

Swindon Borough Council

Audit Committee

Tuesday, 22 April 2008

Committee Room 6, Civic Offices
(Anticipated meeting room)

At 5.30 p.m.

Conservative Councillors

Raymond Fisher
(Chair)
Mark Edwards
(Vice-Chair)
Mary Martin
David Sammels
Peter Stoddart
Michael Dickinson
(Deputy)
Russell Holland
(Deputy)

Labour Councillors

Steve Allsopp
Des Moffatt

Liberal Democrat Councillors

Committee Officer: Steve Jones (01793 463602)

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(Telephone 01793 445500)

AGENDA

PART 1 (PUBLIC ITEMS)

1. Apologies for Absence

2. Declarations of Interest

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

3. Public Question Time

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

4. Minutes (Pages 1 - 4)

To receive the minutes of the meeting held on 25th March 2007

5. Exempt Items - Exclusion of Press and Public

Certain items are expected to include the consideration of exempt information and the Sub-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".

<u>Item No.</u>	<u>Paragraph No.</u>
9, 10 and 11	7

6. Update on Accounts Changes for 2007/08 (DF-CE) (Pages 5 - 8)

7. DRAFT Internal Audit Annual Plan 2008/09 (HIA-CE) (Pages 9 - 22)

8. Audit Committee: Self-Assessment checklist (HIA-CE) (Pages 23 - 32)

PART 2 (TO BE CONSIDERED WITHOUT THE PRESS AND PUBLIC PRESENT)

9. Planning Enforcement: Update on the implementation of Internal Audit recommendations (HIA-CE) (Pages 33 - 36)

10. Internal Audit reports identifying significant risk or 'of concern' (HIA-CE) (Pages 37 - 60)

11. Head of Internal Audit Update (HIA-CE) (Pages 61 - 70)

Date of Despatch: 15 April 2008

Key:

CE	-	Chief Executive
GDC	-	Group Director: Children
GDHSC	-	Group Director: Housing & Social Care
GDER	-	Group Director: Environment & Regeneration
GDBT	-	Group Director: Business Transformation
DF - B	-	Director of Finance
HIA-CE	-	Head of Internal Audit

Public Question Time - Swindon Borough Council is committed to increasing its accountability to the public and to promoting active citizenship. Up to 15 minutes will be allowed at the start of all Council meetings for questions to the Chair from members of the public about the work of the Committee (except for confidential matters and specific planning applications). Questions must be relevant, clear and concise. Because of time constraints Public Question Time is not an opportunity to make speeches or statements. Prior notice of a question to the Director of Law and Democratic Services is desirable - particularly if detailed background information is needed.

Access Arrangements – The Venue is wheelchair accessible and an infrared receiver hearing system is provided. If you would wish to attend the meeting but

have any special requirement to enable you to do so please contact the Committee Clerk above, as soon as possible prior to the date of the meeting.

If you would like to receive any of the pages contained in this agenda in a larger print size please contact the Committee Officer whose name appears on the first page of this agenda.

The Audit Committee - Terms of Reference

(the complete terms of reference and programme of activity for the Audit Committee are set out in Minute 61 of the meeting of the Audit Sub-Committee held on 25 January 2006)

To provide independent assurance to the Council on the following responsibilities:

- (i) the effectiveness of the Council's risk management, internal control and its overall assurance framework;
- (ii) the effectiveness of the Council's financial and non-financial performance to the extent that it might impact upon (i) above;
- (iii) the performance of the Council's Internal Audit section;
- (iv) the receipt and review of External Audit reports and liaison with external auditors on significant matters identified, and
- (v) advise upon and/or review the effectiveness of any other matters referred to the Audit Committee by the Cabinet, the Overview and Scrutiny and Regulatory Committees.

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AUDIT COMMITTEE

TUESDAY, 25 MARCH 2008

PRESENT:- Councillors Raymond Fisher (Chair), Des Moffatt, David Sammels and Michael Dickinson (Deputy)

Apologies for absence were received from Councillors Steve Allsopp, Mark Edwards (Vice-Chair), Steve Allsopp, Mary Martin and Peter Stoddart.

45. Declarations of Interest

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting.

46. Public Question Time

No questions were asked under Standing Order 18.

47. Minutes

Resolved - That the minutes of the meeting held on 29 January 2008 be confirmed and signed.

48. Exempt Items - Exclusion of Press and Public

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 paragraphs of Part 1 of Schedule 12A of the Act.

