

Audit Committee

Tuesday, 21 April 2015

Additional Information

AGENDA ITEM NO 10 – LETTER TO THOSE CHARGED WITH GOVERNANCE

APPENDIX 3 – RESPONSE FROM MANAGEMENT

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Responses from Management: Swindon Borough Council

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2014/15?	Transfer of Leisure Services to third parties
Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	No major change
Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	No
How would you assess the quality of the Council's internal control processes?	Good
How would you assess the process for reviewing the effectiveness of internal control?	Good
How do the Council's risk management processes link to financial reporting?	All cost centres and Budget managers are risk assessed and provided with appropriate financial support to match the level of risk. Financial control and risk management are considered together as part of the project pack for the Council's major change programmes driving a more sustainable financial position for the Council
How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	Adequate
What has been the outcome of these arrangements so far this year?	All suspected cases of fraud should be reported to the Head of Internal Audit who will investigate appropriately. If allegations are received through the Council's Whistleblowing process then these will go to the Council's Monitoring Officer to allocate an appropriate investigating officer, this will be Internal Audit if financially related
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Internal Audit has a risk-based annual plan that includes proactive fraud work. These focus on areas that are susceptible to fraud and have been identified as such in the Audit Commission publication <i>Protecting the Public Purse</i> i.e. SPD discounts, direct payments etc.
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Yes. During 2014/15 five whistleblowing cases were referred to the Council's Monitoring Officer. All were investigated.
Have any reports been made under the Bribery Act?	None

Chartered Accountants

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As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Key risks are included in the Council's Corporate Risk Register which is reported 6 monthly to the Council's Audit Committee.
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	Through All staff briefings and Team meetings
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	Close liaison with the Council's Legal Team
Is there any use of financial instruments, including derivatives?	No change to last year, Treasury make use of standard short/long term borrowing/investments and LOBOs.
Are you aware of any significant transaction outside the normal course of business?	Equal Pay settlements totalling over £1m were made in 2014/15
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	No
Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?	No
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	Yes. VAT compliance review undertaken by HMRC. No areas of concern from the reviewing officer.
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	These are disclosed in the accounts and relate to transfer of Leisure assets, PFI modelling and school transfers.
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	The PFI accounting model is based upon a range of input criteria from the original PFI model, that can have a significant variation over the long-term, but the current model is unchanged from last year, and referred to Grant Thornton's own modelling.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment, specifically with regard to: <ul style="list-style-type: none"> - Net liabilities - Borrowings approaching maturity - The need for significant financial support - Negative cash flows - Dependence on unidentified cost savings. 	Cabinet adopted a strategy in recent years to deliberately deliver future years' savings early to build up its reserves to fund the Council's Change Programmes to allow it to transition to a more financially sustainable position. The Council's financial position is under control with its Budgets being delivered without drawing on General Reserves for the last 7 years and a balanced Budget already in place for 2015-16. The Council also has a balanced profile of investments and borrowing. Cashflows are monitored and repayments for maturing debt factored into forecasts as part of routine Treasury processes. On that basis, the management team feels that the Council's

	financial position is strong.
Management is required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?	<p>The Management Team does not consider there are any immediate, significant concerns around the going concern of the authority, although this is included as a medium term risk in the Corporate Risk register, due to the combination of increasing demand and falling funding.. The financial position of the authority is discussed monthly at Corporate Board and with Cabinet Members (LAG) and is formally reported to Cabinet at least bi-monthly. The Authority has a balanced Budget for 2015-16 and has identified a high-level plan to balance its 2016-17 Budget within the context of a medium term financial outlook.</p> <p>The in-year monitoring financial statements to Cabinet formally consider all Funds with sections on the HRA and DSG, as well as the core General Fund Budget. The key focus of financial discussions at Board and LAG are on future year's financial sustainability.</p>
Can you provide details of those solicitors utilised by the Council's during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Solicitors firms:</p> <p><i>Monitoring Officer Investigation:</i> Clive Sheldon QC - 31/07/2014 and 12/11/2014 Public Law - Community Governance Review – Swindon</p> <p>Trowers & Hamlins - Period to 31/07/2014 Locarno – Corn Exchange – State Aid</p> <p>Trowers and Hamlins - 4th to 10th June 2014 Negotiation with Capita</p> <p>Weighmans - 1st April to 17th April 2014 Standards Investigations</p> <p><i>Litigation:</i> Bevan Britann on 2 emergency injunction housing cases both were started and completed during the year.</p> <p><i>Conveyancing, Environment and Contracts:</i> <u>Solicitors:</u> Davitt Bold Jones LLP – Solar Cable Lower Bassett Down - Grant of Easement to INRG Solar Parks 12 Ltd; Ashfords LLP – several Academy conversion contracts and leases; Browne Jacobson LLP – Leisure and Culture project; Pinsents Mason LLP – Wichelstowe JV scheme; Osborne Clarke LLP – Kimmerfields Compulsory Purchase Order</p> <p><u>Barristers:</u> Landmark Chambers (Richard Clarke) - Science Museum Solar Farm Public Inquiry;</p>

	Landmarks Chambers (James Maurici QC and Alistair Mills) - Hofgren -v- Swindon Borough Council and INRG (Solar Parks) 12 Limited (Judicial Review); No 5 Chambers (Celina Colquhoun) Kimmerfields - Fleming Way Stopping Up application; Wilberforce Chambers (Martin Hutchings QC) – Brindley Close – Re: Averies Recycling; Kings; Chambers (Anthony Crean QC - Kimmerfields Compulsory Purchase Order Public Inquiry
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Litigation: We have instructed a number of Barristers to advise on a range of matters including Child Protection, Adult Protection, Commercial litigation, prosecutions and employment law.
Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
CONSIDERATION OF THE COUNCIL'S SUBSIDIARIES – Public Power Solutions (PPS), Thamesdown Transport and Forward Swindon.	
What is your view on the control environment in place and the process of reviewing the effectiveness of the system of internal controls?	Improving now PPS is a smaller limited company
How do the subsidiaries risk assessment processes relate to their financial reporting?	Through risk assessments reported to programme and governance Boards
Have there been any matters or events which have occurred at subsidiaries which could impact on our audit approach or on the Council's group financial statements?	Transfer of a significant number of services back from SCS (as was) to the Council on 1-11-13 now means many processes are internal to SBC single entity, with waste/recycling being the main PPS provided services.
Are the group accounting policies appropriate? Are there any changes in the group's activities which require them to be updated?	Yes and no.
How do subsidiaries identify and respond to the risk of fraud?	Subsidiaries have own governance arrangements and report through their own Boards etc.
How do the Audit Committee monitor group management's processes for identifying and responding to risks of fraud?	PPS has its own Audit Committee who would be responsible for monitoring management arrangements.
What do you see as the fraud risks within the subsidiaries?	That is a matter for the subsidiaries issues would be communicated back to the Council through the current governance arrangements.
How do subsidiaries communicate business risks to the Council's Audit Committee?	Business risks are identified at Board meetings and would be communicated back to the Council through the current governance arrangements.
Are you aware of any events or changes in circumstance which would cause an impairment of non-current assets?	No
Have there been any instances or allegations of fraud,	No

errors or other irregularities at subsidiaries during 2014/15?	
Are there any transactions, events or conditions which may lead to recognition or disclosure of significant accounting estimates that require significant judgement?	No

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