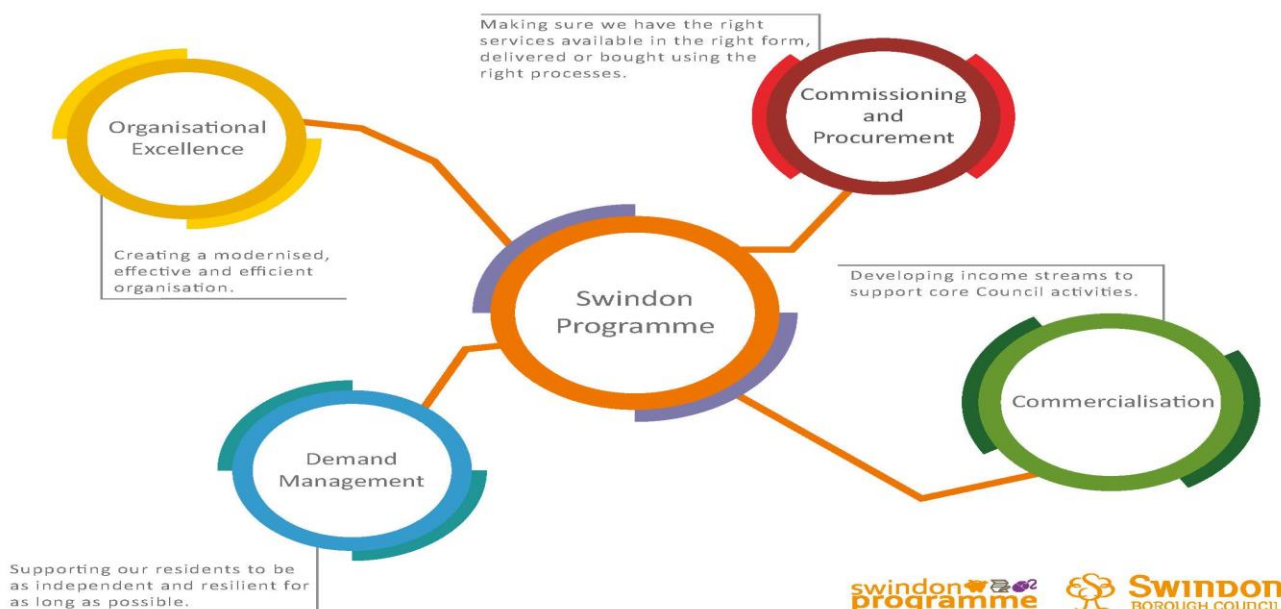
Priority	No. of Pledges	Achieved	On Track	Need Improvement
One	14	2	9	3
Two	5	0	2	3
Three	4	0	3	1
Four	7	0	4	3
Total	30	2	18	10

Swindon Programme

The Swindon Programme sets the challenge of saving £30 million in 30 months. We will do this by transforming the way we work, and making our services, systems and processes more efficient for both our customers and officers. This will allow us to provide the residents of Swindon with the information and support they need in a way that is convenient to them and cost effective for us.

There are four strands to the Swindon Programme:

- Organisational Excellence
- Demand Management
- Commissioning and Procurement
- Commercialisation



Value for Money

The Council's External Auditor, Grant Thornton, was satisfied that in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources. In reaching this conclusion the External Auditor completed an overall assessment of arrangements and risks for the year of audit (2016/17) and looked in detail at how the Council built up savings plans and included them in to budgets.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). Timely support, information and responses are provided to our external auditors. Findings and recommendations from both our Internal and External Auditors are considered by senior management and at the Council's Audit Committee.

The role of management

The Council's Corporate Management Team has a shared responsibility for delivering the organisational strategic direction, agreeing priorities and driving their successful achievement.

Over the last few years there has been a focused and planned programme of succession planning put in place by the Chief Executive to ensure that the senior management of the organisation is refreshed and better equipped to meet the challenges ahead.

This has resulted in new Corporate Directors being appointed and more recently the Chief Executive being replaced due to retirement. Organisational changes have also meant that some Heads of Service have been replaced and/or left as well.

The development and roll-out of the Swindon (transformation) Programme is continually ensuring that the skills and capacity required to manage the organisation going forwards helps better position the Council to be a modern, efficient and effective organisation.

Risk Management

Risk management is about identifying and understanding the threats to the achievement of the Council's Vision and priorities by taking reasonable and sensible action to reduce the chance of them happening. The Council is committed to managing risks within its control, to keep employees safe, protect assets, maintain and improve its services and make good use of funds, as part of sound corporate governance.

Risk is managed through the activities of the Council, including planning, monitoring, design, and decision-making. Risk is integrated within the planning and performance system and is not a separate standalone process as the management of risk and uncertainty is integral to the delivery of priorities and objectives. The process is designed to be simple to complete and is more focused on identifying and managing key risks rather than all risks.

The Council's Corporate Risk Register is regularly reviewed at Leader's Advisory Group, Audit Committee and the Corporate Management Team as part of their review of overall organisational performance to ensure that the significant risks are being managed effectively.

Key risks identified in the Corporate Risk Register are:

Risk area	Risk rating	Risk area	Risk rating
Financial sustainability	High	Safeguarding children	Medium
Empowering communities	Medium	Safeguarding adults	Medium
Growing the economy	Medium	Governance	Low
Managing the environment	Medium	Realising potential	Medium
The local, national and international context	Medium	Effective prevention	High
IT: Business critical systems	Medium	Business continuity	Low

Review of the effectiveness of our governance arrangements

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.

Details of the review were presented to Audit Committee at their June 2018 meeting. Details can be found at:

<http://ww5.swindon.gov.uk/moderngov/ieListMeetings.aspx?CId=687&Year=0>

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.

Areas of focus – looking forward

Whilst these arrangements generally work well the review identified a number of significant governance issues that need to be addressed:

Governance issue	Lead Officer
Information Governance and Security	Director: Digital Services and Corporate Programmes
Financial Stability and the Swindon Programme	Director of Finance
Children Services	Corporate Director: Children
GCSE attainment	Head of Education
Premises management	Corporate Director: Resources and Growth

- **Information Governance and Security:** Following the refresh of its information technology and governance policies in 2016/17 the Council also invested in MetaCompliance, a policy delivery, management awareness and compliance tool. A phased roll-out of this software to all computer users has ensured that currently compliance records show that more than 98% of our computer users have now read, been tested upon and agreed to abide by the Council's IT Acceptable Use Policy.