<u>Item No.</u>	<u>Paragraph No.</u>	<u>Minute No.</u>
10 and 11	7	53 - 54

49. External Audit: Audit and Inspection Plan

The Head of Internal Audit submitted a report on progress made by the Council's External Auditors against the audit and inspection plan for 2007/8 and work in progress for 2008/9. Mr Peter Smith of the Audit Commission was in attendance to present the report, providing the Committee with a "flavour" of the work undertaken to date, in advance of statutory deadlines for work mandated by the Audit Commission, including preparatory work in respect of the Audit of the Council's financial statements. Mr Smith also drew the Committee's attention to the deferral to April 2009 of the Audit Plan for 2008/9 due to a delay in the Audit Commission's publication of fee proposals.

Resolved – (1) That the report on progress made by the Council's External Auditors against the audit and inspection plan for 2007/8 and work in progress for 2008/9 be noted.

(2) That, in addition to receiving reports on progress against the audit and inspection plan, an item be introduced to the Committee agenda in 2008/9 to allow

members to raise issues and question the External Auditor on matters of concern or interest to members and allow the External Auditor to advise the Committee on matters of best practice.

50. Review of 2006-07 Accounts Closure

The Director of Finance submitted a report on the outcome of the annual review of the Council's process for closing the 2006/7 accounts and recommending the introduction of a number of improvements for the closure of the 2007/8 accounts, in the following areas:

- Balance Sheet structure
- Internal processes
- Housing Revenue Account and General fund integration.

Resolved – That the report on the closure of the 2006/7 accounts be noted and that the recommended improvements to the closedown process for 2007/8, detailed in the action plan at Appendix 1 to the report, be supported.

51. Audit Committee: Self-Assessment checklist

The Head of Internal Audit submitted a report inviting the Committee to carry out a self-assessment of its performance against recognised best practice as produced by the CIPFA Better Governance Forum. He commented on the Audit Committee's role, not just in relation to the audit of the Council and its systems, but also as a key component of corporate governance, and emphasised the importance of ensuring that the Council has a sufficiently independent and effective Audit Committee that follows established best practice. The Head of Internal Audit referred the Committee to the "toolkit for local authority audit committees", produced by the CIPFA Better Governance Forum, and invited members to review the Committee's performance against the self-assessment checklist to seek assurance that it continues to operate in line with best practice and that members are provided with all the information they require.

Resolved – That the Head of Internal Audit revise the CIPFA self-assessment checklist matrix in line with comments made by members during their consideration and debate of the issues and that the revised matrix be submitted to the next meeting of the Committee for endorsement.

52. Audit Committee: Effectiveness of the system of Internal Audit

The Head of Internal Audit submitted a report on the requirement for the Council to conduct a review of the effectiveness of its system of internal audit, in accordance with the Accounts and Audit Regulations 2006. It was noted that this was only the second year in which the Council had been required to complete this review. The Head of Internal Audit reminded the Committee that the External Auditor was currently conducting a review of the effectiveness of Internal Audit and suggested that members might wish to consider this report as an interim position statement and undertake a fuller consideration and assessment of performance in June, following the completion of the External Audit of the service.

Resolved – That the interim evaluation of the Council's system of Internal Audit be noted and that a more detailed evaluation be considered at the June 2008 meeting of the Committee, following the outcome of the External Auditor's current review of the effectiveness of Internal Audit.

53. Internal Audit reports identifying significant risk or 'of concern'

The Head of Internal Audit submitted a report introducing the Internal Audit report on Project Management, which had been classified as being of "significant risk". In the absence of the Group Director Business Transformation, who was unable to attend, the Head of Internal Audit and the Director of Finance introduced the Audit Report, advising on the issues identified within the report as presenting "significant risk" and the proposed management response to the various internal audit recommendations.

Resolved – (1) That the report be noted.

(2) That, further to members' debate of the need to ensure that internal audit recommendations are agreed and implemented, the Head of Internal Audit be asked to introduce to the audit process a requirement that the appropriate Cabinet Member(s) be required to "sign off" on all internal audit reports where the opinion is one of "significant risk".

54. Head of Internal Audit Update

The Committee received a report summarising the main issues arising from Internal Audit reports finalised in February and March 2008 advising on progress against the Internal Audit Plan. The report also provided the Committee with information in respect of the staffing situation within internal audit, completion of the Internal Audit Plan 2007/8, progress in relation to the external assessment of the financial management in schools and external audit work undertaken by the section.

Resolved – That the report be noted.

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Update on Accounts Changes for 2007/08

AUDIT COMMITTEE

Date: 22nd April 2008

Author: Director of Finance

Wards Affected: None

Purpose

- To inform the Audit Committee of updates to the Statement of Recommended Practice in preparation of receiving the annual Statement of Accounts at its June meeting.

Recommendation

The Audit Committee is asked to:

- Note the updated requirements to the Annual Statement of Accounts that will be presented at the June meeting.

