

Internal Audit reports finalised since the last Audit Committee meeting (November 2016)

Audit Title:	Orchid Vale Primary School				Date of Report:	December 2016	
Number of 'High Priority' Recommendations:	4	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"> Plans of how the School can align their expenditure to their income should be produced and discussed and approved by Governors in order to prevent an eventual deficit position. The School should ensure that, in accordance with Financial Regulations, three quotes are obtained for all purchases of £5,000 and above. Authorisation for the expenditure should be obtained in line with the School's Scheme of Delegation and the selection of the supplier should be carried out by those authorising the expenditure. Analysis of the cost to the school for running the breakfast club should be carried out on a regular basis e.g. annually, to ensure that the price charged covers the cost to the school, but does not exceed this. Governors should monitor this, and should be aware of any subsidy by the School to run this service. The School Financial Value Standards (SFVS) self-assessment should be completed by the Full Governing Body and evidence of approval should be documented. Section C should be reviewed with consideration to the findings of the audit. If a 'No' or 'In Part' answer is given, an action plan of how this will be addressed should be created. 							

Audit Title:	NNDR3 Claim					Date of Report:	20/09/2016	
Number of 'High Priority' Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A	
The NNDR3 claim was submitted and no high priority recommendations were made.								

APPENDIX 1

Audit Title:	Red Oaks Primary School				Date of Report:	December 2016	
Number of 'High Priority' Recommendations:	5	Current Audit Opinion:	3	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"> • A deficit recovery plan for the mainstream budget should be created and monitored in order to ensure that the School can set a balanced budget when required (currently planned for 2019/20). This should be agreed and monitored by Governors to help ensure that identified actions are implemented. • The Governors should seek explanations for budgets set with high rollovers to establish that they are for commitments required for future years and that they are within the balance tolerance levels set by Schools Forum. Governors should seek explanations for significant variances to cost centres identified through budget monitoring, and the impact on the year-end balance to establish whether these are due to unforeseen expenditure or additional income, or poor budget setting. • Governors should be presented with, or question information presented to them that has a financial impact to the School, to establish whether there was adequate provision made in the budget for the items, whether the school is staying within the budgets and if not, the overall impact on the School's financial position. The key points of the discussions held at meetings should be documented in the minutes. • The School should ensure that, in accordance with Financial Regulations, three quotes are obtained for all purchases of £5,000 and above. Authorisation for the expenditure should be obtained in line with the School's Scheme of Delegation and the selection of the supplier should be carried out by those authorising the expenditure. • Analysis of the cost to the school for running the breakfast club and after school club should be carried out on a regular basis e.g. annually, to ensure that the price charged covers the cost to the school, but does not exceed this. Governors should monitor this, and should be aware of any subsidy by the School to run this service. 							

Audit Title:	Residential Care Homes Financial Checklist						
Date of Report:	February 2017				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	NA	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Consultancy Review
<u>Key Recommendations</u> Following a number of high-profile national closures of residential care homes, this piece of work was requested as a consultancy review. A detailed checklist was produced for the Swindon Borough Commissioners that can be used to obtain assurance that sound financial management processes and controls are in place in privately-owned residential care homes.							

APPENDIX 1

Audit Title:	Housing Benefits-Overpayments				Date of Report:	28/11/16	
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	2	Previous Audit Opinion:		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"> Mitigating action for improving the percentage of checks completed should be reviewed to establish whether there are further ways to increase the amount of checking that can be undertaken. The schedule for additional checks should be reviewed to ensure it is appropriate in identifying issues, especially in areas where the risk of fraud is high. 							

Audit Title:	South West Local Economic Partnership Assurance						
Date of Report:	November 2016			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	NA	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Consultancy Review
<p><u>Key Recommendations</u></p> <p>At the request of the Council's senior management team, a review of the South West Local Economic Partnership has been included in the 2016/17 Internal Audit plan.</p> <p>Various reports and reviews of governance arrangements and processes have been produced by a number organisations since the introduction of the SWLEP. Prior to carrying out a review of the SWLEP we have identified the work that has already been carried out to provide assurance on SWLEP governance arrangements and processes and avoid duplicating work where possible.</p> <p>As a result of this piece of work, the key audit area that has been identified for review is the new Assurance Framework for the SWLEP that has been produced, to ensure it sets out clear and appropriate governance arrangements for the body.</p> <p>We are waiting for a copy of the Assurance Framework from the service area to undertake this second piece of work.</p>							

APPENDIX 1

Audit Title:	Transformation Programme								
Date of Report:	November 2016				Materiality/Impact:			High	
Number of 'High Priority' Recommendations:	6	Current Audit Opinion:	3	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Of Concern		