PSN compliance remains outstanding, mostly due to component software needed to run legacy systems. The PSN project manager has a clear programme of work to get Swindon compliant by mid-2018 which will deliver Swindon IG toolkit 13 and 14.

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. Some of the key deliverables are:

- Migrations from Capita Private Cloud computing facilities to Council ones.
 - Building modern secure, networking and cloud storage facility at the Council.
 - Plan to encrypt swindon.gov.uk emails to meet Data Protection Act compliance
- **Financial Stability and the Swindon Programme:** In response to the pressures facing the Council it has adopted a cross-cutting approach, the Swindon Programme, to address the funding gap in the period to March 2020. Across the two year period from April 2018-March 2020 it is anticipated that £30million of savings need to be delivered. During the course of the 2018/19 financial year the Council will need to focus on the delivery of in-year savings already identified while developing plans for closing the remaining gap in the subsequent year.

Given the importance of this work the Council's Corporate Management Team convenes as the Programme's Board on a monthly basis to provide leadership for the individual work streams and, where appropriate, redirect resources to ensure that progress is maintained.

- **Children Services:** The recent Ofsted inspection that focussed on the children's services 'front door' confirmed two areas that require priority action from the Council. The 'front door' refers to the service provided to professionals and members of the public with advice, information and support about services for children and young people who are potentially vulnerable or at risk. The priorities include improving the identification of risk so that there is no delay in decision making when children are at risk of harm and the quality of management oversight in relation to safeguarding practice.

Ofsted recognised that "a well-targeted programme of improvement has begun" including the revision of early support for vulnerable children as well as plans to increase senior leadership capacity and management training for all managers. Inspectors noted that these are not yet embedded or sustained enough to ensure that the front door is providing a consistently safe, well-targeted and timely response to every child. Colleagues in Children's Services and across the Council are working hard to implement the improvement plan and bring about rapid change and improvement for children and families. The improvement priorities have been developed following both internal and external review and have been supported by Cabinet with £7.5m of investment in the service over the next two years.

We have been proactive in seeking support from other Local Authorities and The Local Government Association's regional children's services adviser has brokered support to help us on our journey of improvement.

- **GCSE Attainment:** Significant action was taken during 2017/18 to develop a robust governance structure that enables and challenges performance concerning school improvement in Swindon. This has included the development of the Swindon Challenge Board (established in March 2017) which has funded a considerable number of improvement projects within schools and updated the Schools Causing Concern Strategy as well as the School Improvement strategy. GCSE results are currently below the national average and pupil progress measures are too low. Raising attainment across the Borough will not be a quick fix however, and time will be needed for the Board to have an impact on a rise in standards.

An on-going challenge for the Council is ensuring the involvement of academies in contributing to the improvement agenda. This has improved over the past twelve months with much closer working with the Regional Schools Commissioners office. The Council and the academy schools now work with national organisations (PIXL, Rossendale National Research School) 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.

- **Premises Management:** an Internal Audit review of the premises management arrangements within the Council was undertaken during 2017/18. The audit found a number of significant weaknesses including:
 - A lack of clarity regarding roles and responsibilities as the Council's Health and Safety Policies for Fire Risk Assessments and Legionella Management (in hot and cold water systems) are not sufficiently detailed
 - No overall performance process in place to ascertain the extent and status of any fire risk assessment actions or legionella risk assessment actions for corporate buildings as there is no corporate management and monitoring conducted of parties' assigned responsibility under the current process
 - Formal risk criteria is not in place to determine the frequency of risk assessments for buildings and to provide a standard and consistent approach.

Corporate Management Team (CMT) had also raised concerns and the Director: Resources and Growth initiated a work stream to resolve the issues raised both by CMT and Internal Audit. The work of this work stream is nearing completion and the key issues raised are being addressed. Internal Audit has scheduled a follow-up audit to be carried out during 2018/19 to ensure agreed recommendations have been implemented.

Looking back to 2016/17

The review also identified that the following areas included in last year's statement have either progressed sufficiently for them not to be included in this year's statement or were one-off occurrences that are not applicable to the year being reviewed:

- **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 during 2016/17. 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 staff transfers were carried out successfully in a very short period and involved a significant amount of officer time, however there was no adverse effect on service users.
- **Parishes.** A significant diversion of resources was required during 2016/17 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 changesAll areas of the Council have now been successfully parished.
- **Housing maintenance 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. A subsequent follow-up audit carried out later in the year found that procedures had improved but there was still a significant amount of work required to implement agreed audit recommendations. Further Internal Audit work is planned in this area during 2018/19.

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

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 the first section of this statement. 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

Governance and Internal Control issues - Action Plan

Ref.	Area of Governance/Internal Control	Action
1	Information governance and security	<p>Areas for improvement during 2018/19:</p> <ul style="list-style-type: none"> PSN compliance remains outstanding, mostly due to component software needed to run legacy systems. The PSN project manager has a clear programme of work to get Swindon compliant by mid-2018 which will deliver Swindon IG toolkit 13 and 14. 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. Some of the key deliverables are: <ul style="list-style-type: none"> Migrations from Capita Private Cloud computing facilities to Council ones. Building modern secure, networking and cloud storage facility at the Council. Plan to encrypt swindon.gov.uk emails to meet Data Protection Act compliance Ensure the organisation is prepared to comply with the General Data Protection Regulations by May 2018.
2	Financial Stability and the Swindon Programme	<p>During the course of the 2018/19 financial year the Council will need to focus on the delivery of in-year savings already identified while developing plans for closing the remaining gap in the subsequent year.</p> <p>Given the importance of this work the Council's Corporate Management Team convenes as the Programme's Board on a monthly basis to provide leadership for the individual work streams and, where appropriate, redirect resources to ensure that progress is maintained.</p>
3	Children Services	<p>The recent Ofsted inspection identified the following two areas as priorities: improving the identification of risk so there is no delay in decision making when children are at risk of harm and the quality of management oversight in relation to safeguarding practice.</p> <p>Ofsted recognised that "a well-targeted programme of improvement has begun" including the revision of early support for vulnerable children as well as plans to increase senior leadership capacity and management training for all managers. These actions need to be embedded and sustained to ensure that the front door is providing a consistently safe, well-targeted and timely response to every child.</p> <p>Colleagues in Children's Services and across the Council are already working to implement the improvement plan, which we developed following both an internal and external review, and which was supported by Cabinet in February with £7.5m of investment in the service over the next two years. Children Services has been proactive in seeking support from other local authorities and The Local Government Association's regional children's services adviser brokering support to help us on our journey of improvement.</p>
4	GCSE attainment	<p>Significant action was taken during 2017/18 to develop a robust governance structure that enables and challenges performance concerning school improvement in Swindon. This has included the development of the Swindon Challenge Board (established in March 2017) which has funded a considerable number of improvement projects within schools and updated the Schools Causing Concern Strategy as well as the School Improvement strategy. This will continue during 2018/19.</p> <p>Raising attainment across the Borough will not be a quick fix however, and time will be needed for the Board to have an impact on a rise in standards. Involvement of academies in contributing to the improvement agenda has improved over the past twelve months with much closer working with the Regional Schools Commissioners office. The Council and the academy schools now work much with national organisations (PIXL, Rossendale National Research School) and external academy trusts. This, again, will continue to be worked on during 2018/19.</p>