1. Reasons

- 1.1 This report informs Members of the context in which the Statement of Accounts must be produced, its overarching objectives and the required contents. It is intended that Members will be better prepared to scrutinise the accounts at the June meeting with the knowledge of how financial reporting requirements have changed since the 2006/07 accounts.

2. Timetable

- 2.1 The 2007/08 Statement of Accounts must be approved by the Audit Committee (the designated Committee of the Council for such purpose) by the 30th June 2008. The timetable to achieve this was presented at the last Audit Committee.

3. Context

- 3.1 The key requirements for the statement of accounts are set out in a document published each year by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) is the checklist of minimum requirements that the accounts must contain.
- 3.2 The SORP is annually updated by CIPFA to ensure that local government accounting practice remains in line with changes to national and international financial standards. Changes implemented to the 2007/08 SORP are less fundamental than previous year's updates, but continue to pave the way for convergence of accounting standards.
- 3.3 The overriding requirement of the SORP is that the accounts 'presents fairly' the financial position of the authority. In doing this, the SORP sets out the proper

Further information on the subject of this report can be obtained from *Darren Stevens* on *Direct Dial No.01793 463323* or Email dstevens@swindon.gov.uk.

Update on Accounts Changes for 2007/08

AUDIT COMMITTEE

Date: 22nd April 2008

accounting practices for the statement of accounts. It is against the requirements of the SORP that the external auditors will base their audit opinion and material non-compliance will result in the accounts being 'qualified' i.e. the auditors' opinion is such that reliance cannot be placed on the accuracy of the financial statements.

3.4 The SORP is prepared on the basis that the intention of the statement of accounts is to give electors, taxpayers, Members, employees and other interested parties clear information about the authority's finances. It should answer such questions as:

- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year-end?

3.5 For comparative purposes between authorities, the SORP also requires a consistent pattern of presentation and compliance with the CIPFA Best Value Accounting Code of Practice (BVACOP) service analysis.

3.6 In producing the accounts, it is also important that interpretation and explanation is clear and prominent. The SORP requires an explanatory foreword that should highlight and explain the more significant features of the accounts. The supporting narrative to the accounts should also be in plain language, with technical terms explained in a glossary.

4. Changes to the SORP for 2007/08

4.1 As mentioned previously the SORP is updated annually by CIPFA (after a period of consultation with practitioners and relevant bodies). Last year saw significant changes to the content, format and layout of the statements that should be included in the accounts. Members are reminded that the order in which the statements are presented is now prescribed by the SORP.

4.2 Though there are other items that have been updated in the 2007 SORP, the two areas that provide the greatest changes are:

Accounting Standards on Financial Instruments

4.3 Changes involving the application of Financial Reporting Standards (FRS) 25, 26 and 29 are very technical in nature. They focus on the accounting treatment of financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

4.4 The definition of financial instrument is broad in nature but the main area affected by the changes is in relation to Treasury Management activities. As a

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Update on Accounts Changes for 2007/08

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result, officers within the Treasury Section have undertaken an impact assessment of the changes for Swindon and the main types of product that would have led to additional accounting treatment have not been used by the authority. Examples include LOBOs (Lending Option, Borrowing Option) and where authorities give low rates (below actual cost) loans to external bodies. Therefore the impact of these changes are minimal for Swindon.

Capital Balance Sheet Accounts

- 4.5 The Committee will remember that changes last year resulted in the removal of aspects of Local Authority accounting that were not in-line with national and international standards. This trend of harmonisation continues with the removal of the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA). These are superseded by the Revaluation Reserve (RR) and Capital Adjustment Account (CAA).
- 4.6 The RR will act as the account through which all fixed asset revaluation increases, and depreciation charges relating to those increases, will be taken. It will only take revaluation decreases (impairments) to the extent that there has been a prior revaluation gain on the relevant asset. These are the only entries this account will take. All other transactions will go through the CAA.
- 4.7 Though these are changes to accounting treatment, the SORP does not require prior period adjustments for the implementation of the accounts. Instead, the RR will come in to existence at midnight 1st April 2007, with the balances contained in the FARA and CFA being combined to form the opening balance on the CAA.

Accounting Policies

- 4.8 The previously identified changes to accounting treatment are those that the authority is required to follow under the SORP. The financial policies of the Authority have not changed to those presented in the 2006/07 accounts, but are reviewed as part of the closedown process to ensure completeness and currency.

Alternative Options

- None. The Council is required to follow the SORP in producing its annual Statement of Accounts.

Risk Management

Financial and Procurement Implications

- The ability to produce the Council's accounts within statutory timescales to the standards expected impacts on the Use of Resources judgement.

Legal / Human Rights Implications

Further information on the subject of this report can be obtained from *Darren Stevens* on *Direct Dial No.01793 463323* or Email dstevens@swindon.gov.uk.