Key Recommendations

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

- The Council's senior leadership cohort needs to agree on a clear direction for change and unite behind this direction to ensure the organisation works effectively and collaboratively towards shared goals.
- The Council should design and deliver a leadership development programme to help support achievement of wider organisational change. As part of this programme, it should define the leadership behaviours, qualities and capabilities that are required to deliver the various elements of the Council Plan and carry out analysis to determine where further recruitment or staff development is necessary. The Council should ensure that collaborative, distributed leadership principles are included in the design of the leadership programme, to help promote innovation, collaboration/systems-thinking and to increase organisational capability and capacity.
- Work to produce the organisational blueprint should be prioritised to ensure the foundations to inform the new phase of change programme definition and design are in place.
- As part of re-invigorating and rebuilding momentum behind change, the Council should revisit governance arrangements for programmes to ensure that they are fit for purpose.
- Alongside the leadership development programme in the Council, a cultural development programme should be introduced, to ensure the Council's culture is aligned to and supports delivery of the Vision and Plan.
- The Council should produce a resourcing plan for the next 12 months for change, identifying internal and external resources required to deliver programmes and projects and securing resources accordingly. This should include enabling functions, for example ICT support.

Audit Title:	PCI-DSS Compliance							
Date of Report:	January 2017				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	

It was identified at the start of this review that a project had recently started to review the Council's status and to become compliant with the standard. The outline of the project was reviewed and general recommendations were made to provide additional guidance to the project.

APPENDIX 1

Audit Title:	Oracle: Spreadsheet Payments						
Date of Report:	December 2016				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	NA	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Consultancy Review
<p><u>Key Recommendations</u></p> <p>The Council is processing an increasing amount of payments by loading spreadsheets of payment details directly into the Oracle E-Business Suite application.</p> <p>Internal Audit was requested to review the process, to identify where there are potential risks and advise on controls to help mitigate these risks.</p> <p>Recommendations have been made in relation to secure storage and processing of files and also in relation to authorisation processes and management trails. Internal Audit has been requested to review how the process has been working after an initial trial period and will complete this work as part of the Creditors audit review in 2017/18.</p>							

Audit Title:	Contract Management Review - Delivery of the Housing Capital Programme						
Date of Report:	27/10/2016				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	1 Critical 6 High	Current Audit Opinion:	4	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Significant
<u>Key Recommendations</u>							
<u>Critical recommendations</u> <p>All projects in the Housing capital programme of works must comply with Contract Standing Orders, with specific reference to the requirements of section 28 relating to Contract Variations. A gap analysis should be conducted across all Housing Capital Projects in the Programme of works to identify any spend/commitments in excess of authorised contract awards. An amnesty should be sought on all contracts which have exceeded the contract award value/waiver period. The value and reasons for any overspends should be identified and reported to Cabinet.</p> <p>A revised procurement plan should be devised going forward for the next three years, including the step ups from short to medium and long term contracts, which should be monitored at a corporate performance level to ensure that this is managed and achieved.</p> <p>Adequate contract lead time must be put in place and observed when taking individual procurements to market at a local or EU level. Medium and long term contracts should be upheld and not replaced with short-term arrangements which impact and frustrate contracting and ultimately delivery of the Housing Capital Programme of works.</p>							
<u>High Recommendations</u> <p>A number of high level recommendations were also made. The full report is on agenda item on the February Committee.</p>							

APPENDIX 1

Audit Title:	Oracle: Master Supplier File and Cheque Payment Analysis						
Date of Report:	February 2017				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	NA	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Consultancy Review
<u>Key Recommendations</u> Internal Audit was requested to analyse the supplier records and cheque payments using our data analysis and interrogation software. From this, areas to rationalise duplicate suppliers and unnecessary cheque payments have been identified, with a view to increasing efficiency and economy of processes and decreasing the risk of fraud.							

Audit Title:	Affordable Housing						
Date of Report:	October 2016				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	3	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"> • Targets for the number of new affordable houses delivered in Swindon annually should be reviewed to ensure that whilst they should be achievable, that they sufficiently address the most up to date demand requirements so that the gap can be managed. • Additional performance monitoring on the delivery of affordable housing should be carried out by management. This could include: <ul style="list-style-type: none"> ○ Performance against the 30% target, as set out in policy HA2. ○ Achievement on 70:30 tenure mix, as set out in policy HA2. ○ Monitoring of the proportions of dwelling sizes delivered in comparison to the need as identified through the housing register. ○ Monitoring of the potential AH that could be delivered on the Council's key housing growth sites against that agreed at planning stage and that completed. • Action should be taken to find an innovative solution to meet the Council's affordable housing requirements. Consideration should be given to a solution that could create a source of income for the Council. An evaluation of whether any of the options included at Appendix C could be adopted by the Council should be carried out. 							