Ref.	Area of Governance/Internal Control	Action
5	Premises management	<p>A work stream has been put in place by the Corporate Director: Resources and Growth to address the issues raised in an Internal Audit review along with those raised by Corporate Management Team. An action plan has been agreed by management to address the key issues raised by Internal Audit including:</p> <ul style="list-style-type: none"> ▪ A lack of clarity regarding roles and responsibilities as the Council's Health and Safety Policies for Fire Risk Assessments and Legionella Management (in hot and cold water systems) are not sufficiently detailed ▪ No overall performance process in place to ascertain the extent and status of any fire risk assessment actions or legionella risk assessment actions for corporate buildings as there is no corporate management and monitoring conducted of parties' assigned responsibility under the current process ▪ Formal risk criteria is not in place to determine the frequency of risk assessments for buildings and to provide a standard and consistent approach.

This page is intentionally left blank

Review on the effectiveness of corporate governance arrangements

Introduction

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, split over the seven key principles, has been applied in maintaining and reviewing the effectiveness of the system of corporate governance. Both in-year and year-end review processes have taken place.

Review of effectiveness

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

The roles and responsibilities of the executive, scrutiny and other functions are clearly defined through relevant terms of reference. The terms of reference can be found within the Constitution available on the Council's website at: <http://www5.swindon.gov.uk/moderngov/ecSDDisplay.aspx?NAME=SD6028&ID=6028&RPID=5623685>

The Constitution is reviewed at least annually and agreed at Full Council.

The Council's Monitoring Officer has responsibility for ensuring that the Council acts lawfully by considering any proposal, decision or omission to ensure that it wouldn't give rise to unlawfulness or if any decision or omission has given rise to maladministration. The Monitoring Officer did not have to exercise his powers under section 5 of the Local Government and Housing Act 1985.

The Council has also revised its Local Code of Corporate Governance to reflect the updated guidance from CIPFA/SOLACE during 2016/17.

The Council maintains a register of interests for both Members and Officers. The register includes declarations of gifts and hospitality.

The Monitoring Officer provides advice to Members throughout the year regarding any potential conflicts of interest and the need to declare these under the Localism Act 2011 and the local Member Code of Conduct.

The Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues. Standards Committee received five complaints regarding (Borough and Parish) Councillors during 2017/18. None of these resulted in formal investigations although three were referred to the Monitoring Officer for action. A paper for the March 2018 Standards Committee says that eight Code of Conduct Complaints will be considered by the Assessment Panel on the 22nd March 2018.

The role of the Director of Finance as Section 151 Officer has been assessed by Internal Audit against the CIPFA statement on the role of the Chief Financial Officer in Local Government and found to be meeting the requirements of the statement.

A Corporate Governance Working Group, consisting of both Members and officers reviews the effectiveness of the Council's corporate governance arrangements. The Group also give guidance and opinion to the Leader of the Council and the Deputy Monitoring Officer on ongoing governance issues. During 2017/18 these included: the Overview and Scrutiny committee structure; revisions to the 2017/18 Constitution; use of electronic copies of meeting papers in order to reduce the Council's printing costs; and to comment on the proposed merger of the One Swindon Leadership Board and the Health and Wellbeing Board.

The Council operates a whistleblowing policy that provides a confidential and secure means for staff to raise concerns. Thirteen whistleblowing cases were reported during 2017/18. The outcomes of investigations are reported to the Standards Committee. The Council also subscribes to Public Concern at Work who provide an independent, confidential service where employees can report issues where they do not wish to use the internal processes.

The Council has established a Corporate Fraud team who will investigate allegations of external fraud against the Council. Internal Audit investigate any employee fraud.

B. Ensuring openness and comprehensive stakeholder engagement

The Council's constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

The constitution sets out that decisions will be made in accordance with the following principles:

- proportionality (i.e. the action must be proportionate to the desired outcome)
- due consultation and the taking of professional advice from officers
- respect for human rights
- a presumption in favour of openness
- clarity of aims and desired outcomes

The Council has a Consultation Policy that sets out set out the Council's commitment to effective and efficient public consultation and sets the expectation that this commitment will be consistently applied, particularly in relation to the Council's key decisions.

The Council will consult with residents, businesses, partner bodies and other stakeholders and will use the results of the consultation to inform its decision-making processes, to develop and refine its policies, and to drive improvement in the services for which it is responsible. The Council has carried out consultations on the budget and proposed policy changes such as Special Educational Needs (SEN) Transport. Further details are available at:

https://www.swindon.gov.uk/downloads/20019/consultations_engagement_and_surveys

The Council carried out a Residents' Survey in 2017. Satisfaction with the Council (66%) and perceived value for money (52%) were in line with national averages. Trust in the Council (60%) however is below the national average. Satisfaction with the local area as a place to live was slightly above the national average at 84%.

The Council's Change Manager: Equality and Diversity, confirmed 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 2017-2019 Equality Objectives in place and receives scrutiny of its work by the Equality Advisory Group.