Update on Accounts Changes for 2007/08

AUDIT COMMITTEE

Date: 22nd April 2008

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- There are no Legal/Human Rights issues.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- There are none.

Consultees

- None

Background Papers and Appendices

- None

Further information on the subject of this report can be obtained from *Darren Stevens* on *Direct Dial No.01793 463323* or Email dstevens@swindon.gov.uk.

AUDIT COMMITTEE

Date: 22nd April 2008

Author: Head of Internal Audit

Wards Affected: None

Purpose

To present the draft Internal Audit Annual Plan (2008/09) for approval by the Audit Committee.

Recommendations

- That the Audit Committee approves the draft Internal Audit Plan for 2008/09.

1 Reasons

- 1.1 To ensure that the Internal Audit plan reflects the priorities identified by the Audit Committee and the Council.

2 Detail

- 2.1 Internal Audit is a statutory requirement under the Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 The Head of Internal Audit has put together a draft risk-based Internal audit plan for 2008/09 (see appendix 1). The plan has been produced on the basis of:
- Ensuring that there is adequate coverage of the Council's governance arrangements and key systems of internal control in order to provide assurance to the Leader and Chief Executive when certifying the Annual Governance Statement, and to the Council's Audit Committee.
 - Ensuring that the Director of Finance's Section 151 (Local Government Act 1972) requirements are met.
 - Ensuring compliance with the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006.
 - Risks identified to the Council meeting its key objectives identified in the Corporate Risk register are covered.
 - The requirements of External Audit, in particular in relation to the audit of the Council's main financial systems.
 - Group Director/Director priorities.
 - Priorities identified by Internal Audit.
 - Additional Corporate Governance issues including anti-fraud and corruption work.
 - Certification work including the Local Area Agreement, BVPIs, Streets for Living and SCITT audits etc.

AUDIT COMMITTEE

Date: 22nd April 2008

- A contingency has also been allowed for investigation work, follow-up work and advice and consultancy.
- 2.3 Meetings with the Chief Executive, all Group Directorate senior management teams and Heads of Finance were held in order to identify their priorities for Internal Audit over the coming financial year.
- 2.4 The draft plan has been split in to four main sections:
- *Corporate Risk Register* – part of the audit plan is based on examining the controls that are in place to mitigate the strategic risks identified in the Corporate Risk Register.
 - *Managed Audits* – these are the audits that External Audit would expect to be carried out in order for them to place reliance on the Council's statement of accounts. These include the Council's main financial systems e.g. Payroll, Creditors, Debtors etc. as well as other significant feeder systems in to Oracle such as SWIFT and TASK.
 - *Director/Audit priorities* – these are the audits identified by Group Directors and Directors as priority areas and those identified by Internal Audit.
 - *Corporate Governance* – includes all the anti-fraud and corruption work and the certification audits, PIs etc.

Alternative Options

Not Applicable

Risk Management

Financial and Procurement Implications

- There is no financial implication to this report as the annual audit plan has been aligned to available resources. Audits that will not be covered due to available resources are detailed in Appendix 2.

Legal/Human Rights Implications

- Internal Audit is a statutory requirement of the Accounts and Audit (Amendment) (England) Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- Internal Control, Audit Committee and the Statement on Internal Control all feature significantly in the CPA Use of Resources Assessment. Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

AUDIT COMMITTEE

Date: 22nd April 2008

Consultees:

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Chief Executive

Group Directors

All Directors

Heads of Finance

The Council's External Auditor: The Audit Commission

Appendices / Background papers

Appendix 1 – Draft Annual Internal Audit Plan: 2007/08

Key Decision/Decision in Forward Plan

Not Applicable

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REQUIRED RESOURCES: OVERALL

	TOTAL 2008/2009
Corporate Risk Register	214
Managed Audits	285
Directorate Risk Registers/Director or Audit Priorities	871
Corporate Governance	152
External Contract: Fire Brigade	60
Internal Audit Business Plan	114
Contingency and Irregularity (see note 2)	193
Advice, Assistance, Communication (see note 2)	80
Follow up Audits (see note 2)	60
RESOURCE ALLOCATED	2,029
RESOURCE AVAILABLE	2,029

Note:

1. The total allocation for the 'Contingency & Irregularity', 'Advice, Assistance & Communication' and 'Follow-up' has been allocated under the Chief Executive Directorate as it is not possible to predict the demand for our time, in these areas over each Group Directorate.