APPENDIX 1

Audit Title:	Public Power Solutions Ltd – Solar Business							
Date of Report:	January 2017				Materiality/Impact:			Medium
Number of ‘High Priority’ Recommendations:	4	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:

- Review the Company's' authorised signatories and where possible restrict the nature and value of authorisation that company personnel involved with solar projects are permitted. This is to provide segregation of duties and bring about independent check where practical within company resources.
- The five staged gatekeeper process should be supported by an internal form of approval which sets out the operational requirements to be satisfied at each of the five project stages. The process should be supported by independent check and segregation of duties at each stage to provide an assurance on compliance including:
 - advertising and award of EU Procurement Contracts,
 - supplier suitability checks completed (financial, technical and health and safety),
 - due diligence checks,
 - contract 'page turning' exercise with contracting parties to ensure clarity of understanding of terms and conditions, especially regarding payment
- Review the payment contract terms and conditions in the legal agreements to the projects Agreement for future projects. This is to ensure these are clear and include necessary payment protection and sureties to protect the interests of PPS and to mitigate the risk of circumstances that lead to the delayed payment to PPS for the Wroughton Solar Farm project. Evaluate conducting a 'page turning' exercise of the agreement with both the seller and the buyer sharing understanding and to provide clarity of agreement prior to signing and as part of the due diligence process.
- Future solar projects must be procured in compliance with the EU Procurement Regulations where the value of works, services or supplies exceed the relevant threshold limits. This should include advertising the contract invitation and award stages in the Official Journal of European Countries.

Audit Title:	NNDR							
Date of Report:	6 th February 2017				Materiality/Impact:			High
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	2	Previous Audit Opinion:	1	Overall Evaluation (Risk):		Moderate

Key Recommendations

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

APPENDIX 1

Audit Title:	Open Door						
Date of Report:	January 2017				Materiality/Impact:		High
Number of 'High Priority' Recommendations:	4	Current Audit Opinion:	NA	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Consultancy Review
<p><u>Key Recommendations</u></p> <p>The piece of work was carried out as a consultancy review to provide additional contract management support to Swindon Borough Council Commissioners and the Open Door Centre.</p> <p>The review appraised commissioning arrangements for day opportunities for adults with Learning Disabilities, as well as processes in the centre for financial and performance management. Recommendations made are being implemented.</p>							

Audit Title:	Investigations				Date of Report:		11/10/16	
Number of ‘High Priority’ Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A	
A number of investigations have been completed since the November Committee meeting: <ul style="list-style-type: none">• Inv. 16/17 – 4• Inv. 16/17 – 6• Inv. 16/17 – 9 (a)• WB 16/17 – 2• WB 16/17 – 3• Inv. 16/17 – 9 (b)• Inv. 15/16 – 3• Inv. 16/17 – 8								

Audit Title:	Purchase Cards						
Date of Report:	October 2016			Materiality/Impact:		Medium	
Number of 'High Priority' Recommendations:	8	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:

- Appropriate action should be taken against Staff that continually fail to follow the Purchase Card Guidelines. This could be the removal of the purchase card and/or disciplinary action.
- The importance of keeping transaction logs and reconciling them to the monthly statements should be emphasised and this should be communicated to all Cardholders and their Managers. Cardholders should be reminded of the requirement to reconcile purchase card statements to transaction logs. To ensure budgetary control and legitimacy of the purchases made, Managers should always review and counter sign the Cardholder's statements. This requirement should be communicated to Cardholders and their Managers and appropriate disciplinary action should be taken against those who fail to comply.
- Clear instruction should be given to Cardholders on how to identify VAT on transaction logs and the system. Managers should be instructed to check that VAT has been correctly recorded when counter signing statements. A monitoring check should be conducted to identify potential Cardholders who never separate VAT on their purchases. These purchases should be investigated. A review of purchase card payments which have not had VAT accounted for should be conducted to determine whether any could be liable for VAT and, if so, adjustments should be made in order for the VAT to be reclaimed.
- Clearer guidance should be provided on the type of allowable expenses with regards to staff costs.
- Cardholders should be reminded of the Financial Regulations to demonstrate value for money on all purchases. Managers should be reminded to carefully review the purchases made from the purchase cards by their staff to determine whether they have demonstrated value for money in their purchases.
- All Cardholders and Managers should be reminded of the requirement to surrender the cards before their employment terminates. Spot checks should be carried out to identify inactive cards and determine the necessity for the Cardholder to have a purchase card. A reconciliation exercise should be conducted, at least on a quarterly basis, between the leavers list and the active Cardholders to identify any cards that have not been surrendered.
- The application forms for the three Cardholders should be found and maintained. If the forms cannot be located the Cardholders should be asked to complete new ones to confirm their acceptance of the requirements and these should be countersigned as necessary.
- All Cardholders should be reminded to obtain receipts in all cases. Cardholders, who buy on behalf of clients such as Appointees and Deputyships clients, should be instructed to obtain receipts for all purchases to ensure that sufficient evidence is kept to be able to reclaim the amounts paid from the clients' bank accounts. Consideration should be given to the practicalities of staff retaining hard copies of receipts, statements and transaction logs for six years and whether alternative methods of storage would be more appropriate.