Details regarding Data Protection and Freedom of Information are provided on the Council's website. The publication scheme sets out information that is available.

The Council also has collected information in accordance with the Local Government Transparency Code 2015 and is currently reviewing how best to present this on the website.

The Council has established a Customer complaints, comments and feedback process which is available on the Council's website:

https://www.swindon.gov.uk/site_search/results/?q=complaints along with separate processes for Children and Adults.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Corporate Plan sets out a clear set of priorities and pledges, which enable Councillors and officers to prioritise their work and ensure that the Council is using its increasingly limited resources to best effect in pursuit of delivering the vision for Swindon.

The Corporate Plan focuses on four outward facing objectives:

- Improve infrastructure and housing to support a growing, low carbon economy
- Offer education opportunities that lead to the right skills and right jobs in the right places
- Ensure clean and safe streets and improve public spaces and local culture
- Help people to help themselves while always protecting the most vulnerable children and adults

Performance against these priorities are captured in the Council Performance dashboard that is available on the Council's website and can be found in the links below:

[Priority one: Improve infrastructure and housing to support a growing, low-carbon economy](#)

[Priority two: Offer education opportunities that lead to the right skills and right jobs in the right places](#)

[Priority three: Ensure clean and safe streets and improve public spaces and local culture](#)

Priority four: Help people to help themselves while always protecting the most vulnerable children and adults

The Council's Performance Dashboard shows that the following progress has been made:

Priority	No. of Pledges	Achieved	On Track	Need Improvement
One	14	2	9	3
Two	5	0	2	3
Three	4	0	3	1
Four	7	0	4	3
Total	30	2	18	10

The Swindon Borough Local Plan 2026 is the principal planning policy document for Swindon Borough, providing the development strategy to deliver sustainable growth to the year 2026. It sets out how much development the Borough needs and identifies where, when, and how development will take place in Swindon Borough. It also includes a set of more detailed development management policies used to assess planning applications in the Borough. The Swindon Borough Local Plan 2026 was formally adopted by Swindon Borough Council on 26 March 2015.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council has a robust decision-making process that ensures defined outcomes can be achieved in a way that provides the balance between the various types of resource inputs while still enabling effective and efficient operations. A clear statement of the Council's priorities and pledges is set out in the Corporate Plan.

The Council's External Auditor, Grant Thornton, was satisfied that in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources. In reaching this conclusion the External Auditor completed an overall assessment of arrangements and risks for the year of audit and looked in detail at how the Council built up savings plans and included them in to budgets.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). Timely support, information and responses are provided to our external auditors. Findings and recommendations from both our Internal and External Auditors are considered by senior management and at the Council's Audit Committee.

As detailed above the Council has a Performance Dashboard that forms part of a regular performance report to the Corporate Management team along with the Corporate Risk Register. Key issues regarding performance and risk are discussed and appropriate action taken to address any issues arising.

An Internal Audit review identified that significant improvements were required to the Council's business continuity arrangements. A peer review was

commissioned and the recommendations made both by internal Audit and from the peer review are being acted upon.

E. Developing the Council's capacity, including the capability of its leadership and the individuals within it

The Council is looking to develop leadership skills. It has introduced various initiatives during 2017/18 such as:

- Swindon Future Leaders Programme - Working with the University of the West of England, the Council has developed a programme which will lead to a recognised qualification and is aimed at those people who have shown the potential to be our next heads of service and directors.
- Aspiring Leaders – for staff who have been identified as someone having leadership potential in the future.
- Swindon Manager Programme - To support managers with their development we have set out the competencies required at the most fundamental level and are working to build them into a full leadership and management development programme. The foundation levels competencies and guidance and support to achieve them are set out here.
- Development of e-learning including mandatory courses and links to Future Learn
- One to one coaching

Staff should have appraisals on an annual basis with six-monthly update review, along with regular 1:1's and team meetings. Compliance with the requirement for appraisals has improved over 2017/18.

Information is regularly cascaded to staff through all staff briefings, the Core Brief and through senior management/leadership teams and individual team meetings.

One of the themes of the Swindon Programme is Workforce Excellence. The aim of this theme is to ensure that the Council has workforce policies and practices in place which support a modern, effective and efficient organisation; a consistent approach to pay and reward; and the Council will be seen as an attractive recruitment proposition with slick recruitment processes.

Performance monitoring is in place to ensure that the Council effectively manages its workforce with a particular focus on reducing absence management, which at present is above national average. The Council is also investing in its workforce to ensure that effective leadership and management is in place to support the workforce of the future (see above).

F. Managing risks and performance through robust internal control and strong public financial management

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 risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Management Team and presented to

both Leaders Advisory Group and Audit Committee. The latest report to Audit Committee can be found at:

<http://sbcvpwmmgv02:9070/ieListDocuments.aspx?CId=687&MId=8011&Ver=4>

The Council's Performance Framework is led by the Director: Performance, People and Engagement. The framework includes a Performance and Corporate Health dashboard that enables the Council to better target resources and demonstrates the organisation's desire to be as transparent as possible. The Performance dashboard is reported regularly to Corporate Management Team and is available at: <https://www.swindon.gov.uk/vision>

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, governance and risk management 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 Audit Committee also reviews the Council's assurance statements to ensure that they properly reflect the risk environment and any actions to improve it

The Internal Audit section was 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 but made two recommendations i.e. the need to update the Internal Audit strategy and noted the role of the Head of Internal Audit in preparing the Annual Governance Statement.

The Head of Internal Audit's Annual report is presented to Audit Committee. The overall opinion regarding the Council's governance, risk management and internal control arrangements was that they were satisfactory. A link to the Head of Audit's report is below:

<http://ww5.swindon.gov.uk/moderngov/ieListMeetings.aspx?CId=687&Year=0>

Corporate Directors and Heads of Service completed assurance statements to confirm 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.

Specific assurances were also obtained from Heads of Service with regard to the governance arrangements in place for key partnerships.

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

'Following the refresh of its information technology and governance policies in 2016/17 the Council also invested in MetaCompliance, a policy delivery, management awareness and compliance tool. A phased roll-out of this software

to all computer users has ensured that currently compliance records show that more than 98% of our computer users have now read, been tested upon and agreed to abide by the Council's IT Acceptable Use Policy.