CHIEF EXECUTIVE

	Ref	Owner	Days
CORPORATE RISK REGISTER (CR)			
Swindon Commercial Services: Value for money framework	CRR 04	BF	12
Management of current and future budgets	CRR 01	SMcK	15
Delivery of Capital Programme	CRR 06	SMcK	15
Wichelstowe	CRR 10	GJ	25
			67

MANAGED AUDITS (MA)

Treasury Management

Key controls and Anti-Fraud	MA	SMcK	7
System control and integrity	MA	SMcK	3

Main Accounting system

Key controls and Anti-Fraud	MA	SMcK	15
Oracle: System control and integrity (inc. Debtors & Creditors)	MA	SMcK	8

Creditors

Key controls and Anti-Fraud	MA	SMcK	25
			58

DIRECTORATE / AUDIT RISKS & PRIORITIES

Swindon Commercial Services: Operating Manual	DR	MG	8
Swindon Commercial Services: Contracting Works (follow up)	DR	MG	6
Swindon Commercial Services: Establishment of the flow of works under the basket of goods	DR	BF	15
Swindon Commercial Services: flexibility to trade	DR	BF	10
Swindon Commercial Services: Task	DR	BF	10
Use of Resources pre-assessment	DR	SMcK	10
Student Awards	DR	SMcK	8
Final Account audits	DR	GJ	15
			82

CORPORATE GOVERNANCE

Annual Governance Statement	CG	GJ	15
National Fraud Initiative	CG	GJ	30
Anti Fraud and Corruption - money laundering	CG	SMcK	5
Anti Fraud and Corruption - bank reconciliation	CG	SMcK	5
Anti Fraud and Corruption - procurement cards	CG	SMcK	8
Anti Fraud and Corruption - petty cash	CG	SMcK	10
Performance Indicators	CG	GJ	5
			45

Follow up audits - all Directorates	60
Contingency and irregularity inc. whistleblowing	193
Advice, assistance and communication	80
TOTAL	585

CHILDREN

	Ref	Owner	Days
CORPORATE RISK REGISTER			
The Academy (carry over from 2007/08)	CRR 08	MC	5
Integration of Health	CRR 03(A)	GH	15
			20
MANAGED AUDITS			
Integrated Children Services system	MA	JP	10
			10
DIRECTORATE / AUDIT RISKS & PRIORITIES			
The Academy: Use of retained services	DR	MC	8
Out of Borough placements	DR	GH	8
Secondary School Attainment	DR	MC	12
Capital Programme	DR	IB	12
Child Protection	DR	JP	12
Home to School Transport	DR	IB	10
Sure Start	DR		10
Schools:			
Financial Management Standard for Schools Guidance etc.	DR	MC	8
Primary and Special Schools (32)	DR	MC	192
Secondary School (1)	DR	MC	8
School reassessments/revisits	DR	MC	20
			300
CORPORATE GOVERNANCE			
Performance indicators	CG	SW	8
School Meals	CG	MC	8
			16
TOTAL			346

ENVIRONMENT AND REGENERATION

	Ref	Owner	Days
CORPORATE RISK REGISTER			
Strategy for Waste (promise 49 and Corp risk register): review effectiveness of implementation and future plans	CR12	SH	18
			18
MANAGED AUDITS			
None			0
			0
DIRECTORATE / AUDIT RISKS & PRIORITIES			
Street Scene: IT system/database development and use	DR	SH	12
Highways - capital programme management and project delivery	DR	DP	12
Car Parking	DR	DP	8
Business Improvement District (carry over from 2007/08)	DR	BC	6
Interegg - claim certification	DR	MR	10
Uniform IT system control and integrity review	DR	CC	10
Renovation Grants	DR	SH	8
Contract management (BID, NSC, Halcrow, SCS) common issues	DR	CC	6
Lydiard Park - follow up	DR	BC	6
Arts: event management	DR	BC	10
Building Control	DR	DP	10
			98
CORPORATE GOVERNANCE			
Performance indicators	CG	CC	8
Anti Fraud & Corruption - Car Parks	CG	RA	4
Anti Fraud & Corruption - Renovation Grants	CG	SH	4
			16
TOTAL			132

HOUSING & SOCIAL CARE

	Ref	Owner	Days
CORPORATE RISK REGISTER (CR)			
Integration with Health (section 256 and 75 agreements)	CRR 12	CF	20
			20
MANAGED AUDITS (MA)			
Housing Rents inc. Anti-Fraud	MA	BB	20
OPEN Housing system control and integrity	MA	BB	8
SWIFT: system control and integrity	MA	GP	10
			38
DIRECTORATE / AUDIT RISKS & PRIORITIES (DR)			
Gas Servicing (carried over from 2007/08)	DR	BB	10
Housing Repairs contract - contract monitoring	DR	BB	12
Supporting People (Commissioned Services)	DR	BB	12
Adult Social Care establishment	DR	GP	8
Funded Nursing and Continuing Health Care	DR	GP	20
European Social Fund	DR	CS	6
Drugs and alcohol pooled budget	DR	CS	8
SWIFT - Future development	DR	CF	10
STEAM	DR	BB	10
Book Fund	DR	BB	12
			108
CORPORATE GOVERNANCE (CG)			
Resident's cash and property (follow up)	CG	GP	6
Receiverships	CG	GP	8
Cash Payments to Clients	CG	GP	10
Contract Awards (follow up) see also SCS	CG	BB	6
Performance Indicators	CG	CF	8
			38
TOTAL			204

BUSINESS TRANSFORMATION

	Ref	Owner	Days
CORPORATE RISK REGISTER (CR)			
ASPIRE Contract Management (carried over from 2008/09)	CRR 03	HP	20
CAPITA delivery	CRR 03	HP	15
Transformation agenda	CRR 03	HP	15
ICT Disaster Recovery	CRR 02	HP	15
Business Continuity	CRR 05	MG	12
Local Area Agreement	CRR 06	MG	12
			89

MANAGED AUDITS (MA)

Risk Management	MA	MG	20
Housing & Council Tax Benefits			
Claims administration: processing and entitlement	MA	SE	25
System control and integrity	MA	SE	12
Council Tax			
Key controls and ongoing testing and Anti-Fraud	MA	SE	12
System control and integrity (includes NNDR)	MA	SE	6
NNDR			
Key controls and Anti-Fraud	MA	SE	12
Payroll			
Key controls and Anti-Fraud, Starters, Leavers etc.	MA	SMcK	30
System control and integrity	MA	SMcK	8
Debtors			
Key controls and Anti-Fraud	MA	SE	18
Asset Management			
Asset Management	MA	DW	20
Commercial Properties	MA	DW	8
Cash Collection			
	MA	SE	8
			179

DIRECTORATE / AUDIT RISKS & PRIORITIES

Customer Services - data integrity	DR	HP	16
Client Framework	DR	SE	12
Housing Benefit: Subsidy	DR	SE	12
Housing Benefit: Customer Services	DR	SE	8
Payroll - post implementation review	DR	RMcK	10
Manslaughter Act	DR	RMcK	10
Learning and Development Grant	DR	RMcK	6
CAA health check: fit for purpose	DR	MG	10
National Indicator Set	DR	MG	10

DIRECTORATE / AUDIT RISKS & PRIORITIES cont.			
Registrars	DR	ST	8
Property: Compliance with legislation re. asbestos, legionella etc.	DR	DW	12
Gateway - compliance	DR	BR	10
Local Area Agreement - claim certification	DR	MG	5
Client Monitoring: IT service provision	DR	HP	10
We will carry out a number of audits under the following headings:			
IT Strategy	DR	HP	20
IT Security Management	DR	HP	94
New and developing systems/applications	DR	HP	30
			283
CORPORATE GOVERNANCE			
Anti Fraud and Corruption - controlled stationery	CG	HP	5
Cheque Control inc. opening cheques, authorised limits etc.	CG	SE	6
Anti Fraud and Corruption - gifts and hospitality	CG	ST	6
Anti Fraud and Corruption: Compliance with Fin Regs, SO's, Code of Conduct etc.	CG	HP	10
Anti Fraud and Corruption: Legality of transactions	CG	ST	5
Anti Fraud and Corruption - cash collection	CG	SE	5
			37
TOTAL			588

FIRE BRIGADE

	Ref	Owner	Days
EXTERNAL CONTRACT			
Agreed audit plan			60
TOTAL			60

INTERNAL AUDIT

Business Plan	Ref	Owner	Days
Committee / Member support, development, training etc.	IA BP	NH	15
Audit Manual / Office procedures	IA BP	NH	8
Customer Feedback	IA BP	NH	5
Intranet & Internet Site	IA BP	NH	6
Promotion of anti-fraud culture and standards of conduct, Fraud Bulletins, Alerts etc.	IA BP	NH	30
Audit Plan preparation 2009/10	IA BP	NH	15
VFM Strategy	IA BP	NH	5
Appraisal and selection of software package to allow electronic auditing and subsequent implementation	IABP	NH	30
TOTAL			114

Audit Committee: Self-Assessment checklist

AUDIT COMMITTEE

Date: 22nd April 2008

Author: Head of Internal Audit

Wards Affected: None

Purpose

To ensure that the self-assessment attached reflect accurately Members' comments from the previous meeting.

Recommendation

- It is recommended that Members ensure that the self-assessment accurately reflects the Committee's comments made at the previous meeting.
- Agree actions that need to be taken as a result of the self-assessment.

1 Reasons

- 1.1 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.