Day One essentials Information Governance training is now available for new staff and will shortly be automatically delivered via the MetaCompliance tool to all new starters when they first login to a Council computer. The Moodle training platform has been procured to delivery mandatory ongoing training and the most recent purchase of the Learning Pool public sector training catalogue will ensure that bespoke up-to-date awareness and training e-learning courses will be available to all staff and can be deployed via MetaCompliance to ensure mandatory take-up if required.

The Information Governance Board membership has been refreshed and has met on a monthly basis during 2017/18. Standing essential agenda items and oversight of the Information Governance Team's work stream have ensured high level visibility of Information Governance priorities. Information Asset Managers roles are still maturing, but this has not been helped by the recent large number of personnel changes across senior managers.

Data Protection and Freedom of Information had been located in and managed by Legal Services until late 2017. However, the Information Governance Team is currently under the line management of the Information Governance Manager within the Information and Technology service area. A decision on where this team will sit going forward is awaited.

Project work to prepare for the General Data Protection Regulation and the new Data Protection Act has been ongoing since Quarter 4 of 2017. Progress is being reported monthly to the Information Governance Board and compliance gaps are being reported to Corporate Management Team from April 2018. The Council's Internal Audit Service is also conducting an ongoing audit of the project to assist in ensuring a successful and compliant delivery of the outcomes.

Work to develop Information Risk Management is continuing and the Council's Information Asset and Risk 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.

PSN compliance remains outstanding, mostly due to component software needed to run legacy systems. The PSN project manager has a clear programme of work to get Swindon compliant by mid-2018 which will deliver Swindon IG toolkit 13 and 14.

In order to exchange some specific Public Health data we are required to gain Cyber Secure Plus accreditation to meet needs of new NHS IG Toolkit and Cyber toolkit. Work to achieve this will follow PSN 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. Some of the key deliverables are:

- Migrations from Capita Private Cloud computing facilities to SBC ones.

- Building modern secure, networking and cloud storage facility at SBC.
- Plan to encrypt swindon.gov.uk emails to meet DPA compliance

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. The contract is due to be signed in May 2018 and plans are in place to exit the current storage location in July 2018.'

An Annual Governance Statement is produced that sets out the Council's governance arrangements, a review of the effectiveness of those arrangements and highlights any areas for improvement. This statement is signed by the Leader of the Council and the Chief Executive and is published with the Statement of Accounts. This review feeds in to the Annual Governance Statement.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Details of Council meetings including agendas and minutes, showing what decisions have been made, are available on the Council's website. As mentioned above the Monitoring Officer will ensure that all decisions are legal and the Chief Finance Officer will ensure that resources are available for decisions made.

The Audit Committee complies with the current CIPFA guidelines. It is understood that revised guidelines are to be issued shortly. The Head of Internal Audit will work with the Audit Committee during 2018/19 to ensure that they comply with any revised guidelines.

The Head of Internal Audit produces a report for each Audit Committee meeting setting out which audit reports have been issued since the previous Committee meeting. The report also contains a summary of each finalised report setting out the key recommendations made.

Audit Committee's terms of reference include a requirement for the Head of Internal Audit to present at least one full Internal Audit report where a 'significant' or 'of concern' risk has been identified. The relevant Head of Service will attend to say what action has been taken to address agreed recommendations. Reports are also presented on areas that fall within the Committee's terms of reference. Internal Audit reports presented to Audit Committee include those on: Domestic Abuse Strategy; Corporate Fraud; Treasury Management; Education Attainment; Performance and Risk Management Framework; Commercial Assets and New Eastern Villages.

External Audit also attend each Audit Committee to present their reports including any relevant recommendations.

Significant issues raised by Internal Audit are also reported to Corporate Management Team.

Last year's statement

The review has identified that the following areas included in last year's statement have progressed sufficiently for them not to be included in this year's statement or were one-off occurrences that are not applicable to the year being reviewed:

- **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 during 2016/17. 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 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.
- **Parishes.** A significant diversion of resources was required during 2016/17 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.
- **Housing maintenance 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. A subsequent follow-up audit carried out later in the year found that procedures had improved but there was still a significant amount of work required to implement agreed audit recommendations. Further Internal Audit work is planned in this area during 2018/19.

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

Areas for improvement to be included in the Annual Governance Statement for 2017/18

Whilst these arrangements generally work well the review identified a number of significant governance issues that need to be addressed:

Governance issue	Lead Officer
Information Governance and Security	Director: Digital Services and Corporate Programmes
Financial Stability and the Swindon Programme	Director of Finance
Children Services	Corporate Director: Children
GCSE attainment	Head of Education
Premises management	Corporate Director: Resources and Growth

- **Information Governance and Security:** Following the refresh of its information technology and governance policies in 2016/17 the Council also invested in MetaCompliance, a policy delivery, management awareness and compliance tool. A phased roll-out of this software to all computer users has ensured that currently

compliance records show that more than 98% of our computer users have now read, been tested upon and agreed to abide by the Council's IT Acceptable Use Policy.

PSN compliance remains outstanding, mostly due to component software needed to run legacy systems. The PSN project manager has a clear programme of work to get Swindon compliant by mid-2018 which will deliver Swindon IG toolkit 13 and 14.

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. Some of the key deliverables are:

- Migrations from Capita Private Cloud computing facilities to Council ones.
 - Building modern secure, networking and cloud storage facility at the Council.
 - Plan to encrypt swindon.gov.uk emails to meet Data Protection Act compliance
- **Financial Stability and the Swindon Programme:** In response to the pressures facing the Council it has adopted a cross-cutting approach, the Swindon Programme, to address the funding gap in the period to March 2020. Across the two year period from April 2018-March 2020 it is anticipated that £30million of savings need to be delivered. During the course of the 2018/19 financial year the Council will need to focus on the delivery of in-year savings already identified while developing plans for closing the remaining gap in the subsequent year.
- Given the importance of this work the Council's Corporate Management Team convenes as the Programme's Board on a monthly basis to provide leadership for the individual work streams and, where appropriate, redirect resources to ensure that progress is maintained.
- **Children Services:** The recent Ofsted inspection that focussed on the children's services 'front door' confirmed two areas that require priority action from the Council. The 'front door' refers to the service provided to professionals and members of the public with advice, information and support about services for children and young people who are potentially vulnerable or at risk. The priorities include improving the identification of risk so that there is no delay in decision making when children are at risk of harm and the quality of management oversight in relation to safeguarding practice.