2 Detail

Background

- 2.1 Audit Committees are not just the concern of auditors; they are about the governance, financial reporting and financial performance of the whole authority.
- 2.2 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 assurances 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.

Audit Committee: Self-Assessment checklist

AUDIT COMMITTEE

Date: 22nd April 2008

- 2.3 The existence of an independent and effective audit committee helps to convey to staff and to the public the importance Members and Directors attach to internal control.
- 2.4 Swindon BC has an independent Audit Committee that has adopted a set of terms of reference that reflected best practice at that time. However, it is important that the Committee ensures that it continues to adopt best practice.
- 2.5 The Audit Committee reviewed itself against the checklist at its meeting in March 2008. Action points have been identified as follows:
- An Annual Report will be produced for the Audit Committee for 2007/08 and subsequent years.
 - An appropriate induction is developed for new Audit Committee members.
 - Members' skills and experiences be assessed and training given for identified gaps
 - Audit Committee's terms of reference to be amended to include that the Committee 'should meet at least four times a year, with additional meetings to be scheduled in to accommodate the Authority's business needs.
 - That the Audit Committee formally reviews the performance of the Council's External Auditor.

Alternative Options

Not Applicable

Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report however individual audit reports address the suitability of internal controls within the systems examined.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2003. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Audit Committee: Self-Assessment checklist

AUDIT COMMITTEE

Date: 22nd April 2008

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

Internal Control, Audit Committee and the Statement on Internal Control all feature significantly in the CPA Use of Resources Assessment.

Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

Consultees

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Appendices / Background papers

Appendix 1: Self-Assessment Checklist

Key Decision/Decision in Forward Plan

Not Applicable

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ESTABLISHMENT, OPERATION AND DUTIES					
Role and remit					
Priority	Issue	Yes	No	N/A	Comments
1	Does the audit committee have written terms of reference?	Yes			Due for review in June 2008 after elections.
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Yes			Considered and implemented as part of the last review.
1	Are the terms of reference approved by the council and reviewed periodically?	Yes			Approved by Cabinet.
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Yes			
1	Can the audit committee access other committees and full council as necessary?	Yes			
1	Does the authority's statement on internal control (SIC) include a description of the audit committee's establishment and activities? Note: SIC now replaced by the annual governance statement.	Yes			Referred to in SIC including establishment as a full committee. However, more detail can be included on the Audit Committee's activities.
2	Does the audit committee periodically assess its own effectiveness?	Yes			Was completed in February 2007 and will be again in March 2008.
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?		No		Has not done to date – but is planned for 2007/08.
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	Yes			
1	Is the chair independent of the executive function?	Yes			Chair is Cllr Ray Fisher who is not a Cabinet member.
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Yes			Annual training planned in for June. Although Members disagree with the presumption that the Chair or any other member should be an audit expert.
1	Are new audit committee members provided with an appropriate induction?		No		Training was given when first set up and again last year. Annual training planned on for June.
1	Have all members' skills and experiences been assessed and training given for identified gaps?		No		Gap analysis to be done prior to training this year.
1	Has each member declared his or her business interests?	Yes			Requirement of all Members. Also requirement at the start of each meeting.
2	Are members sufficiently independent of the other key committees of the council?	Yes			Members agreed that its members should be 'disassociated' from key committees 'as far as possible' and felt that the current arrangements reflected that position. Also agreed that no Cabinet Member should be a member of the Audit Cmmttee.

Priority	Issue	Yes	No	N/A	Comments
Meetings					
1	Does the audit committee meet regularly?	Yes			Current meets six times a year.
1	Do the terms of reference set out the frequency of meetings?		No		Only states that the Committee should 'meet frequently'. Terms of reference to be amended to make a reference to a minimum of 4 meetings each year To be held on a roughly quarterly basis). Additional meetings will be scheduled as necessary to accommodate the Authority's business needs.
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Yes			Timetable for 2007/08 prepared to align these requirements. 2008/09 timetable to be agreed by Audit Committee.
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	Yes			
1	Are meetings free and open without political influences being displayed?	Yes	No		Yes – free and open; political – no.
1	Does the authority's S151 officer or deputy attend all meetings?	Yes			S151 Officer attends meetings.
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Yes			Relevant Group Directors/Directors attend.
Internal Control					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit? (Note: now replaced by the annual governance statement).	Yes			The review of the effectiveness of Internal Audit was first carried out in March 2007 and is scheduled for the April 2008 meeting of the Committee.
1	Does the audit committee have responsibility for review and approval of the SIC (now annual governance statement) and does it consider it separately from the accounts?	Yes			
1	Does the audit committee consider how meaningful the SIC (now annual governance statement) is?	Yes			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Yes			
	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?			N/A	The Audit Committee has responsibility for risk management.