Ofsted recognised that "a well-targeted programme of improvement has begun" including the revision of early support for vulnerable children as well as plans to increase senior leadership capacity and management training for all managers. Inspectors noted that these are not yet embedded or sustained enough to ensure that the front door is providing a consistently safe, well-targeted and timely response to every child. Colleagues in Children's Services and across the Council are working hard to implement the improvement plan and bring about rapid change and improvement for children and families. The improvement priorities have been developed following both internal and external review and have been supported by Cabinet with £7.5m of investment in the service over the next two years.

We have been proactive in seeking support from other Local Authorities and The Local Government Association's regional children's services adviser has brokered support to help us on our journey of improvement.

- **GCSE Attainment:** Significant action was taken during 2017/18 to develop a robust governance structure that enables and challenges performance concerning school improvement in Swindon. This has included the development of the Swindon Challenge Board (established in March 2017) which has funded a considerable number of improvement projects within schools and updated the Schools Causing Concern Strategy as well as the School Improvement strategy. GCSE results are currently below the national average and pupil progress measures are too low. Raising attainment across the Borough will not be a quick fix however, and time will be needed for the Board to have an impact on a rise in standards.

An on-going challenge for the Council is ensuring the involvement of academies in contributing to the improvement agenda. This has improved over the past twelve months with much closer working with the Regional Schools Commissioners office. The Council and the academy schools now work with national organisations (PIXL, Rossendale National Research School) 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.

- **Premises Management:** an Internal Audit review of the premises management arrangements within the Council was undertaken during 2017/18. The audit found a number of significant weaknesses including:
 - A lack of clarity regarding roles and responsibilities as the Council's Health and Safety Policies for Fire Risk Assessments and Legionella Management (in hot and cold water systems) are not sufficiently detailed
 - No overall performance process in place to ascertain the extent and status of any fire risk assessment actions or legionella risk assessment actions for corporate buildings as there is no corporate management and monitoring conducted of parties' assigned responsibility under the current process
 - Formal risk criteria is not in place to determine the frequency of risk assessments for buildings and to provide a standard and consistent approach.

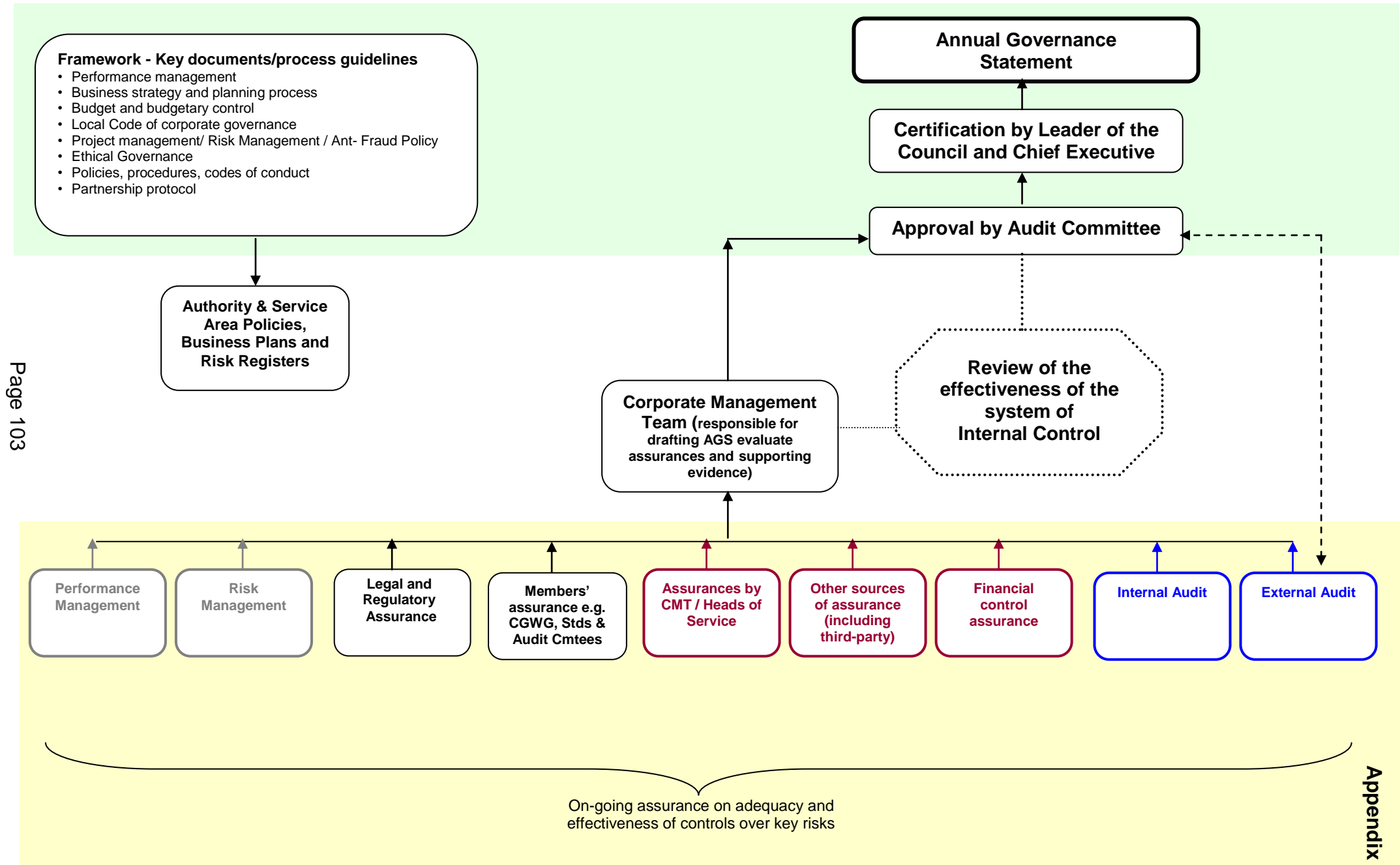
Corporate Management Team (CMT) had also raised concerns and the Director: Resources and Growth initiated a work stream to resolve the issues raised both by CMT and Internal Audit. The work of this work stream is nearing completion and the key issues raised are being addressed. Internal Audit has scheduled a follow-up audit to be carried out during 2018/19 to ensure agreed recommendations have been implemented.

Overall 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.

This page is intentionally left blank

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

Head of Internal Audit Update

Audit Committee

Date: 5 June 2018

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 March 2018, 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 Audit Committee note the report.

3. Detail

Progress on completion of Internal Audit Plan 2017/18

- 3.1 Details of audits finalised since the March 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 As at the end of March 2018, 87% of the number of audits in the audit plan has been completed against a target of 92%. More detail on the work carried out by internal Audit during 2017/18 is set out in the Head of Internal Audit's Annual report which is on this meeting's agenda.
- 3.3 Customer Feedback forms returned during 2017/18 indicate that 90% of clients felt that the audit was good to excellent, the remaining 10% ranked the audit good to average.
- 3.4 The Head of Internal Audit's Annual report, which is on the agenda for this meeting, provides more detail regarding the work undertaken by Internal Audit during 2017/18.

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: 5 June 2018

Progress on completion of Internal Audit Plan 2018/19

- 3.5 Appendix 2 sets out progress in the first two months against the annual Internal Audit plan.

Corporate Fraud Team

- 3.6 During 2018/19 the Corporate Fraud Team has:
- Recovered 19 housing properties (estimated savings £342,000)
 - Stopped 5 fraudulent right to buy applications (discount saved of £377,243)
 - Additional Bills Raised £29,079.15 (£13,516.76 relating to HB)
- 3.7 Further details are included in the Corporate Fraud Team's annual report which is an appendix to the Head of Internal Audit's report.
- 3.8 Certification of the Public Health Grant claim identified that, on a one off basis Public Health did not require a contribution of £129,300 from the general fund at financial year-end 2017/18.

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

Diversity Impact Assessment

- 5.4 None

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: 5 June 2018

Risk Management

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

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

8. Appendices

- 8.1 Appendix 1: Internal Audit Reports finalised since the March 2018 Audit Committee.
- 8.2 Appendix 2: Progress against the Internal Audit plan 2018/19

This page is intentionally left blank

Audits finalised since the Audit Committee meeting in March 2018

Audit Title:	Debt Recovery						
Date of Report:	April 2018				Materiality/Impact:	Medium	
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> • A cost benefit analysis of the creation of an in-house enforcement agent team should be carried out and a decision made based on the outcome of this. • The Council's decision should take into consideration the increase in warrants to be collected at the end of the Capita contract. However, consideration should also be given to the fact that in line with pledge 24, the Council has a target to reduce the use of enforcement agents for the recovery of council tax. More proactive work to provide advice and issue reminders before reaching liability order stage is carried out, therefore reducing the number of warrants issued. 							

Audit Title:	Creditors				Date of Report:	8 th May 2018	
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	2	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"> • In accordance with Contract Standing Orders service areas should be reminded of the procurement process and the requirement to have three written quotations and completion of a Procurement Approval Document for works, services or supplies procured for a value over £5,000. • The access rights for input and authorisation stages of invoice processing should be reviewed to limit any dual access. However, if for business continuity purposes dual access is required due to limited staff numbers, an independent sample check should be conducted of transactions to source approved invoices to verify their authenticity. 							

Audit Title:	Business Continuity Follow Up						
Date of Report:	March 2018			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	N/A	Previous Audit Opinion:	3	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> • Ongoing performance monitoring to ensure that business continuity management within the Council is operating satisfactorily should continue to progress. This should include: <ul style="list-style-type: none"> ○ Review of service area priority ratings and approval by Corporate Management Team ○ Setting of formal KPIs to monitor performance e.g. all priority one plans are reviewed annually, test exercise frequency meets the requirements set out in the Strategy ○ Regular performance updates provided to Corporate Management Team and performance issues are managed by senior management ○ The alignment of business continuity plans with IT back up and disaster recovery arrangements 							

Audit Title:	Payroll System and Starters Process				Date of Report:		17/04/2018
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	2	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"> • Recruiting managers should be reminded that copies of right to work documentation for all new starters should be should be dated by the Recruiting Manager as per the Right to Work in the UK Guidance. 							

Audit Title:	Adult Safeguarding						
Date of Report:	March 2018				Materiality/Impact:	High	
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	3	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Of concern
<u>Key Recommendations</u> The more significant recommendations made as a result of the review are: <ul style="list-style-type: none"> • A formal process to monitor cases where the KPI (for all enquiries to be screened within one day) is not met, or that don't meet the maximum tolerable time (if set), should be agreed and documented. This should include the frequency of monitoring, documenting actions and their impacts and who this should be reported to e.g. Head of Social Work. • A process for the monitoring of open cases should be created. This should include the criteria used to identify cases, frequency of reporting and recipients. It should be ensured that actions taken are documented and that there is a review of the impact to ensure that this process is effective. The cases identified through testing where records haven't been kept up-to-date should be reviewed to ensure that the records are updated and if enquiries remain open, that they are actively being managed. 							

Audit Title:	Investigations						
Date of Report:	May 2018				Materiality/Impact:	N/A	
Number of 'High Priority' Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> The following investigations have been completed: <ul style="list-style-type: none"> • Inv. 17/18-8 • WB 17/18-3 							

Audit Title:	Phones (Mobile and Desk)						
Date of Report:	14 th May 2018			Materiality/Impact:		Medium	
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	3	Previous Audit Opinion:	N/a	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> <ul style="list-style-type: none"> Mobile phone users with high usage values and charges should be investigated as set out in Appendix E (highlighted in yellow). Highest spending mobile phones should be identified on a regular basis i.e. monthly and reports should be sent to the relevant managers who can assess the appropriateness of the costs incurred. Consistent high users should be reviewed to identify whether they require a higher call/data allowance to be able to perform their job duties. All phone numbers with access to international calls, including extension 6944, should be reviewed at least annually to determine whether this use continues to be justified and approved. An up-to-date list of all phone numbers with access to international calls should be maintained for monitoring purposes. A review should be carried out to ensure that all listed mobile phones are correctly identified to users, their service area and cost centre where costs are directly attributed to service budgets. A starter/leaver process should be put in place to control the issue and return/cessation of phones. Staff should be reminded of the requirement to return mobile phones and inform IT upon staff leaving the Council. Evaluate making it a condition of mobile phone use that users agree to pay for any use of the phone and calls outside of business purposes and in the event of leaving and not surrendering their mobile phone. 							