Priority	Issue	Yes	No	N/A	Comments
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Yes			This was published late in 2006. The Council's Anti-Fraud and Corruption Strategy has been reviewed. The Cipfa publication is very onerous and the West of England Heads of IA group consider it unrealistic to meet all the requirements of the document.
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Yes			
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Yes			A significant part of the Internal Audit plan is based on the Corporate and Group Directorate risk registers. Audit Committee approves the annual Internal Audit plan.
2	Does the audit committee review the authority's strategic risk register at least annually?	Yes			Risk Manager reports to the Audit Committee quarterly includes reference to strategic risk register.
2	Does the audit committee monitor how the authority assesses its risk?	Yes			
2	Do the audit committee's terms of reference include oversight of the risk management process?	Yes			
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Yes			Annual accounts approved by Audit Committee.
1	Does the audit committee consider specifically: • the suitability of accounting policies and treatments • major judgements made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting?	Yes	The Committee felt that the Council's 'accounting treatments' were the S151 Officer's responsibility and that its role was more concerned with challenge and the monitoring of performance. It was suggested that the June training session should seek to advise members on key financial issues and systems, to assist members in challenging the statement of account at the end of June, and make a distinction between issues where the Council has some degree of control and influence and those that are primarily matters of compliance. The External Auditor commented that this aspect of the assessment questionnaire was concerned with ensuring that members who have a responsibility for the approval and adoption of accounts have sufficient understanding of those accounts and he felt that the manner in which reports are currently presented by the S151 Officer was a robust mechanism to meet this requirement.		

Priority	Issue	Yes	No	N/A	Comments
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Yes			
1	Does the audit committee review management's letter of representation?	Yes			External Audit's management letter is presented to and discussed at Audit Committee.
2	Does the audit committee annually review the accounting policies of the authority?	Yes			See above comments re. policies etc.
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Yes			In so far as the professionals employed bring such issues to the members attention.
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Yes			The Audit Committee approves the Annual Audit Plan. Approval of the strategy will be included in a future committee meeting.
1	Does internal audit have an appropriate reporting line to the audit committee?	Yes			Direct to Audit Committee. Head of Internal Audit also has access to Chair of Audit Committee if required.
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Yes			Head of Internal Audit provides an update at each Audit Committee meeting. Head of Internal Audit's Annual report is also presented to Audit Committee.
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Yes			Results of follow up audits would be reported to Audit Committee. Responsible officers can be called in by Audit Committee to explain progress with implementing internal audit recommendations.
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Yes			Members are aware of this option and if felt it is needed will do so.
1	Is there appropriate cooperation between the internal and external auditors?	Yes			Yes with Robson Rhodes however need to develop relationship with new External Auditors i.e. the Audit Commission.
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	Yes			Internal Audit is members of the Cipfa Benchmarking club. Benchmarking report presented to Audit Committee.

Priority	Issue	Yes	No	N/A	Comments
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	Yes			This is covered by External Audit's annual review of Internal Audit. Any issues highlighted by External Audit would be reported to the Audit Committee.
2	Are internal audit performance measures monitored by the audit committee?	Yes			Performance against plan is reported to Audit Committee. However, Members may wish to consider whether they would like more performance information provided.
2	Has the audit committee considered the information it wishes to receive from internal audit?	Yes			Included in terms of reference.
EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?	Yes			External Audit's plan is presented to Audit Committee.
1	Does the audit committee hold periodic private discussions with the external auditor?	Yes			See comment re. Internal Audit.
1	Does the audit committee review the external auditor's annual report to those charged with governance?	Yes			External Auditor's report presented to Audit Committee.
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Yes			There have been a number of report requests that have been implemented.
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	Yes			Yes for External Audit i.e. annual audit and inspection letter. However, limited reporting of other inspection agencies i.e. Joint Area Review etc.
1	Does the audit committee assess the performance of external audit?		No		But being considered for 2008/09.
1	Does the audit committee consider and approve the external audit fee?	Yes			This is included in the External Audit's plan that is presented to Audit Committee.
ADMINISTRATION					
Agenda management					
1	Does the audit committee have a designated secretary from Committee/Member Services?	Yes			Stephen Jones (Senior Committee Clerk).
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Yes			Within prescribed timescales.
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Yes			Outline agenda submitted with terms of reference approved in 2007. Timetable for 2008/09 will be an agenda item for a future Committee meeting.
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	Yes			Ad-hoc.

Priority	Issue	Yes	No	N/A	Comments
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Yes			
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	Yes			Papers are in the Council approved format.
Actions Arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	Yes			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	Yes			
1	Do action points indicate who is to perform what and by when?	Yes			

Agenda Item 9

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 10

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