Audit Title:	Public Health Grant return				Date of Report:	27/04/2018	
Number of 'High Priority' Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> <ul style="list-style-type: none"> A review of the Public Health Grant provided by Public Health England was undertaken with no high priority recommendations made. As a result of findings from the grant certification audit, the Director of Public Health agreed that on a one off basis Public Health did not require a contribution of £129,300 from the general fund at financial year-end 2018/19. This amounted to a budget saving for the Council. 							

Audit Title:	Troubled Families Claim March 2018				Date of Report:	26/03/2018	
Number of 'High Priority' Recommendations:	-	Current Audit Opinion:	-	Previous Audit Opinion:	-	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> <ul style="list-style-type: none"> A review of the March Troubled Families claim was undertaken with no key recommendations made. 							

Audit Title:	Premises Management						
Date of Report:	April 2018			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	4	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Significant
<u>Key Recommendations</u> <p>The key recommendations made as a result of the review are:</p> <ul style="list-style-type: none"> • The Property Assets Team should take direct responsibility for managing and monitoring achievement of building fire safety and legionella water quality standards. This should include: <ul style="list-style-type: none"> • Commissioning of fire and legionella risk assessments. To support this a service specification should be produced setting out the roles and responsibilities of parties, performance targets and form of documentation and communication to be adopted to underpin this arrangement. • Producing a formal risk criteria that generates an annual programme of fire safety and legionella risk assessments of corporate buildings. • All fire and legionella risk assessment actions should be issued promptly to the relevant service and/or responsible person at site for implementation and the Property Assets Team for monitoring. Tracking and reconciliation of assessments issued to parties responsible for actions should be conducted to ensure accountability. • A quality assurance process should be instigated with property inspections conducted on a sample basis to ensure the completion and standard of any risk assessment completed. • The status of actions from the latest fire and legionella risk assessments for all corporate buildings should be established. This process should provide for buildings managed by either the Council as landlord or the tenant, as determined in the building lease agreement. Where these are not demonstrated as satisfactorily completed, a schedule of priority works and required action dates should be put in place and actioned. All new fire and legionella risk assessment actions should be implemented within the relevant target completion period. Evaluate producing a set of corporate key performance measures/outcomes from which to provide a level of assurance and compliance with fire and legionella standards in corporate buildings. 							

Audit Title:	Whitbourne House						
Date of Report:	April 2018				Materiality/Impact:	Medium	
Number of 'High Priority' Recommendations:	4	Current Audit Opinion:	3	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> <p>The key recommendations made as a result of the review are:</p> <ul style="list-style-type: none"> To support the service delivery plan a formal local action plan should be maintained to manage emerging key risks and issues. If matters cannot be resolved at a local level they should be used to escalate to the wider management team for resolution. <ul style="list-style-type: none"> policies and procedures, staff training, service user related practice and recording and care environment and equipment (required in the Care Home Contract Monitoring report April 2017), the need for CCTV; Panic Alarms (Mobile) Intruder/Safe Alarm, Training, and Standalone Access control (May 2017 security report). Council staff survey, staff absence, staff leavers and starters and Key Performance Indicator Report outcomes, ICT and telecommunication service reliability. A Fire Risk Assessment of the home conducted in May 2017. A service improvement delivery plan process should be put in place for the home and include: <ul style="list-style-type: none"> The Care Home's Statement of Purpose together with any outstanding actions required from inspections and service requirements, Recognition of local service strengths and achievements, An alignment of the service budget linked to business activity at the care home to demonstrate its financial viability, A review of the strategic and operational key performance measures/indicators for the Care Homes to ensure these are complete, relevant and effective. Examples of measures/indicators were provided in the report to assist with this review. In accordance with the Care Act there should be parity of care costs, for clients with similar needs, whether this is commissioned from Whitbourne House or private sector providers. Care costs at the home should reflect the level of client dementia health and/or social care needs as well as the standard of accommodation provided. These rates should be benchmarked to ensure a fair local service/cost comparison can be made with other service providers. Evaluate whether a standalone or integrated extra care scheme is required and produce a clear specification and viability criteria. Options should include the dementia village concept in Holland as developed in Kent, Integrated care arrangements to provide the opportunity for bespoke facilities to be commissioned and provided on a single site and redevelopment of the Whitbourne House site. 							

Audit Title:	Staff Training and Development						
Date of Report:	April 2018				Materiality/Impact:	High	
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	3	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate

Key Recommendations

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

- The Learning and Development Team's Training Qualification Policy review should consider the following findings of this internal audit.
 - An equality of opportunity statement should be included in the Qualification Training Policy.
 - The level of qualification and training provided should fit with the national levels published by the Government.
 - All managers should be reminded to familiarise themselves with the Council's Qualification and Training policies and procedures as required by the Officer Code of Conduct.
- As part of the Qualification and Training Policy review a standard and consistent process should be included in the policy to ensure equality of opportunity across service areas and the Council as a whole. Candidates for qualification and training should be selected in an open and transparent manner either through formal recruitment to new posts with associated training, or in relation to specific needs raised through the appraisal process and all in line with the Qualification and Training Policy. Following the Training Qualification Policy review, and to raise awareness and promote compliance, the Policy should be relaunched on the Intranet with key details published in staff communications.
- In the short-term, Managers should be reminded to complete Qualification Training Forms (QT1) with staff as part of the qualification training approval process. Completed QT1 forms should be provided to Learning and Development for retention. The qualification training process should be reviewed to better manage the qualification approval process to ensure proposed qualification training is directly relevant to staff roles/job descriptions with QT1 forms completed. In the event that staff receive qualification training and leave the Council all relevant training and subsistence should be recovered and used towards corporate objectives.

Key Audits Completed (Audits) - Draft - Total 21

[illegible]

Total other Audits Completed - Draft (51)

[illegible][illegible]

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank