

Swindon Borough Council

Audit Committee

Tuesday, 27 January 2009

Committee Room 2, Civic Offices, Swindon
(Anticipated meeting room)

At 5.30 p.m.

Conservative Councillors

Michael Dickinson
(Chair)
Mary Martin
Eric Shaw
Peter Stoddart
Keith Williams

Labour Councillors

Des Moffatt (Vice-
Chair)
Steve Allsopp

Liberal Democrat Councillors

Committee Officer: Steve Jones (01793 463602)

email: stevejones@swindon.gov.uk

Swindon Borough Council, Civic Offices, Euclid Street, Swindon, SN1 2JH
(Telephone 01793 445500)

AGENDA

PART 1 (PUBLIC ITEMS)

1. Apologies for Absence

2. Member Training - Local Authority Finance

(This training session will be concerned with the accounts reporting framework and is intended to give members an understanding of the Council's financial statements and the financial standards framework.)

3. Declarations of Interest

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

4. Public Question Time

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

5. Minutes (Pages 1 - 4)

To receive the minutes of the meeting held on 25th November 2008

6. Exempt Items - Exclusion of Press and Public

Certain items are expected to include the consideration of exempt information and the Cabinet 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>
11, 12 and 13	7

7. Review of the Internal Audit Strategy and Terms of Reference (HIA-CE)
(Pages 5 - 28)

8. Audit Committee: Effectiveness of the system of Internal Audit (Update)
(HIA-CE) (Pages 29 - 38)

9. Anti-Fraud & Corruption Strategy and Whistleblowing Procedure (HIA-CE)
(Pages 39 - 74)

10. CIPFA Benchmarking exercise of Internal Audit: 2009 (HIA-CE) (Pages 75 - 98)

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

11. Internal Audit reports identifying significant risk or 'of concern' (HIA-CE)
(Pages 99 - 122)

12. Internal Audit reports identifying significant risk or 'of concern' - Government Connect (HIA-CE) (Pages 123 - 134)

13. Head of Internal Audit Update (Pages 135 - 148)

Date of Despatch: 10 February 2009

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 NOVEMBER 2008

PRESENT:- Councillors Michael Dickinson (Chair), Des Moffatt (Vice-Chair), Steve Allsopp, Mary Martin and Eric Shaw.

Apologies for absence were received from Councillors Mark Edwards and Peter Stoddart.

Councillor Nick Martin, Cabinet Member for Resources, was also in attendance.

Councillors Junab Ali, Rex Barnett, Derique Montaut and William Morton attended the meeting in respect of the member training presentation (Minute 28 refers).

24. Declarations of Interest

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

25. Public Question Time

Mr Brian Cockbill welcomed the proposed change to the Council's Constitution referred to afford the Audit Committee the authority to require "any member of the Cabinet or Senior Officer .. to attend before it .." (agenda item number 7 refers) and expressed his hope that this change would be agreed by the Committee and subsequently adopted by full Council. Mr Cockbill asked the following questions:

Question

1. Will "the Chair give assurances that:
 - a) this Committee will maintain complete independence from 'the establishment' (i.e. Cabinet Lead Members and Officers responsible for actions taken under delegated powers) that this Committee are entrusted to oversee;
 - b) all meetings will remain open to the Press and Public; and
 - c) only genuine reasons to exclude the Press and Public will be used and proceedings will not be taken 'in camera' solely to avoid embarrassment to officers or fellow Council Members?"

Answer

The Chair responded that the Audit Committee is a standing committee of the Council and that, consequently, its proceedings are reported to Council and, as Chair, he was responsible to the Council for the actions of the Committee. However, apart from these requirements, the Committee sought to maintain an independence from the Council in fulfilling its function and he confirmed that no members of the Cabinet were also members of the Audit Committee. The Chair advised Mr Cockbill that public interest tests were applied to all reports submitted to the Committee and that a matter would only be considered "in camera" where a valid reason for

exemption could be exhibited under the terms Section 100A(4) of the Local Government Act 1972 .

2. “Does the Audit Committee’s remit include the Thamesdown Transport Bus undertaking?”

The Chair advised that the Thamesdown Transport Bus undertaking was not within the specific remit of the Audit Committee; however, since the Council is a shareholder in the company, the Leader of the Council and its Chief Executive could be questioned by the Audit Committee on matters relating to the bus company. It was also noted that the bus company’s financial accounting information would be received by the Audit Committee as part of its consideration of the Council’s consolidated accounts.

- 3 “When Council Members and officers receive payment for their attendance at meetings/events, is there a requirement for them to produce evidence of their presence in the form of:-
- a) minute of meeting(s);
 - b) report of meeting(s) or event(s);
 - c) notes of meeting(s) or event(s)
 - d) attendance list(s)

and is such evidence available for this Committee’s scrutiny and/or public inspection?”

The Chair referred Mr. Cockbill to Part 6 of the Council’s Constitution (the Councillors Allowances Scheme), that sets out the details of evidence required to be submitted by members in support of any allowances claim. He confirmed that this supporting evidence is available for public inspection.

The Chair thanked Mr. Cockbill for his attendance and for his questions.

26. Minutes

Resolved - That the minutes of the meeting held on 23rd September 2008 be confirmed and signed.

27. 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>
8	3	30
9 – 10	7	31 – 32

28.**Audit Committee - Member Training**

Further to Minute 21, and the Committee's discussion of Audit Committee members' training requirements to assist them in fulfilling their role within the Council's assurance framework, the Head of Internal Audit made a presentation to the Committee on the topic of "the role of Internal Audit and the Audit Committee". The presentation covered the legal framework within which Internal Audit operates, standards for internal audit and its status within the authority, internal audit functions and practices, the audit planning and audit processes, internal audit structures, the role and responsibilities of the Audit Committee and the relationship between the Audit Committee and Internal Audit.

29. Update on Progress of implementing Internal Audit recommendations regarding Project Management

The Committee received a report of the Head of Internal Audit on progress in implementing recommendations arising from the Internal Audit review of Project Management within the Council. The Internal Audit report on the Council's Project Management system was originally considered by the Audit Committee in March 2008 and he identified fundamental weaknesses in the system that constituted a significant potential risk to the Council.

The Council's Group Director Business Transformation introduced the report, explaining the role of the Project Management Office (PMO) in improving the Council's project control and its project management capability and capacity, in order to make best use of available resources and better inform its business planning processes. Nick Vat, Project Manager, was also in attendance and reported to the Committee on progress made in implementing the various recommendations arising from the internal audit review.

Following the introduction of the report by the Group Director and Project Manager, members were given the opportunity to put questions to them. Issues raised by members included:

- the definition of what constitutes a "project" and the identification of all such current projects within the authority
 - the registration of projects with the Project Management Office
- the anticipation of "future joint working" and the competition for available resources
- the identification of "project dependencies"
 - the project management "toolkit" and the nature of support services available through the Project management Office
- the expansion of training provision in relation to project management
- the availability and accessibility of specific project information

Resolved – (1) That the report be noted.

(2) That all members of the Committee be provided with a copy of the project definition criteria being used by the Project Management Office in relation to the Council's project management activities and the identification and registration of projects.

(3) That the Group Director Business Transformation and the Project Manager be thanked for attending the meeting and for their comprehensive report

on progress in implementing recommendations arising from the Internal Audit review of Project Management within the Council.

30. Audit Committee – Proposed change to the Council’s Constitution

The Committee received a report of the Director of Law and Democratic Services on a proposed change to the Council’s Constitution to afford the Audit Committee the same authority as the Overview and Scrutiny Committees to require “any member of the Cabinet or Senior Officer (Chief Executive, Group Director or Director) to attend before it”, to facilitate consideration by the Committee of matters within the remit of such member or officer.

Resolved – That the Council be recommended that the proposed revision to Article 8 of the Council’s Constitution, set out in Appendix 1 to the report, enabling the Audit Committee to require “any member of the Cabinet or Senior Officer (Chief Executive, Group Director or Director) to attend before it” to facilitate consideration by the Committee of matters within the remit of such member or officer, be approved.

31. Risk Management Status Update

Alex Bedford, the Council’s Risk Manager, introduced a summary report on Risk Management activity within the Council. The report provided the Committee with an overview of key risk management issues within the Council, including the refresh of the Council’s Risk Management Strategy, risk management structures, the recent revision of the Corporate Risk Register, the volume and number of insurance claims made over the period of the last six months, business continuity management and civil contingency planning.

Resolved – That the summary report on Risk Management activity within the Council be noted.

32. Internal Audit reports identifying significant risk or ‘of concern’

The Head of Internal Audit submitted a report presenting the Internal Audit report on Benefits Claim Processing, finalised in April 2008, which had been classified as being of “significant risk”. The Council’s Director of Customer Services, Revenues & Benefits, introduced the Audit Report, summarising the issues identified within the report as presenting “significant risk” and advising the Committee of action that had been taken in response to the report’s key findings and recommendations.

Resolved – That the report, and the details of the management response to the key findings and recommendations of the internal audit review of Benefits Claim Processing, be noted.

33. Head of Internal Audit Update

The Committee received a report summarising the main issues arising from Internal Audit reports finalised in September and October 2008, and 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.

Resolved – (1) That the report be noted.

(2) That the Internal Audit Report on Building Control, to be finalised shortly, be submitted to the next meeting of the Committee for consideration and that the relevant officers and responsible Cabinet Member be asked to attend that meeting.

AUDIT COMMITTEE

Date: 27th January 2009

Author: Head of Internal Audit

Wards Affected: None

Purpose

To present the Strategy for the provision of Internal Audit, the Terms of Reference for Internal Audit and Internal Audit's Performance Management and Quality Assurance Framework for approval by the Audit Committee.

Recommendations

- That the Audit Committee approves:
 - the strategy for the provision of Internal Audit within the Council.
 - the terms of reference for Internal Audit.
 - the Performance Management and Quality Assurance Framework

1 Reasons

- 1.1 To ensure that the Council complies with the requirements of the Code of Practice for Internal Audit in Local Government in the UK: 2006, as published by CIPFA. This will ensure that there is a clear, agreed strategy for the provision of internal audit within the Council and that the Internal Audit section itself has clearly defined terms of reference that reflect guidance and best practice.

2 Background

- 2.1 The Code of Practice for Internal Audit in Local Government issued by CIPFA in 2006 lays down the professional standards to which Swindon Borough Council's Internal Audit section work, in providing the audit service to the Council.
- 2.2 Internal Audit endeavour to ensure that all aspects of the Code of are complied with, including the requirement to establish and maintain up to date terms of reference for internal audit work, a strategy for the provision of the audit service within the Council and to have a Performance Management and Quality Assurance Framework.

3 Strategy for the provision of Internal Audit

- 3.1 The Code of Practice defines the audit strategy as the 'high-level statement of how the internal audit service will be delivered and developed. The strategy will communicate the contribution that Internal Audit makes to the organisation and should include:
- Internal Audit objectives and outcomes

Review of the Internal Audit Strategy and Terms of Reference

AUDIT COMMITTEE

Date: 27th January 2009

- How the Head of Internal Audit will form and evidence his or her opinion on the control environment to support the Annual Governance Statement
- How Internal Audit's work will identify and address significant issues and risks
- How the service will be provided, i.e. internally, externally, or a mix of the two
- The resources and skills required to deliver the strategy

3.2 An updated strategy for the provision of Internal Audit within the Council is provided as Appendix 1.

4 Internal Audit Terms of Reference

4.1 The first standard of the Code of Practice requires the purpose, authority and responsibility of Internal Audit to be formally set out in terms of reference that:

- Establish the responsibilities and objectives of Internal Audit
- Establish the organisational independence of Internal Audit
- Establish the accountability, reporting lines and relationships between the Head of Internal Audit and:
 - (a) those charged with governance
 - (b) those to whom the Head of Internal Audit may report
- recognise that Internal Audit's remit extends to the entire control environment of the organisation
- identify Internal Audit's contribution to the review of the effectiveness of the control environment
- require and enable the Head of Internal Audit to deliver an annual audit opinion
- define the role of Internal Audit in any fraud-related or consultancy work
- explain how Internal Audit's resource requirements will be assessed
- establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities

4.2 A revised set of terms of reference that comply with the above requirements is attached as Appendix 2.

Review of the Internal Audit Strategy and Terms of Reference

AUDIT COMMITTEE

Date: 27th January 2009

5 Performance Management and Quality Assurance Framework

- 5.1 The Code of Practice for Internal Audit in Local Government issued by CIPFA in 2006 requires Internal Audit to have a documented process for ensuring adequate performance management and quality assurance. Although this framework has existed it has been set out in part in a number of different documents i.e. the annual Internal Audit Plan; the section's business plan, reports to Audit Committee etc. it was a recommendation by External Audit that this be pulled together in one document.
- 5.2 The purpose of this document is to set out how the Head of Internal Audit will ensure the effective performance of the Internal Audit section. The document sets out what arrangements are in place to assess the performance, quality and effectiveness for individual audits and for the service as a whole.
- 5.3 Effective audit management involves:
- the setting and communication of clear objectives for internal audit;
 - adequate planning so that it is known what has to be done to achieve those objectives;
 - allocating and maximising the efficient and effective use of resources in delivering the audit service;
 - the setting of standards for audit work;
 - monitoring the implementation of audit recommendations;
 - having a robust system in place to review the performance, quality and effectiveness of:
 - individual audit assignments; and
 - for the internal audit service as a whole.
- 5.4 Our framework for ensuring that arrangements are in place to ensure effective management is set out in Appendix 3.

Alternative Options

Not Applicable

Review of the Internal Audit Strategy and Terms of Reference

AUDIT COMMITTEE

Date: 27th January 2009

Risk Management

Financial and Procurement Implications

- There is no financial implication to this report.

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. Failure to establish and maintain an up to date and approved Audit Strategy and an Audit Charter / Terms of Reference is contrary to the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK: 2006 and could result in adverse commentary by the External Auditor or in CPA inspections.

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

- Internal Control, Audit Committee and the Annual Governance Statement 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.

External Audit

Appendices / Background papers

- Appendix 1 – Strategy for the provision of Internal Audit
- Appendix 2 – Terms of Reference for Internal Audit
- Appendix 3 – Performance Management and Quality Assurance Framework

Background papers: CIPFA Code of Practice for Internal Audit in Local Government in the UK: 2006: The Accounts and Audit (Amendment) (England) Regulations 2006.

Key Decision/Decision in Forward Plan

- Not Applicable

1. INTRODUCTION

- 1.1 This strategy describes how the Internal Audit Service will be delivered to ensure that legal and management obligations are met as set out in the Internal Audit terms of reference.
- 1.2 The key objective of Swindon's Internal Audit Service is to provide a high quality and cost-effective internal audit service that meets the professional standards laid down in the CIPFA Code of Practice for Internal Audit in Local Government meeting CPA/CAA and Use of Resources expectations and the requirements of the Council's External Auditor.
- 1.3 This strategy will be reviewed and updated as appropriate and at least annually to meet any changing requirements or priorities.

2. SERVICE DELIVERY

- 2.1 The Internal Audit Service will continue to be delivered internally by the Internal Audit Section within the Chief Executive's Unit. Where internal resources are inadequate to deliver the annual plan, or there are not the required services available, external contractors may be employed to cover shortfalls in specific areas.
- 2.2 A continuing commitment to demonstrating that the in-house service represents a cost-effective means of providing a high quality and professional service includes benchmarking comparisons with other authorities, quality reviews and satisfaction surveys from clients and networking with other comparator authorities. Other key evidence will be available from initiatives such as the Comprehensive Performance Assessment, Use of Resources and the Council's External Auditor's annual review of Internal Audit.
- 2.3 There will be continued liaison with the Council's external auditors, to ensure that they can place reliance on the work of Internal Audit, with joint working where appropriate, so that the overall audit service for the Council is delivered as efficiently, effectively and economically as possible.
- 2.4 The Head of Internal Audit will submit periodic reports and a formal annual report to the Audit Committee, which will include an opinion on the overall adequacy, and effectiveness of the Council's internal control, risk management and corporate governance environment, and will draw attention to any issues which are considered relevant to the preparation of the Council's Annual Governance Statement.

3. ETHICS AND CONDUCT

3.1 To enhance the environment of trust between auditors and management, all staff involved in the delivery of the Internal Audit service should comply with the ethical standards contained in the Code of Practice for Internal Audit in Local Government in the UK 2006. Additionally, many Internal Audit staff are bound by the ethical codes of the professional bodies they are members of as well as being bound by the Council's own Code of Conduct. Fundamentally, the following ethical standards will be observed:

- Integrity
- Professional objectivity and independence when providing opinions, assessment and recommendations
- Competence and due professional care
- Confidentiality – Internal Audit staff will ensure that the information they receive is safeguarded from unauthorized release or disclosure unless there is a legal or professional requirement to do so.

4. AUDIT AND ASSURANCE WORK

4.1 The primary task of Internal Audit is to review the systems of risk management and internal control operating throughout the Council. This will be achieved predominately through adopting a risk-based approach to audit.

4.2 A risk based plan of audit work to be completed will be prepared annually. The plan will be based on the Corporate and Group Directorate risk registers, the requirements of the Council's section 151 Officer and through Internal Audit's own risk assessments. Audit plans will be agreed with Directors, the Corporate Board and the Audit Committee.

4.3 For each audit assignment within the annual audit plan, a notification, identifying the key risks to the achievement of the objectives and the expected controls in place to mitigate the risk, will be drafted and agreed with senior management. This will ensure that the scooping of the work maximizes the benefits for management in confirming the effectiveness of risk management arrangements.

4.4 The completion of each planned assignment will lead to individual reports to Service Managers, Directors and where appropriate Group Directors. These reports will contain an overall opinion on the risk to the Council by combining the audit opinion on the internal control arrangements and the materiality and impact of the system being examined. These opinions, together with other audit work, will assist the Head of Internal Audit in providing his overall opinion on the Council's internal control environment for inclusion in the Annual Governance Statement.

- 4.5 In addition to planned audit reviews, Internal Audit will advise on internal control implications of new systems being implemented across the Council and respond to requests for advice and assistance.

5. FRAUD AND IRREGULARITY

- 5.1 Managing the risk of fraud and corruption is the responsibility of management not Internal Audit's. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption to occur.
- 5.2 Investigation of fraud and corruption will be carried out in compliance with statutory requirements, and the Council's fraud response plan, by staff with the necessary skills to do so.
- 5.3 In addition to determining the extent of the fraud, attention will be given to the correction of any control failures to prevent the recurrence of the fraud.
- 5.4 As well as responding to incidents of fraud and corruption, Internal Audit staff will maintain and deliver a programme of pro-active fraud prevention and detection work. This will include:
- Testing high-risk system transactions to validate them as bona fide – work will be prioritised based on the Audit Commissions fraud checklists that cover high-risk systems.
 - Participating in national schemes to prevent and detect fraud such as the Audit Commission's National Fraud Initiative (NFI).
 - Raising the awareness of the potential for fraud and corruption across the Council.

6. RESOURCES AND SKILLS

- 6.1 In order to ensure an adequate and effective internal audit service is maintained, Internal Audit must have an adequate budget resource to maintain organisational independence and be appropriately staffed in terms of numbers and skills. The Head of Internal Audit is responsible for ensuring that resources and the relevant skills are in place within the audit team. Where resources available are felt to be insufficient, the Chief Executive, the Section 151 Officer and the Audit Committee will be informed.
- 6.2 As far as practicable, Internal Audit will not participate in the day-to-day operation of any systems.

- 6.3 The staffing structure of Internal Audit is divided into three teams. One of which deals with Chief Executive, Business Transformation (except Revenues and Benefits), Environment and Regeneration; the second deals with Children, Housing and Social Care and Revenues and Benefits; the third deals with IT issues.
- 6.4 Internal Audit staff comprise a mix of fully qualified accountants and auditors, other specialised professional staff, accounting technicians and other suitably qualified staff. This should ensure the appropriate skills and specialisms are available to enable proper completion of audit work. These include general audit skills in respect of reviews of internal control, risk, governance and appropriate specialists in areas such as computer audit and investigations of frauds.
- 6.5 Where audits require access to specialist expertise and knowledge that is not available within the audit team, the advice of specialist experts from within the Council, or occasionally externally, will be sought.
- 6.6 A continuous review of training and development required for all Internal Audit staff will be undertaken as part of the corporate appraisal process. Additionally, specific resource for training and development is earmarked in the annual audit plan. Training will take the form of support for professional examinations, courses, seminars and on the job training.

7 ALLOCATION OF RESOURCES

- 7.1 Allocation of resources will be facilitated through risk based annual audit planning as described above. In addition to audit and assurance work, the audit plan includes a 'contingency' allocation to allow flexibility for responsive work that could not have been foreseen at the time of planning. By its nature, fraud and irregularity work is unpredictable in terms of timing and extent. Other unplanned work may materialise during the year if the control environment changes or breaks down. Estimates are included in the annual audit plan for this demand led work based on previous years history of time required for such activity.

8 REPORTING, FOLLOW UP AND ESCALATION PROCEDURES

- 8.1 Following the completion of all audit assignments, an internal audit report will be issued containing an opinion on the control environment, identifying concerns and recommending actions for improvement and an overall assessment of risk to the Council.
- 8.2 All recommendations will be prioritised based on the level of risk exposure resulting from the identified control weakness.

- 8.3 The Service Manager, Director or relevant Group Director will be asked to provide a written response to each recommendation stating whether they agree and if so how they will implement the control required. The time scale for implementation will also be agreed.
- 8.4 Where significant recommendations are made, implementation of these will be followed up, normally within three to six months of issuing the report. Any significant recommendations either not accepted, or not implemented, will be brought to the attention of the Audit Committee, who may call the relevant manager to account for failure to correct the control environment.
- 8.5 The Head of Internal Audit routinely reports to the Audit Committee providing update reports and an annual report of Internal Audit activity and details of significant control issues identified by audit work. At least one full Internal Audit report will be presented to the Audit Committee meeting. This will be where the overall audit opinion is either 'Significant Risk' or 'Of Concern' where one has been issued, or one agreed with the Chair of the Audit Committee. The annual audit report provided by the Head of Internal Audit will include the required opinion on the risk management and control arrangements in place and as such is an essential assurance to management in making their Statement on Internal Control.

9 PERFORMANCE

- 9.1 A Business Plan is prepared each year that includes performance indicators around its delivery. These include targets around the percentage of completion of the audit plan, targets concerning client feedback in the form of customer feedback questionnaires and targets relating to the audit process itself.
- 9.2 The Accounts and Audit (Amendment) (England) Regulations 2006 requires the Council to complete an annual review of the effectiveness of its system of internal audit. This is completed by the Audit Committee and referred to in the Annual Governance Statement.
- 9.3 Additionally, the External Auditor provides a regular opinion on the adequacy and effectiveness of Internal Audit in their annual audit and inspection letter and arrangements are subject to review during CPA.
- 9.4 The Head of Internal Audit and the Principal Auditors undertake a system of supervision of work and review of audit files ensuring that each audit has been completed to the required standard.

10 LIAISON WITH OTHER AUDITORS

- 10.1 The Audit Commission are the Council's External Auditors for activity in 20007/08 onwards.
- 10.2 The External Auditor has a statutory duty to express an opinion on the Council's financial statements. In doing so, there is potential for duplication of work completed by Internal Audit particularly now that International Standards for Auditing require a more detailed understanding of systems. Wherever possible the Head of Internal Audit will seek to co-ordinate the work of Internal Audit with that of the External Auditor by sharing of plans and regular liaison meetings.
- 10.3 Completion of internal audit work to CIPFA standards should ensure that where Internal Audit have completed work in which the External Auditor has an interest, they are able to rely on it and not duplicate the work.
- 10.4 Internal Audit files and reports will be made available to the External Auditor where requested to minimise the need for additional scrutiny. The Head of Internal Audit will make arrangements with the External Auditor to receive details of studies completed and reports issued by them.

11 REVIEW

- 11.1 The Head of Internal Audit will be responsible for reviewing this strategy on at least an annual basis. The Head of Internal Audit will be responsible for notifying the Council of any requirements to update them to reflect new legislation, best practice/guidance and External Audit recommendations.
- 11.2 The Council's Audit Committee will be responsible for approving the strategy for Internal Audit.

INTERNAL AUDIT – TERMS OF REFERENCE

1. Introduction

- 1.1 These terms of reference set out the purpose, authority and responsibility of the Council's Internal Audit Service. The terms of reference comply with the requirements of the 'Code of Practice for Internal Audit in Local Government in the UK 2006' as published by CIPFA and The Accounts and Audit (Amendment) (England) Regulations 2006.

2. Statutory Role

- 2.1 Internal Audit is a statutory service in the context of the **Accounts and Audit (Amendment) (England) Regulations 2006**, which state that:
- 'A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control'.*
- 2.2 Also, **Section 151 of the Local Government Act 1972** requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Swindon Borough Council, the Director of Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

3. Objectives of Internal Audit

- 3.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to management and Members on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisations objectives.
- 3.2 It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

4. Responsibilities of Internal Audit

- 4.1 Service managers and Directors are responsible for determining the extent of internal control within their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations and other policies are complied with.

4.2 Internal Audit's responsibilities include but are not limited to:

- Supporting the Audit Committee in discharging its responsibilities for:
 - (a) advising on the adequacy and effectiveness of the Council's internal control environment in accordance with the requirements of The Accounts and Audit Regulations 2006.
 - (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 Directors' and service managers' responsibility for ensuring an adequate control environment.
- Supporting the Leader and Chief Executive in their annual certification of the Corporate Governance Assurance Statement.
- Supporting the Director of Finance in discharging his statutory responsibilities under Section 151 of the Local Government Act 1972.
- Support the Director of Partnership, Performance and Policy in his capacity of Chairman of the Council's Corporate Risk Management Group.
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud arising from audits.
- Adopting a proactive approach to fraud identification, investigation and raising fraud awareness throughout the Council
- Investigating any referrals from the Monitoring Officer receive via the Council's Whistleblowing Policy.
- Supporting the VFM Strategy

4.3 In meeting its responsibilities, Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Council's Code of Conduct and the Code of Practice for Internal Audit in Local Government 2006, as published by CIPFA.

5. Independence and relationships

5.1 Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management. To ensure this, Internal Audit operates within a framework that allows unrestricted access to senior management and Members, particularly the Leader of the Council, the Chair of the Audit Committee, the Chief Executive, the Group Director: Resources and both the Section 151 and Monitoring Officers. Additionally the Head of Internal Audit reports in his own name.

- 5.2 The relationship between Internal Audit and the Council's External Auditor should take account their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Swindon Borough Council financial statements, whilst Internal Audit is responsible for assessing the adequacy and effectiveness of the internal controls and advising management accordingly. The Head of Internal Audit should ensure that the work of Internal Audit and the External Auditor are properly co-ordinated.
- 5.3 The Head of Internal Audit will also ensure that, if a member of staff moves in to the section from within the Council, they will not audit the area that they moved from for at least a period of one year. Auditors will also be required to state any possible conflicts of interest at the start of an audit assignment to their manager to ensure complete independent and unbiased audit is carried out.

6. Accountability and reporting lines

- 6.1 Internal Audit is located within the Chief Executive's Unit. The Head of Internal Audit's line manager is the Chief Executive.
- 6.2 The Council has an Audit Committee whose terms of reference include responsibility for monitoring the performance Internal Audit and approving its annual audit plan. The Head of Internal Audit reports regularly to this Committee on audit activity and is required on an annual basis to include an opinion on the standard of internal control within the council.
- 6.3 A written report will be prepared for each audit assignment and issued to the appropriate manager(s) accountable for the areas under review. The report will include an opinion on the adequacy of controls within the area and an assessment of the risk to the Council. The manager will be required to respond to a draft report within 15 working days, although this period can be extended by agreement. The written response must show whether the recommendations have been agreed and what action will be taken to implement each recommendation. The Head of Internal Audit is responsible for assessing whether the manager's response is adequate.
- 6.4 Internal Audit reports are subject to follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

7. Scope and access

- 7.1 The scope of Internal Audit allows for unrestricted coverage of the Council's activities, their partners or agents contracted to provide goods or services on its behalf.
- 7.2 The Accounts and Audit Regulations 2006 provide that:

‘Any officer or member of that body shall, if the body requires:

- (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and*
- (b) supply the body with such information and explanation as that body considers necessary for that purpose.*

- 7.3 Internal Audit therefore has unrestricted access to all Council records (whether manual or computerised systems), personnel, cash, stores, other assets and premises, including those of partner organisations, and have authority to obtain such information and explanations as considered necessary to fulfil Internal Audit responsibilities.
- 7.4 All departments of Swindon Borough Council, or agents contracted to provide services on its behalf, are required to give complete cooperation to Internal Audit personnel, or their agents, for the expedient fulfilment of the audit process.
- 7.5 Internal Audit, where resources allow and skills exist, can provide additional services such as consultancy work. These services would be agreed with and provided to assist, management in meeting the objectives of the organisation. Consultancy may include: advice; facilitation; training; advisory services; fraud and irregularity related work.

8. Allocation of Audit Resources

- 8.1 Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a cyclical basis according to the impact they have on service delivery. How regularly systems and processes are reviewed varies depending on the associated risk, materiality and dependency which they carry.
- 8.2 The annual plan is based; to a significant extent on the Corporate, Group Directorate and Business Unit risk registers.
- 8.3 Whilst some reviews will be carried out on a cyclical basis (e.g. schools), audit resources will, increasingly, be allocated on the principle of continuous planning which takes in to account key risks as they emerge.
- 8.4 By its very nature fraud-related work is unpredictable in terms of its timing and extent. All reported irregularities would be investigated in line with established strategies and protocols. Audit resources will be allocated within the audit plan for this demand-led and variable activity based on best estimates available from previous year's work. An appropriate level of resources will also be allocated to the Audit Commission's National Fraud Initiative (NFI).
- 8.5 The staffing structure of the section will reflect the demand upon the section.

- 8.6 Members of the internal audit section will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises.
- 8.7 The Head of Internal Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange training including both internal and external courses.

9. Review of terms of reference

- 9.1 The Head of Internal Audit will be responsible for reviewing these terms of reference on at least an annual basis. The Head of Internal Audit will be responsible for notifying the Council of any requirements to update them to reflect new legislation, best practice/guidance and External Audit recommendations.
- 9.2 The Council's Audit Committee will be responsible for approving the terms of reference for Internal Audit.

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Swindon Internal Audit Services

Performance Management and Quality Assurance Framework

Prepared by: Nick Hobbs
Head of Internal Audit

Date: October 2008

Version: 1.2

Introduction

The purpose of this document is to set out how the Head of Internal Audit will ensure the effective performance of the Internal Audit section.

The document sets out what arrangements are in place to assess the performance, quality and effectiveness for individual audits and for the service as a whole.

Effective audit management involves:

- the setting and communication of clear objectives for internal audit;
- adequate planning so that it is known what has to be done to achieve those objectives;
- allocating and maximising the efficient and effective use of resources in delivering the audit service;
- the setting of standards for audit work;
- monitoring the implementation of audit recommendations;
- having a robust system in place to review the performance, quality and effectiveness of:
 - individual audit assignments; and
 - for the internal audit service as a whole.

Our framework for ensuring that arrangements are in place to ensure effective management is set out below.

Setting and Communicating Clear Objectives - Internal Audit Strategy

In accordance with the CIPFA [Code of Practice for Internal Audit in Local Government in the United Kingdom 2006](#) (Section 7.1), Internal Audit has produced an Audit Strategy.

The Strategy communicates the contribution that internal audit makes to the organisation and includes:

- Internal Audit objectives and outcomes;
- how the Head of Internal Audit will form and evidence his opinion on the control environment to support the annual governance statement;
- how Internal Audit's work will identify and address significant local and national issues and risks;
- how the service will be provided i.e. internally, externally or a mix of the two;
- the resources and skills required to deliver the service.

The strategy is kept up to date to reflect the organisation and its changing priorities and is reported to, and approved by, the audit committee on an annual basis.

The section has regular team meetings and training sessions. The strategy and objectives of the section are communicated in these meetings at relevant parts of the

parts of the year. The section as a whole contribute to the development of the section's business plan that sets out to address any issues relating to the strategy and objectives.

Business and operational plans

An annual Business plan sets out the key objectives for the internal audit service for the year. The plan reflects the internal audit strategy and includes key service objectives, targets, resource implications and performance indicators reported to, and monitored by, management. The Business Plan also includes a risk register for the service that is linked to organisational objectives.

An annual risk-based plan is produced by the Head of Internal Audit in consultation with client departments, the Council's Section 151 Officer and Monitoring Officer, as well as External Audit. The plan is reported to and approved by Corporate Board and Audit Committee.

Internal Audit resources are 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. How regularly systems and processes are reviewed varies depending on the associated risk, materiality and dependency which they carry. The annual plan has placed reliance on the Corporate and Group risk registers.

The plan estimates the level of resources required to deliver each individual audit assignment. This allows individual work plans to be drawn up for each member of staff. Work is allocated to individual auditors by a process of matching appropriate skills, experience and competence while ensuring that there is adequate rotation of audit work.

These plans are monitored to assess the performance and effectiveness of individual auditors and the internal audit section as a whole.

It should be noted that different models are used by some organisations, although the key principles may be similar or the same.

Setting standards for audit work

An internal audit manual has been produced and is reviewed annually by the Head of Internal Audit. The manual sets out policies and procedures to guide staff in performing their duties and helps to ensure that the section comply with the requirements of the [Code of Practice for Internal Audit in Local Government in the United Kingdom \(CIPFA, 2006\)](#). The Standards are covered at least annually in the in-house training programme.

The Code of Practice sets out the standards expected over eleven separate headings:

- scope of internal audit
- independence
- audit strategy and planning
- undertaking audit work

- ethics for internal auditors
- audit committees
- relationships
- staffing, training and CPD
- due professional care
- reporting
- performance, quality and effectiveness

The Code defines the way in which the internal audit service should undertake its functions and the Code's requirements are reflected in the audit manual.

Monitoring the implementation of audit recommendations

The section has a process in place to monitor the implementation of audit recommendations, to ensure that appropriate management action is being taken to address control weaknesses and to ensure that risks are being mitigated to acceptable levels. In the light of limited resources, concentration is around the reporting and monitoring of high priority recommendations. The system includes the recording of recommendations made and accepted, the reporting of high priority recommendations to audit committee and a formal process to undertake follow up reviews.

Follow up reviews to previous audits can take the form of actual follow up audits that focus on the key recommendations, or the issuing of follow up forms for the relevant client to complete giving details of the current status of implementation of the audit recommendation along with relevant supporting documentation.

Where inadequate action is taken to address serious control issues, these should be reported to audit committee, included in the annual audit report and used to inform the audit planning process.

Control of individual audit assignments

The planning process is complemented by a sound system designed to ensure that approved audit plans are achieved. A proper system of monitoring time spent on individual audit assignments together with meeting target deadlines for audit work is in place. This involves regular 1:1 meetings between managers and auditors to establish progress on audit assignments along with the use of a time recording system (APACE).

The time recording system splits time between chargeable and non-chargeable and provides details of when audits were started, how much time has been spent etc. This system also assists in benchmarking the service through the CIPFA Benchmarking Club.

Deviations from approved plans require prior approval by the officer managing the audit or the Head of Internal Audit. However, audits should not be closed at the end of their planned time without a reasonable degree of assurance that audit objectives have been achieved.

There is regular contact between the auditor and their manager regarding progress on the audit. Where serious problems are encountered discussions take place promptly and action determined e.g. additional resources, extension of time, etc.

Before completing each part of an audit, the auditor must be satisfied that audit objectives have been achieved. Audit management needs to know progress against plans: it may be necessary to institute a formal system to achieve this. The control of individual audit assignments is fundamental to the effectiveness of internal audit. This includes:

- good communications between audit staff at all levels;
- regular meetings between audit management and staff;
- formal and informal training sessions;
- formal guidance (for instance an audit manual) on the policies, principles, practice and techniques of internal audit;
- adequate supervision, by trained and experienced auditors, involving monitoring, and reviewing work, developing staff skills and ensuring that performance is in line with standards and plans;
- formal reviews of working papers, etc;
- co-ordination of the results of audit assignments;
- the prompt reporting of the audit.

Review of individual audit assignments

The review of all work is an integral part of audit work. Review continues throughout an audit so that a more senior auditor always appraises the work of another. The extent of review will vary with the experience of staff and the nature of the assignment but it should be such that the Head of Internal Audit, who may undertake a final review of the draft report, can be satisfied that the conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence. There should also be evidence that all elements of the plan have been satisfactorily achieved and that the audit file has been reviewed.

In addition to an ongoing review the officer managing the assignment will also undertake a review at the end of the assignment. The review will consider the quality of the audit, ensuring that documents have been completed in accordance with the section's policies and to the standard set out in the CIPFA Code of Practice. The manager will also ensure that there is sufficient evidence to support the findings and ensure that the recommendations are practical. Audit management will ask such questions as:

- How well did staff carry out the work plan?
- Did they meet targets?
- What obstacles did they meet?
- Were quality standards met?

In order to assess the validity of the plan they will also need to ask:

- Were the targets realistic?
- Was the time allotted too short or too long, in total or part?
- Were the planning assumptions justified?

A critical review may reveal deficiencies that need to be remedied. This may involve staff training, better planning, the use of other techniques, different approach, change in management style, etc. Audit management should determine any need for additional guidance, implications for other audits and the effect on audit plans. The view of line management is helpful in assessing audit performance and should be encouraged.

Performance and Effectiveness of the Internal Audit Section

In order to assist the Head of Internal Audit to assess the performance and effectiveness of the service provided the following performance indicators have been agreed with Corporate Board and Audit Committee:

- Key indicators that are reported at Audit Committee meeting:
 - Overall completion of annual audit plan: target is to complete 90% of the number of audits included in the annual audit plan
 - Completion of managed (main financial system) audits: target is to complete 100% of these audits.
 - Customer feedback: to obtain an overall assessment of 'Good' from our customer feedback forms (see below).
- Other local indicators that will be reported on an annual basis are:
 - Issuing final reports: target to issue all final reports within 10 working days of agreeing the draft report
 - Issuing draft/draft for discussion reports – to issue a draft, or draft for discussion report within 2 months (60 days) of starting fieldwork on an audit.
 - Implementation of recommendations – to ensure that 100% of agreed high priority recommendations are implemented within agreed timescales.
 - Productivity – to ensure that the section's productive time amounts to at least 80% of available time
 - Management responses received within agreed timescales – 3 weeks for main financial system and Corporate Risk register audits; 2 weeks for other audits

The Audit Committee maintains a monitoring role regarding the performance of the Internal Audit section by considering the key performance indicators for the section at each meeting of the Committee. Also, at least one individual audit report is presented to the Committee who are then able to question the relevant Director/Group Director regarding progress on implementing Internal Audit recommendations but also judge the quality of the audit report and its findings and recommendations.

Customer feedback questionnaires are issued after each audit to obtain client feedback on the quality and usefulness of the audit report and the performance of the auditor. The questionnaires are examined by the member of staff managing the audit who will assess whether the responses raise any issues that need to be addressed, either by way of praise or identification of possible training needs. The Head of Internal Audit maintains a summary of all returned questionnaires that he monitors to identify trends and possible training needs etc. The questionnaires are also used to assist the Head of Internal Audit in nominating staff for individual awards as part of the Council's award process.

A survey of senior management and Members of the Audit Committee is carried out annually, the results of which feed in to both the section's business (action) plan and annual audit plan.

The Head of Internal Audit reviews the section's performance, annually, against the Cipfa Code of Practice and the strategy for Internal Audit. This assessment is reported to Audit Committee annually. The results of this assessment are used to inform future strategy and plans.

The Head of Internal Audit will compare the performance and effectiveness of the service over time, in terms of the achievement of targets and the quality of the service provided to the user. The results of the performance management and quality assurance programme will be included in the Head of Internal Audit's annual audit report.

The Head of Internal Audit provides evidence from their review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit using the checklist included in the Code of Practice as a basis for self-assessment and independent external review.

In accordance with the [Accounts and Audit Regulations 2006](#), an annual review of the system of internal control for the organisation is undertaken and published within the Council's annual governance statement. A new requirement in 2006 was Regulation 6, which requires bodies to review the effectiveness of their system of internal audit once a year and for the findings to be considered by a committee of the relevant body, as part of the consideration of the system of internal control.

The Council's External Auditors also undertake an annual review of Internal Audit, with a detailed review every three years. The findings of these reviews also inform the Head of Internal Audit on the effectiveness of the system and identify areas for improvement.

The section subscribes to the Cipfa Benchmarking Club for Internal Audit. This provides a useful way of reviewing performance by allowing comparison to other unitary authorities and to compare aspects of their performance against best practice. The outcome of this benchmarking exercise is reported annually to Audit Committee

Review

This Performance Management and Quality Assurance Framework will be reviewed at least annually by the Head of Internal Audit and reported to Audit Committee for approval.

Audit Committee: Effectiveness of the system of Internal Audit (Update)

AUDIT COMMITTEE

Date: 27th January 2009

Author: Head of Internal Audit

Wards Affected: None

Purpose

In order to comply with The Accounts and Audit (Amendment) (England) Regulations 2006 the Council must, at least once a year, conduct a review of the effectiveness of its system of internal audit. This is the second year in which the Council has had to carry out this review.

Recommendation

- It is recommended that Members review the update of the effectiveness of internal audit using the sources of assurance detailed in this report and previously reported to the March 2008 meeting of this committee.
- It is recommended that where Members note any non-compliance with best practice they request the Head of Internal Audit to bring back a future meeting of the Committee details of changes to procedures or amendments to documents for approval.

1 Reasons

- 1.1 The Accounts and Audit Regulations 2006 state that 'the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit'. The regulations go on to state that the findings of this review be considered by a committee of the relevant body, or by members of the relevant body as a whole, as part of the wider consideration of an organisation's system of internal control.
- 1.2 Internal Audit is one of the key areas of assurance for the Audit Committee and therefore has a significant impact on the Council's Annual Governance Statement. It is important that the Committee can be assured that the system for Internal Audit itself is effective.
- 1.3 The regulations and guidance relating to the assessment of the system of internal audit allow for different methods of review but it is accepted that where an Audit Committee exists that this would be an appropriate body to conduct the review.

Audit Committee: Effectiveness of the system of Internal Audit (Update)

AUDIT COMMITTEE

Date: 27th January 2009

2 Detail

Introduction

- 2.1 A report was presented to the March 2008 meeting of this Committee on the review of the effectiveness of the system of internal control. At that meeting Members agreed that:
- the Audit Committee would be a suitable body to review the effectiveness of the system of internal control.
 - when External Audit's review of Internal Audit had been completed, and the Use of Resources assessment for 2007/08 had been finalised, the Head of Internal Audit would bring a report back to the Committee updating it on the findings of these reviews.

External Audit's review of Internal Audit

- 2.2 External Audit assesses Internal Audit's work when planning their work. In the initial year and then every third year they also undertake a more detailed review of Internal Audit against professional standards to:
- assess the effectiveness of Internal Audit as part of the Council's arrangements for internal control.
 - determine whether External Audit can place reliance on the work of Internal Audit.
 - provide Members with an independent opinion on the adequacy of their system of internal audit.
- 2.3 External Audit confirmed that:
- "Internal Audit provides the Council with an independent assessment of the adequacy and effectiveness of the internal controls operating within the Borough. It is also confirmed that they are able to continue to place reliance on the work of Internal Audit for their own purposes."
 - "Internal Audit's arrangements comply with the Code. All auditors are free from operational duties and the Head of Internal Audit has direct access to those with responsibility for governance. Our review considered if the external work done by Internal Audit impacted on their independence, and we concluded it did not."
- 2.4 The full report was presented to the June meeting of this Committee.

Audit Committee: Effectiveness of the system of Internal Audit (Update)

AUDIT COMMITTEE

Date: 27th January 2009

Use of Resources Assessment

- 2.5 The Council's Use of Resources work for 2007/08 contributes to the Council's star rating under the Comprehensive Performance Framework (CPA), which will be published in February 2009.
- 2.6 The Audit Commission have confirmed that the overall theme score for Internal Control will continue to be 3. In addition the notable practice score of 4 for probity and propriety has been maintained for a second successive year, as a result of continuing development and embedding of arrangements. In particular, the Use of Resources Briefing note states that the Council continues to "perform strongly in the areas of probity and propriety with its general notable practice in this area continuing to be recognised as such by the Audit Commission". A copy of the notable practice submission is attached as Appendix 1.

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. The Accounts and Audit (Amendment) (England) Regulations 2006 the Council must, at least once a year, conduct a review of the effectiveness of its system of internal audit.

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.

Audit Committee: Effectiveness of the system of Internal Audit (Update)

AUDIT COMMITTEE

Date: 27th January 2009

Appendices / Background papers

Appendix 1: Use of Resources Notable Practice Submission

Key Decision/Decision in Forward Plan

Not Applicable

Capturing improvement	
Use of resources assessment – local government 2008	
Council	Swindon Borough Council
Type:	Unitary
UoR KLOE	4.3
Topic	Probity and propriety in the conduct of its business
Information generated from:	Use of resources assessment 2008 Use of resources assessment 2007
Council contact:	<p>Is the council willing to share this example with auditors appointed by the Audit Commission? YES</p> <p>Is the council willing to share this example with other councils? YES</p> <p>Names: Stephen Taylor Role: Monitoring Officer Nick Hobbs Role: Head of Internal Audit</p> <p>Tel: 01793 463012 Email: staylor@swindon.gov.uk 01793 463940 Email: nhobbs@swindon.gov.uk</p>
Auditor contact:	<p>Name: Peter Smith Role: Audit Manager (Audit Commission)</p> <p>Tel: 07780956715 Email: p-smith@audit-commission.gov.uk</p>
Please address all questions.	
1. What objective was the council seeking to achieve?	
<ul style="list-style-type: none"> • Demonstrate that its members and staff exhibit high standards of personal conduct • Updating ethical framework • Promotion of high standards of conduct and ethics within the Parishes of Swindon • Track record of effective action in response to whistleblowing disclosures. That there are periodic reviews of the effectiveness of the arrangements, and effective arrangements for receiving and acting upon disclosures from members of the public • Increase and promote awareness of the risk of fraud • Ensure that investigations are carried out to a high standard following best practice • Share experiences of fraud with other authorities to ensure appropriate areas are covered in the audit plan • Learn from and promote best practice 	
2. How did the council go about this?	
<ul style="list-style-type: none"> • Comprehensive induction training programme of members and staff in relation to personal conduct. Reviewed Officer and Member Codes of Conduct. Regular reminders issued to all staff on these issues via the Corporate Core Brief system, and reminders and refresher training given to members of the Borough Council and Parish Councils within the Borough. Reports made to Standards Committee or its Chair, as appropriate, on breaches so that corrective action can be taken. The Leader of the Council and the Chief Executive are very supportive and the Monitoring Officer reports regularly to them on matters of probity and conduct and the Leader has intervened with members where necessary, including suspending a member from the political group on the Council. • A review of the ethical framework was carried out and a local Code of Corporate Governance was introduced. • Best practice is promulgated and information circulated to members via an Ethical Framework Update Report (includes the Standards Board Bulletins) that is reported to Standards Committee. 	

- Participation in a Standards Board for England pilot to give feedback as to how a local filter system could work and to enable members of the Council's Standards Committee to shape the national development of the local filter process.
- Running a workshop facilitated by I&DeA entitled 'Member/Officer partnerships'. The workshop was organised by the Monitoring Officer and Head of Learning and Development in consultation with I&DeA. It was attended by Members and Officers and considered a range of issues relating to Member/Officer relationship with the intention of seeing how more effective working could be achieved.
- Parish Councils were visited by a member of Standards Committee to give a brief introduction to the work of the Standards Committee, to discuss with Parishes how they were managing with the implementation of the new Code of Conduct to discuss any issues or queries that have arisen and to ask if the Council or Standards Committee can provide additional help or support to provide, or maintain, high standards of conduct.
- The Monitoring Officer convenes quarterly meetings with Town and Parish Clerks in the Borough and the discussion of the ethical framework is on every agenda. The Monitoring Officer also convenes quarterly meetings with representatives of Parish Councillors within the Borough at which ethics and standards are on the agenda.
- In December 2007 the Council took part in a second pilot testing an on-line submission system being developed by the Standards Board for England to enable a quarterly return from each local authority on complaints received and dealt with under the new arrangements.
- A comprehensive Annual Report was issued by the Standards Committee on its activities during 2007/08 (copy attached).
- The process for completing the Council's first Annual Governance Statement was taken to Standards Committee to establish their involvement in the process.
- Ethical health-check undertaken by Standards Committee in July 2007 and subsequently reviewed. This was informed by the Monitoring Officer who is an I&DeA Monitoring Officer Peer Reviewer and has participated on such health-checks of other authorities and developing best practice.
- The Council's Audit Committee self-assessed against best practice and the Cipfa guidance (toolkit).
- Regular reports and updates are made to every Standards Committee on whistleblowing disclosures, including where disciplinary action has been taken following whistleblowing disclosures. Whistleblowing is promoted via a poster campaign to staff and the public, and whistleblowing information is on the Council's website. The public are aware of whistleblowing procedures and a number of complaints have been received from the public. The Standards Committee has reviewed Anti-Fraud and Whistleblowing policies. These now include a Fraud Response plan and Fraud Awareness training (Standards Committee: July 2007). Regular 1:1 meetings scheduled between the Monitoring Officer and the Head of Internal Audit to review progress on whistleblowing and probity issues.
- The Council has developed 'intouch' which provides the ground rules for the way Members and Officers work within the Council. Intouch provides clear values and behaviours shared across all levels of the organisation.
- The Head of Internal Audit was instrumental in setting up the Heads of Internal Audit West of England Unitary and County Council Fraud Sub-Group and plays a key role in the success of the group.
- Issuing Fraud Bulletins / Alerts (copy attached) – endorsed by Members and Senior Officers i.e. Chair of Standards, Chair of Audit Committee, Lead Cabinet Member for Resources, the Chief Executive and the Group Director: Resources have all written introductions to the bulletin.
- One of the Council's Principal Auditors has been supported through the CIPFA Advanced Professional Certificate in Investigative Practice (APCIP).

3. What were the outcomes?

- **Demonstrate that its members and staff exhibit high standards of personal conduct:**
 - The public are aware of the members Code of Conduct and complaints are made on occasion to the Standards Board for England. These complaints are in general not taken further by the Standards Board which illustrates high standards of conduct overall.
 - The Officers Code of Conduct is working well and the section regarding ethics particularly the 'quick guide to making ethical decisions' has proved useful.
 - Members and Officers seek advice from the Monitoring Officer on issues such as declarations of interest.
 - A survey which went to all staff showed that nearly three-quarters of staff felt confident that a whistle-blowing complaint would be taken seriously and that over three-fifths felt safe in making a whistleblowing complaint. Local authorities do not generally obtain this evidence and we will use this information to improve confidence levels and perception as to the importance of high standards of personal conduct. In the same survey more than nine people in ten were aware of the rules on gifts and hospitality.
- **Updating ethical framework:**
 - New Code of Conduct for members and a new Code of Conduct for officers were issued. Other Codes and Protocols were reviewed in light of the changes made to the Code of Conduct for Members.
 - Participation in the Filtering Arrangement Pilots has better equipped the Standards Committee in relation to the implementation of the filter arrangements, and has enabled the Standards Committee to influence how those filter arrangements should be developed nationally.
 - The Audit Committee's self-assessment resulted in amendments to the Committee's terms of reference and the production of an annual report for 2007/08.
 - The development of Intouch (with significant input in the development from both officers and Members, including an online appraisal process ensures that staff and Members are given a consistent steer on behaviours, ethics etc
 - An annual review of the Council's Anti-Fraud and Whistleblowing Policies is undertaken, resulting in:
 - updated policies being presented, to and agreed by, Standards Committee.
 - the production of a Fraud Response plan and fraud awareness guide for managers that are being rolled out via senior management teams.
- **Promotion of high standards of conduct and ethics within the Parishes of Swindon**
 - The visits by a member of the Standards Committee to the Parish Councils have improved contact between the Standards Committee and Parish Councils and have improved working relationships and the awareness of the level of standards required and the need to maintain and improve high ethical standards in the Parishes within Swindon. In that context, training needs have been identified in relation to 3 parishes in particular which have led to a training session being arranged by the Monitoring Officer.
- **Track record of effective action in response to whistleblowing disclosures. That there are periodic reviews of the effectiveness of the arrangements, and effective arrangements for receiving and acting upon disclosures from members of the public**
 - As a result of an allegation made under the Council's whistleblowing policy a now former member of staff is the subject of a criminal prosecution.
 - There are regular updates to each meeting of Standards Committee on current whistleblowing complaints. The arrangements are reviewed annually. Complaints have been from members of the public and from staff as well as a number of anonymous allegations, which are also investigated so far as

circumstances permit.

- **Increase and promote awareness of the risk of fraud**

- Promotion of the whistleblowing policy to staff and the public through a poster campaign. Copies of the poster are on floors of each office and were issued to each Council establishment including libraries and schools.
- Fraud Bulletins (a copy of the March 2008 edition, introduced by the Council's Monitoring Officer is attached) continue to be issued approximately on a quarterly basis.
 - Other authorities have adopted the use of fraud bulletins; particularly the introductions by Members and Senior Officers as best practice and have been an engine of change regionally.
 - issued via the Council's Newsround – emailed to all staff with access to relevant IT. Where there are staff with no access requests are made to print out relevant items.
 - any cases of SBC related fraud are publicised in the bulletin i.e. HB Fraud etc. see page 3 of the March 2008 edition.

- **Ensure that investigations are carried out to a high standard following best practice**

- A Principal Auditor has obtained the Advanced Professional Certificate in Investigative Practice (APCIP) that ensures that Internal Audit follow best practice when undertaking investigations.
- The Head of Internal audit or one of the Principal Auditors manages each investigation ensuring that they are carried out in accordance with relevant legislation and best practice.
- Advice is always sought from the Council's legal team prior to the issue of any disciplinary report.

- **Share experiences of fraud with other authorities to ensure appropriate areas are covered in the audit plan**

- The Head of Internal Audit is the secretary of the Regional Fraud Sub Group which has continued to work well and the benefits include:
 - Joint auditor training on fraud awareness and investigations.
 - Development of a joint training programme on fraud related areas.
 - We have been able to share best practice regarding the issue of Fraud Bulletins being able to demonstrate Member and Senior Officer commitment that has now been adopted by other authorities.
 - Benefiting from guest speakers at the meetings including Nathan Nash (NFI Co-ordinator: Audit Commission), Jeff Jennings (Director: National Anti-Fraud Network).
 - Exchange of information on the level and type of recent frauds/scams that have occurred in individual member's Councils.

- **Learn from and promote best practice**

- Any lessons learned in relation to the member code of conduct are disseminated. The Monitoring Officer is joint author of the 4th and 5th editions of 'Knowles on Local Authority Meetings', which is the leading reference book on the subject, which includes guidance on ethics and standards.
- The participation by the Standards Committee in the Filtering Arrangement pilots enabled the Committee to provide feedback on pilots that was incorporated in the national guidance.
- The Regional Fraud Sub Group exchange best practice and areas of concern that are reflected in the Council's anti-fraud and corruption work such as IT Procurement; e-mail and internet use.

4.	List and attach or provide a link to any outputs through which others can learn.
	<ul style="list-style-type: none"> • Copies of relevant doc's attached i.e. Annual Standards Committee Report, Fraud Bulletin; Agenda and minutes for Fraud Sub Group; Fraud Awareness Guidance; Fraud Response Plan copies provided. • Revised Code of Conducts for Members and officers are available on the intranet as are the updated Anti-Fraud and Corruption and Whistleblowing Policies, the Standards Committee Annual Report, together with the Agendas and supporting reports.
5.	Is there evidence of value for money improvement?
	<ul style="list-style-type: none"> • High standards of conduct should result in less money being spent on investigating complaints of breach of the Member's code of conduct. • The Fraud Response plan should ensure that Internal Audit advice is sought at an early stage – this will ensure that any investigation is completed to the relevant standards in accordance with relevant legislation and best practice. Time will not be wasted or spent inappropriately by managers – the guide sets out the procedures to be followed.
6.	Was there wider impact from the council's action?
	<ul style="list-style-type: none"> • The promotion of high standards of conduct and ethics within the Parishes of Swindon. • Ensuring that the Council follows best practice in regard to ethical standards for Members and Officers allowing the public to have confidence in the way that the Council conducts its business. • Investigations have been carried out to a high standard with cases going to and being upheld at disciplinary hearings and progression to Court. In the latter case the Police were happy to rely on statements and evidence provided by the section when presenting their case to the Crown prosecution Service.

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Anti-Fraud & Corruption Strategy and Whistleblowing Procedure

Audit Committee

27 January 2009

Author: Monitoring Officer and
Head of Internal Audit

Parish / Wards Affected: All

Purpose

To receive the draft updated Anti-Fraud and Corruption Policy, Whistleblowing Policy and Fraud Response Plan and to approve their implementation

Recommendation

- That Audit Committee review the strategy, whistleblowing policy and fraud response plan and make any recommendations regarding any necessary changes.

1. Reasons

- 1.1 To ensure that the Council's Policies on Anti-Fraud and Corruption and Whistleblowing are up-to-date and reflect best practice.
- 1.2 To ensure that Members and officers are made aware of how to identify the types of fraud, how it occurs, indicators of potential fraud and how to respond if it is discovered.

2. Detail

- 2.1 The Council controls millions of pounds of public money and takes very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.
- 2.2 In carrying out its functions and responsibilities the Council wishes to promote a culture of openness and fairness and expects that elected members and employees at all levels will adopt the highest standards of propriety and accountability. Proper accountability, achieved through probity, internal control and honest administration is therefore essential.
- 2.3 The revised Anti-Fraud and Corruption Strategy (Appendix 1) complies with the requirements of the Use of Resources key lines of enquiry and best practice/guidance issued by the Cipfa Better Governance Forum in their publication: '*Managing the risk of fraud: actions to counter fraud and corruption*'.

Further information on the subject of this report can be obtained from Nick Hobbs on 01793 463940 or Email nhobbs@swindon.gov.uk

Anti-Fraud & Corruption Strategy and Whistleblowing Procedure

Audit Committee

27 January 2009

-
- 2.4 The Council's Whistleblowing Policy (Appendix 2) supports the Anti-Fraud and Corruption Strategy. The policy complies with the requirements of the new British Standard on whistleblowing, and makes it clear that concerns can be raised without the fear of reprisals. It is intended to encourage and enable employees, Members and Governors to raise serious concerns within the Council, irrespective of seniority, rank or status, rather than overlooking a problem or reporting the matter externally.
- 2.5 The Fraud Response Plan (Appendix 3) – provides direction and help to officers and members in reporting and reacting with suspected cases of theft, fraud and corruption.
- 2.6 The Strategy and Policy were received by Standards Committee at its meeting on 19th January. The recommendation made to Standards Committee was that the Strategy and Policy be approved subject to comments from Audit Committee, the Council's External Auditor and the West of England Chief Auditors' Fraud Sub Group.
- 2.7 Changes that have been made to the Fraud Response plan reflect the need to involve the Council's Human Resources Directorate in the process.

Alternative Options

None

Risk Management

Financial and Procurement Implications

- There are no direct financial or procurement implications. The cost of carrying out any investigations is currently borne by the Director of Law and Democratic Services or Internal Audit's budget.

Legal / Human Rights Implications

- The policies and procedures have been written to take account of the Public Interest Disclosure Act 1998 and takes account of other relevant legislation such as the Regulation of Investigatory Powers Act 2000, the Local Government Act 1972 and the Accounts and Audit Regulations 2003.

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

- The outcome of complaints links with the theme 'Council for the Future' and the wish to improve the Council's performance and ensure that the Council's corporate governance system are considered to be accountable, effective and transparent (Objective 1).

Further information on the subject of this report can be obtained from Nick Hobbs on 01793 463940 or Email nhobbs@swindon.gov.uk

Anti-Fraud & Corruption Strategy and Whistleblowing Procedure

Audit Committee

27 January 2009

Consultees

- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports).
- Head of HR Policy & Strategy

The Council's Audit Committee, External Auditor and the West of England Chief Auditor's Fraud Sub Group are also to be consulted.

Background Papers and Appendices

- Appendix 1: Anti-Fraud and Corruption Strategy
- Appendix 2: Whistleblowing Policy
- Appendix 3: Fraud Response Plan

Further information on the subject of this report can be obtained from Nick Hobbs on 01793 463940 or Email nhobbs@swindon.gov.uk

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SWINDON BOROUGH COUNCIL

ANTI-FRAUD AND CORRUPTION STRATEGY

Reviewed: December 2008



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INTRODUCTION

Swindon Borough Council controls millions of pounds of public money and takes very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.

In carrying out its functions and responsibilities the Council wishes to promote a culture of openness and fairness and expects that elected members and employees at all levels will adopt the highest standards of propriety and accountability. Proper accountability, achieved through probity, internal control and honest administration is therefore essential.

Although the Council has a good reputation for integrity and honesty things may go wrong and, in case they do, we must have procedures for combating fraudulent or improper attempts to obtain assets or services.

The Council needs to maintain constant vigilance in order to safeguard the resources to which we are entrusted and protect our reputation. We must raise awareness, deter and identify fraud and, at the same time, provide mechanisms for employees to raise legitimate concerns when they feel justified, hence, the need for this strategy.

The principle outlined in this strategy apply to Members and all employees of the Council including school based staff and they demonstrate, to the community of Swindon, our commitment to the prevention, detection and investigation of all forms of fraud and corruption wherever it is found.

The Council also expects the same level of commitment from all outside individuals and organisations, including partners and contractors and claimants ensuring that they act towards the Council with honesty and integrity.

LINKS TO STRATEGIC OBJECTIVES

The Council has adopted a Corporate Plan for the period 2006/10. This is called 'Making Swindon the UK's Best Business Location'. The plan identifies seven corporate priorities for this period of which three are partly dependent on strong anti-fraud and corruption arrangements i.e.

- **To deliver excellent services** – there is a continuing drive towards ensuring people from all of Swindon's communities experience excellent services.
- **To transform the performance and effectiveness of the organisation** – the Council is focussing on service excellence, customer first, modern workforce and value for money.
- **To make the best use of resources** – through a programme of efficiency reviews, implementing a new value for money programme and benchmarking of costs, quality and effectiveness.

Delivering excellent services requires obtaining value for money and ensuring that there are strong arrangements in place to combat fraud and corruption so that public confidence in the Council is maintained.

WHAT ARE FRAUD AND CORRUPTION

Fraud – the Fraud Act 2006 establishes a new general offence of fraud that can be committed in three ways – by false representation, by failing to disclose information and by abuse of position. It also establishes a number of specific offences to assist in the fight against fraud – these include an offence of possessing articles for use in fraud and an offence of making or supplying articles for use in fraud.

- Fraud by false representation: a person is in breach of this section if this is done dishonestly and there is intent, by making the representation, to make a gain for himself or another; or to cause or expose the risk of loss to another.
- Fraud by failing to disclose information: a person is in breach of this section if he dishonestly fails to disclose to another person information which he is under a legal duty to disclose; and intends by failing to do so, make a gain for himself or another; or to cause or expose the risk of loss to another.
- Fraud by abuse of position: a person is in breach of this section if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person; dishonestly abuses that position with the intention to make a gain for himself or another; or to cause or expose the risk of loss to another.

Theft is defined in the 1968 Theft Act, as ‘a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it’.

Corruption – is the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the audited body, its members or officers.

OBJECTIVES OF THE STRATEGY

The Council's objectives for its Anti-Fraud Strategy for 2008-2011 are to maintain minimal losses through fraud and corruption and embed management of fraud risk within the culture of the organisation. The intention is to achieve this by implementing the CIPFA Fraud Standards that state that the foundations of an effective anti-fraud framework comprise five key elements:

- Adopting the right strategy
- Accurately identifying the risks
- Creating and maintaining a strong structure
- Taking action to tackle the problem
- Defining success

The next section of this strategy document outlines each of the CIPFA fraud standards and assesses how each of these will be delivered. Key activities that will be taken forward in the Action plan for 2008-2011 are highlighted; the Action plan also includes actions that seek to introduce other elements of best practice from the Use of Resources Key Lines of Enquiry for 2008 and 2009 and other local authorities.

ADOPTING THE RIGHT STRATEGY

To reduce losses to fraud and corruption to an absolute minimum, a strategic approach is required with a clear remit covering all areas of fraud and corruption affecting the organisation. The Council's anti-fraud and corruption strategy is linked to its strategic objectives and describes outcomes against which to evaluate its effectiveness. The strategy meets the requirements of the Use of Resources Key Line of Enquiry for 2009 and also the Cipfa Better Governance Forum guidance 'Managing the risk of Fraud: actions to counter fraud and corruption'. The strategy has also been updated to reflect the changes introduced by the Fraud Act 2006.

The Council's Whistleblowing Policy, which is an appendix to this strategy, also complies with best practice and the British Standard on Whistleblowing.

Additionally, there needs to be a clear understanding of the importance of the links between policy work (to develop an anti-fraud and corruption culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning policies and systems) and operational work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where they are found).

The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the organisation's focus clearly on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc).

ACCURATELY IDENTIFYING THE RISKS

Measuring the level of illicit activity is inherently difficult, however this must be done where practicable. Through measuring the problem of fraud and learning from where it is detected and how systems are penetrated, we can gain knowledge of where it is necessary to strengthen or introduce systems.

Both Internal Audit and the Council's Housing Benefits Fraud Team carry out pro-active counter fraud and corruption work, based on an assessment of risk. Measuring the potential risk exposure will be key to developing this informed approach.

Internal Audit is a member of the West of England Chief Auditors Group and is an active member of the Fraud sub-group. The Fraud sub-group allows for the exchange of best practice, experiences of recent frauds/scams, shared training programmes and the opportunity to benchmark etc. This is a valuable source of information in identifying the risks of fraud.

The Council is also a member of the Cipfa Better Governance Forum that issues guidance, best practice etc. in the area of counter fraud and corruption arrangements. The Forum issues weekly newsletters that identifies potential risk issues and has also developed a training programme that covers counter fraud issues.

CREATING AND MAINTAINING A STRONG STRUCTURE

Authority

The responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management. The Standards Committee and the Audit Committee are key member forums for ensuring sufficient authority is given to anti-fraud activity.

Corporate Board own the fraud strategy and are responsible for ensuring a strong counter fraud culture within their Group Directorates, and that staff accept that they are responsible for preventing and detecting fraud and corruption.

All Group Directors and Directors are required to sign annual governance assurance statements that include reference to the assessment of the risk of fraud and internal control arrangements within their directorates.

In order for the Council to deal robustly and effectively with suspected incidents of fraud, those responsible for investigating matters must be fully supported by all officers.

Culture

The Audit Commission, in its annual survey and report on fraud and corruption in the Public Sector ("Protecting the Public Purse"), has highlighted the need for Members and senior officers to create an anti-fraud culture and environment within the organisation. The fight against fraud and corruption can only truly be effective where these acts are seen as anti-social, unacceptable behaviour and Whistleblowing is perceived as a public-spirited action.

The culture of the Council is one of openness and the Council is committed to sound corporate governance, and supports the general principles as set out in The Relevant Authorities (General Principles) Order 2001 i.e.

- Selflessness
- Honesty and Integrity
- Objectivity
- Accountability
- Openness
- Personal judgement
- Respect for others
- Duty to uphold the law
- Stewardship
- Leadership

By establishing a Standards Committee the Council has reinforced this culture. The Standards Committee report to the Council:

- When it considers standards of conduct and behaviour in a particular area need reviewing; and
- When it feels the level of commitment necessary to resolve these difficulties should be greater

Concerns must be raised when members, or employees, reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:

- A criminal offence
- A failure to comply with statutory or legal obligation
- Improper unauthorised use of public or other funds

- A miscarriage of justice
- Maladministration, misconduct or malpractice
- Endangering of an individual's health and safety
- Damage to the environment
- Deliberate concealment of any of the above

The Council will ensure that any allegations received in any way including by anonymous letters or telephone calls will be taken seriously and investigated in an appropriate manner.

The Council will deal firmly with those who defraud the Council, or are corrupt, or where there has been financial malpractice. There is a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary manner.

When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, senior managers will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

The actions outlined in the action plan aim to help the Council to continue to ensure that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption.

Safe Recruitment

The Council recognises that one of the most important aspects in relation to the prevention of fraud and corruption is the recruitment of staff. The Council already seeks to:

- Obtain satisfactory references before appointments are made
- Verify and retain copies of certificates for stated qualifications
- Comply with s.8 of the Asylum and Immigration Act 1999
- Undertake checks with the Criminal Records Bureau, where appropriate for the post
- Compliance with other Codes of Practice (e.g. OFSTED) for staff dealing with vulnerable service users

Training and Staff Development

As part of the annual review of the mechanisms to prevent and detect fraud, training and appropriate skills and expertise will need to be developed. Both officers involved in anti-fraud work, and general operations, will need to develop appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation.

The Council will ensure that key anti-fraud staff have in place an appropriate personal development and training plan that will ensure that they have the right competency levels to prevent, identify and investigate fraud.

The Council will also consider the need to provide 'fraud risk awareness' training to groups of Officers, this may consist of general fraud awareness, or specific fraud awareness training such as case handling and IT crime; this may be provided internally, on-line, or be procured externally.

Such courses may include:

- Pre-employment screening
- Interviewing skills
- Money laundering
- Identity Fraud
- Fraud Identification and Prevention
- Regulation of Investigatory Powers Act
- Data Protection Act

Relationships with other organisations

Arrangements need be put into place to encourage the exchange of information about fraud and corruption between the Council and other public agencies. Any such exchange of information will be undertaken in accordance with the principles contained in the Data Protection Act 1998.

These public agencies may include:

- Police
- Local, Regional and National Auditor Networks
- The National Anti-Fraud Network
- Audit Commission (NFI etc.)
- External Auditor (Audit Commission)
- Office of Fair Trading
- Department of Work and Pensions
- Health Service
- District Councils
- Other key partners such as Capita, LAA partners etc.

TAKING ACTION TO TACKLE THE PROBLEM

Deterrence

There are a number of ways to deter potential fraudsters from committing, or attempting fraudulent or corrupt acts, whether they are internal or external to the Council. These include, but are not limited to:

- Publicising the fact that the Council is firmly set against fraud and corruption and stating this at every opportunity
- Acting robustly and decisively when fraud and corruption are suspected and proven
- Taking action to effect maximum recoveries for the Council
- Informing the Council's Press Office where cases of fraud and corruption against the Council are referred for criminal proceedings and subsequently brought to court, with a view to issuing a press release
- Having sound internal control systems which allow for innovation but do not provide the opportunity for fraud and corruption

Prevention

There is an important role to be played in the prevention of fraud and corruption by managers within all services. It is vital that managers understand the importance of soundly designed systems which meet key control objectives and minimise the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk.

To this end, Internal Audit and Risk Management endeavours to provide appropriate advice to service Managers to ensure that they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work. Internal Audit issue Fraud Bulletins on a regular basis informing staff of recent frauds and scams that have occurred in both the public and private arenas. Fraud Alerts are also issued where a particular issue has arisen that requires immediate attention.

Internal audit anti-fraud work plan

As well as furthering the corporate actions identified in the accompanying action plan, a plan for Anti-Fraud work is produced by Internal Audit. This work is included in the annual internal audit plan. The areas selected for review are those fraud risk scenarios and activities that are assessed as being at high risk.

Detection

It is often the alertness of employees or members that enables detection to occur.

Under our Anti-Fraud and Corruption Policy, employees must report any suspected cases of fraud and corruption to the appropriate manager, or if necessary, directly to the Head of Internal Audit. Reporting cases in this way is essential to the anti-fraud and corruption strategy and ensures that:

- Suspected cases of fraud and corruption are investigated properly
- The fraud response plan is carried out properly
- People and our interests are protected

The Council's Whistleblowing Policy is intended to encourage and enable employees to raise serious concerns. The Council has a dedicated, secure Whistleblowing hotline telephone number that is advertised widely across the Council through both poster campaigns and articles in the Core Brief etc.

The Council participates in the biennial National Fraud Initiative and detects certain types of fraud by this means.

Investigation

Depending on the nature and anticipated extent of the allegation(s), the Head of Internal Audit will normally work closely with management and other agencies, such as the Police, to ensure that the allegation(s) are properly investigated, reported and where appropriate, maximum recoveries are achieved.

The follow-up of any allegation of fraud and corruption received will be through the agreed procedures of the Anti-Fraud and Corruption Policy, the Fraud Response Plan and Disciplinary Procedures. The Council must also adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering Legislation.

Where a fraud has occurred, management must take any necessary changes to systems and procedures to ensure that similar frauds will not recur. Any investigation undertaken may highlight where there has been a failure of supervision or a breakdown/absence of control. Any lessons learnt will be disseminated to all relevant sections.

Sanctions and Redress

After any investigation, sanctions should be applied where fraud and corruption are proven to be present. This should be done in a comprehensive, consistent and proportionate manner with all possible sanctions – disciplinary, civil and criminal – considered. Success rates need to be monitored routinely as an indicator and part of the quality process. The organization should be effective in recovering any losses incurred to fraud and corruption using, as appropriate, criminal and/or civil law.

Methods of recovery include, but are not confined to:

- Recovery of pension contributions from employees who are members of the Pension Fund
- An assessment of what assets an employee or third party who has committed fraud has and whether the losses incurred by the County Council can be recovered
- Bankruptcy - if it is believed an individual has a poor history of paying
- If an individual remains an employee of the County Council any assessed losses can be recovered from future salary payments

DEFINING SUCCESS

Activity should not be confused with outcomes. The focus should always be fixed firmly on the clear outcomes described above for work to counter fraud and corruption. It is important that these relate to the actual sums lost to fraud and corruption rather than to the activity around it. This is no different from a commercial organization focusing on profit rather than turnover.

While activity can give an organisation the air of being busy – and, therefore, successful – what matters is the bottom line. Preventing fraud prevents losses – losses that can be directed into core business.

Only a comprehensive and professional approach to countering fraud and corruption can fully protect an organisation's valuable resources.

KEEPING AHEAD

In order to try and stay one step ahead of the fraud to which the Council may be exposed, it will be necessary to undertake a regular review of national developments and strengthen systems and procedures. Key sources of information that will be used to inform the ongoing continuous improvement of the Anti-Fraud Strategy will be:

- Audit Commission Publications – in particular:
 - National Fraud Initiative Newsletters
 - Audit Commission Fraud Reports
 - Protecting the Public Purse
 - ICT Fraud and Abuse
- HM Treasury Publications – in particular:
 - Annual Fraud Reports
- CIPFA Better Governance Forum (IPF)
 - Weekly Newsletters
- National Anti-Fraud Network
 - Strategic Risk Assessment – Local Authority Fraud
 - Ongoing Alerts on website
- West of England Chief Auditors Group (Unitary and County Councils) Fraud sub-group
 - Benchmarking
 - Shared training programme
 - Exchange of information on recent frauds and scams
- KPMG Forensic
 - Fraud Risk Management publications

Anti-Fraud Strategy Action Plan – 2009

Ref	Action	Deadline	Responsibility
ADOPTING THE RIGHT STRATEGY			
1.1	Include explicit reference to the risk of fraud and corruption in the Council's Risk Management Strategy.	January 2009	Risk Manager
1.2	Develop a Fraud Risk Assessment to inform Internal Audit's anti-fraud and corruption proactive work.	March 2009	Head of Internal Audit
1.3	Review and update the range of anti-fraud policies on an annual basis.	January 2009	Head of Internal Audit
ACCURATELY IDENTIFYING RISKS			
2.1	Review techniques for measuring fraud and corruption losses and assess applicability to Swindon.	August 2009	Head of Internal Audit
2.2	Identify and maintain a proven record of actual amounts lost by the Council for recovery proceedings.	March 2009	Principal Auditor
CREATING AND MAINTAINING A STRONG STRUCTURE			
3.1	Ensure that Corporate Board, Standards Committee and Audit Committee approve the final Fraud Strategy.	January 2009	Director of Law and Democratic Services
3.2	Include reference to measures taken to counter fraud and corruption in Annual Directors Assurance Statements arrangements made to ensure all staff are aware of their responsibilities in this area.	January 2009	Head of Internal Audit

Ref	Action	Deadline	Responsibility
3.3	Research and develop formal agreements with key partners, such as health service and other LAA partners, Capita etc. to encourage the exchange of information on national and local fraud and corruption activity which may affect the Local Authority.	October 2009	Head of Internal Audit
TAKING ACTION TO TACKLE THE PROBLEM			
4.1	Develop, publicise and maintain a separate counter fraud page on the Council's intranet, to include: <ul style="list-style-type: none"> ▪ Counter Fraud Strategy, ▪ Confidential Reporting (Whistleblowing) Policy, ▪ Theft Fraud and Corruption Response Plan ▪ Money Laundering Policy ▪ Feedback form ▪ How to report suspicion of fraud ▪ Contact details for Internal Audit and the Audit Commission 	September 2009	Principal Auditor
4.2	Define arrangements for maintaining up to date policies in respect of Safe Recruitment.	October 2009	Director of HR and Change / Principal Auditor
4.3	Identify any group of posts, which have opportunities for fraud and review need for CRB checks to be undertaken.	October 2009	Director of HR and Change / Principal Auditor
4.4	Include reference to Whistleblowing in Staff Survey to test the confidence in these arrangements.	September 2009	Head of Internal Audit
4.5	Develop ongoing programme of anti-fraud audits - a cyclical approach to address areas where the Council is most vulnerable to fraud and corruption.	March 2009	Audit Manager
4.6	Develop warning signs reference list for auditor use in reviews.	April 2009	Principal Auditor
4.7	Cascade the Fraud Response Plan to relevant staff.	December 2009	Principal Auditor

Ref	Action	Deadline	Responsibility
4.8	Review existing anti-fraud policies and related procedures to ensure they are compliant with legal requirements and whether they are sufficiently robust in respect of sanctions and redress.	February 2009	Head of Internal Audit
4.9	Undertake annual reviews of sanctions levied, redress obtained and the effectiveness of investigations in cases where fraud and corruption are proved to be present, with a view to reporting to Standards and Audit Committees.	June 2009	Principal Auditor
DEFINING SUCCESS			
5.1	Develop performance measures for this area.	June 2009	Head of Internal Audit
5.2	Report the progress on activity against this strategy on an annual basis.	June 2009	Head of Internal Audit

SWINDON BOROUGH COUNCIL

DISCLOSURE (‘WHISTLEBLOWING’) POLICY

Reviewed: JANUARY 2009



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1. Introduction

- 1.1 Employees, Members and School Governors are often the first to realise that there may be something seriously wrong within the Council. However, they may not express concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis. This policy document makes it clear that staff can do so without fear of reprisals. This Disclosure Policy is intended to encourage and enable staff to raise serious concerns within the Council rather than overlooking a problem or blowing the whistle outside.
- 1.3 This Disclosure Policy has been devised in accordance with the provisions of the Public Interest Disclosure Act 1998 and the recent British Standard Institute Code of Practice regarding Whistleblowing arrangements, and seeks to bring into the open concerns of the staff and public relating to issues concerning dishonesty involving the Council.
- 1.4 This policy supports the Council's Anti Fraud and Corruption Policy, and makes it clear that concerns can be raised without fear of reprisals. It is intended to encourage and enable employees, Members and Governors to raise serious concerns within the Council, irrespective of seniority, rank or status, rather than overlooking a problem or reporting the matter externally.

2. Aims and Scope of the Policy

- 2.1 This policy aims to:
- Provide avenues for staff to raise concerns and receive feedback on any action taken;
 - Allow staff to take the matter further if they are dissatisfied with the Council's response; and
 - Reassure staff that they will be protected from reprisals or victimisation for whistleblowing in good faith.
- 2.2 There are existing procedures in place to enable staff to lodge a grievance relating to their own employment for example in relation to areas such as terms and conditions of employment; health and safety; work relations; new working

practices; working environment and conditions; workload; organisational change, etc. This Disclosure Policy is intended to cover concerns that fall outside the scope of that procedure.

2.3 That concern may be about something that:

- Is unlawful, or
- Is contrary to the Council's Standing Orders or policies, or
- Falls below established standards or practice; or
- Amounts to improper conduct

For example (this list is not exhaustive):

- Malpractice or ill treatment of a client/customer
- A criminal offence has been committed, is being committed or is likely to be committed
- Suspected fraud
- Disregard for legislation, particularly in relation to health and safety at work
- Breach of Financial Regulations, Standing Orders
- Showing undue favour over a contractual matter or to a job applicant
- A breach of any code of conduct or protocol
- Information on any of the above has been, is being, or is likely to be concealed.

2.4 The overriding concern should be that it would be in the public interest for the malpractice to be corrected and, if appropriate, sanctions applied.

3. Safeguards

Harassment or Victimisation

- 3.1 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect staff when they raise a concern in good faith. The Council will treat any harassment or victimisation as a serious disciplinary offence to be dealt with under the Disciplinary Procedure.
- 3.2 This does not mean that if staff are already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of their whistleblowing.

Confidentiality

- 3.3 The Council will do its best to protect a staff member's identity when they raise a concern and do not want their name to be disclosed. It must be appreciated that the investigation process may reveal the source of the information and a statement by staff may be required as part of the evidence.

Anonymous Allegations

- 3.4 This policy encourages staff to put their name to their allegation. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Council.
- 3.5 In exercising the discretion, the factors to be taken into account would include the:
- seriousness of the issues raised;
 - credibility of the concern; and
 - likelihood of confirming the allegation from an attributable source.

Untrue Allegations

- 3.6 If staff make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against them. If, however, staff make malicious or vexatious allegations, disciplinary action may be taken against them.

4. How to raise a concern

- 4.1 Employees who raise concerns that fall within the scope of other Council procedures will not be dealt with in this procedure, but will be advised on the appropriate procedure to use. Such employees will still receive protection as detailed in this policy.
- 4.2 As a first step, staff should normally raise concerns with their immediate manager or supervisor as soon as the employee has reasonable suspicion. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If in doubt, contact the Chief Executive, or the Director of Law and Democratic Services (the Council's Monitoring Officer), or the Head of Internal Audit.
- 4.3 Alternatively, staff can leave a message on the 24-hour Whistleblowing answer phone and fax service (**telephone number 01793 464603**). The phone and fax are located in a secure area. This service is strictly confidential and callers will not be asked to give their name if they do not want to.

- 4.3 Concerns are better raised in writing. Staff are invited to set out the background and history of their concern, giving names, dates and places where possible, and the reason why they are particularly concerned about the situation. If staff do not feel able to put their concern in writing, they can telephone or meet the appropriate officer. The earlier staff express the concern, the easier it is to take action.
- 4.4 Although staff are not expected to prove the truth of an allegation, they will need to demonstrate to the person contacted that there are sufficient grounds for the concern.
- 4.5 Advice and guidance on matters of concern may be pursued and can be obtained from:
- Chief Executive
 - Group Directors / Directors
 - Director of Law and Democratic Services (Monitoring Officer)
 - Director of Finance
 - Head of Internal Audit
 - any of those listed in paragraph 6.1 below
- 4.6 Staff may invite a trade union representative or work colleague to raise a matter on their behalf.

5. How the Council will respond

- 5.1 The action taken by the Council will depend on the nature of the concern and may:
- be resolved by agreed action without the need for investigation
 - be investigated internally
 - be referred to the Police;
 - be referred to the external auditor;
 - form the subject of an independent inquiry
- 5.2 In order to protect individuals and the Council, initial enquiries will be forwarded to the Monitoring Officer who will consult with the Head of Internal Audit and the Chair of Standards Committee and decide whether an investigation is appropriate and, if so, what form it should take. The Monitoring Officer can decide to take no further action if a complaint appears to be trivial or vexatious. All such decisions will be reported to the next meeting of Standards Committee. Concerns or allegations that fall within the scope of specific procedures, for example discrimination issues, will normally be referred for consideration under those procedures.

- 5.3 Some concerns may be resolved by agreed action without the need for investigation and staff will be involved in those discussions. The Monitoring Officer shall report periodically thereon to the Standards Committee.
- 5.4 If an investigation is required, the Monitoring Officer will consult with the Head of Internal Audit and the Chair of Standards Committee and designate an appropriate officer to investigate the concern. Following this that officer will, within ten working days, write to the member of staff:
- Acknowledging that an investigation will be carried out
 - Indicating how he/she proposes to deal with the matter
 - Giving an estimate of how long it will take to provide a final response
 - Telling them whether any initial enquiries have been made
 - Telling them whether further investigations will take place, and if not, why not
 - Advising them that any investigation will be carried out in the strictest confidence; and
 - Keeping them informed of the progress of the investigation.
- 5.5 The amount of contact between the officers considering the issues and the staff member will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from staff.
- 5.6 When any meeting is arranged, staff have the right, if they so wish, to be accompanied by a union representative or work colleague who is not involved in the area of work to which the concern relates.
- 5.7 The Council will take steps to minimise any difficulties that staff may experience as a result of raising a concern. For instance, if they are required to give evidence in criminal or disciplinary proceedings, the Council will advise them about the procedure.
- 5.8 The Monitoring Officer will report on the outcome of any investigation to the Standards Committee who will monitor the implementation of the recommendation of the investigation.

6. How the matter can be taken further

- 6.1 This policy is intended to provide staff with an avenue to raise concerns **within** the Council. The Council hopes staff will be satisfied. If they are not, and feel that it is right to take the matter outside the Council, the following are possible contact points:
- Local Council member (if staff member lives in the area of the Council)

- Chair or any member of the Standards Committee
- The External Auditor (Audit Commission: tel. no. 0117 923 6757)
- Relevant professional bodies or regulatory organisations
- Solicitor
- The Police
- An independent person or organisation nominated for the purpose by the Council
- Public Concern at Work (tel. no. 020 7404 6609). If staff do take this matter outside the Council, they need to ensure that they do not disclose confidential information or that disclosure would be privileged. Staff should check with the contact point about that.

7. The Monitoring Officer

- 7.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy, and he will liaise as necessary with the Head of Internal Audit and Chair of Standards Committee.
- 7.2 The Monitoring Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger staff confidentiality) and will report as necessary to the Standards Committee.

8. The Law

- 8.1 This policy and procedure has been written to take account of the Public Interest Disclosure Act 1998, which protects workers making disclosures about certain matters of concern, where those disclosures are made in accordance with the Act's provisions.
- 8.2 The Act is incorporated into the Employments Rights Act 1996, which also already protects employees who take action over, or raise concerns about health and safety at work. For the avoidance of doubt, financial issues are covered by Section 151 Local Government Act 1972, Section 114 of the Local Government Finance Act 1988, The Local Government and Housing Act 1989, and Accounts and Audit Regulations 2003.

SWINDON BOROUGH COUNCIL

FRAUD RESPONSE PLAN



PREPARED BY: Nick Hobbs
Head of Internal Audit

DATE: January 2009

VERSION: 2.1

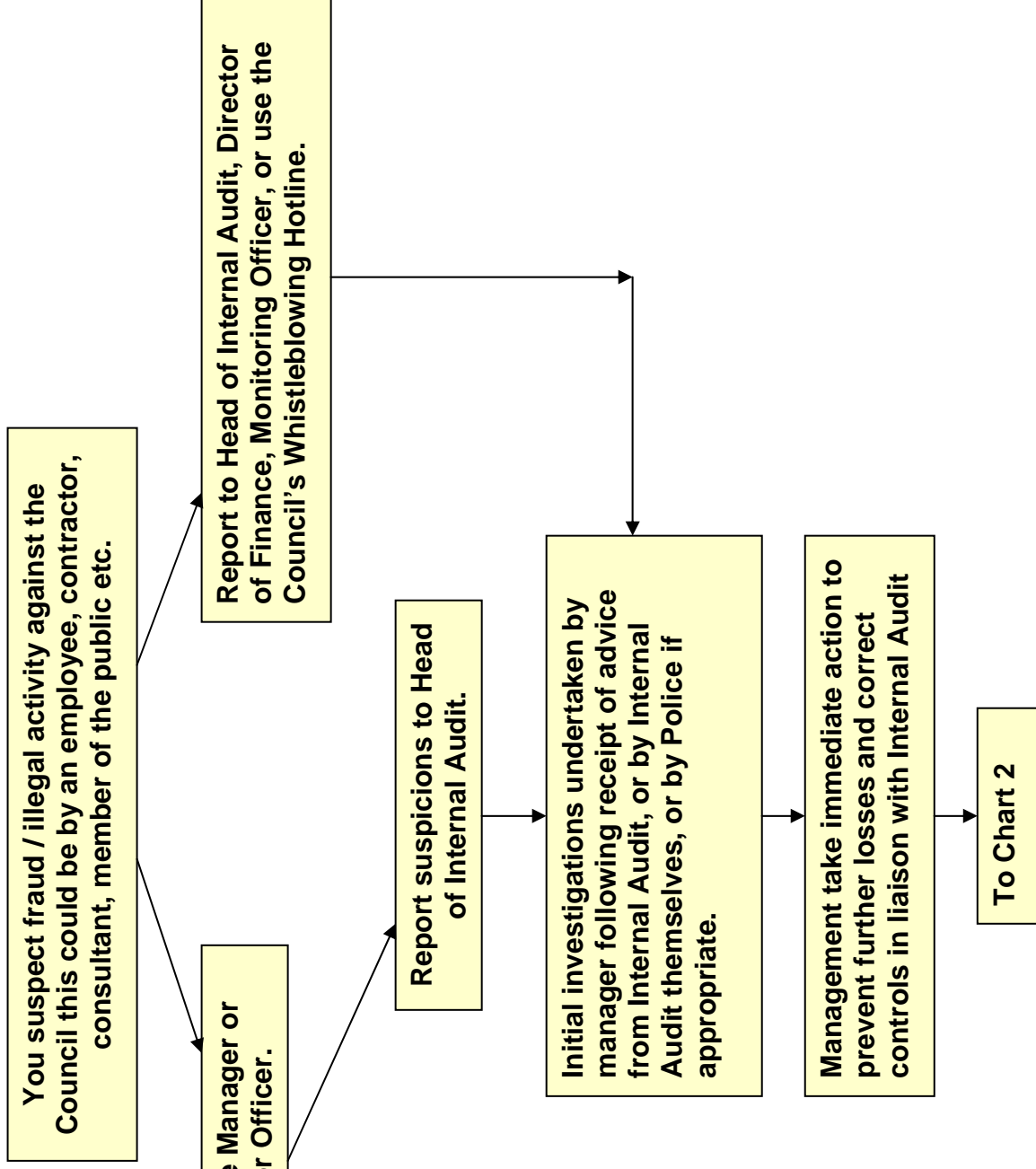
1. Introduction

- 1.1 The Council is committed to protecting the public funds with which it has been entrusted. Minimising the losses to fraud and corruption is an essential part of ensuring that all of the Council's resources are used for the purpose for which they are intended, namely the provision of high quality services to the citizens of the borough. The Council has a range of policies and procedures that facilitate this process and form equally important parts of the Council's overall strategy. These include the Anti-Fraud and Corruption Strategy, the Whistleblowing Policy and the Surveillance Policy (RIPA).
- 1.2 This document is intended to provide direction and help to officers and members in reporting and reacting with suspected cases of theft, fraud and corruption. It also gives direction to others wanting to report matters of concern in these areas.
- 1.3 ***The two flowcharts (Chart 1 and Chart 2) on Pages 3 and 4 give a brief overview as to how an allegation should be dealt with.***

2. Scope of Response Plan

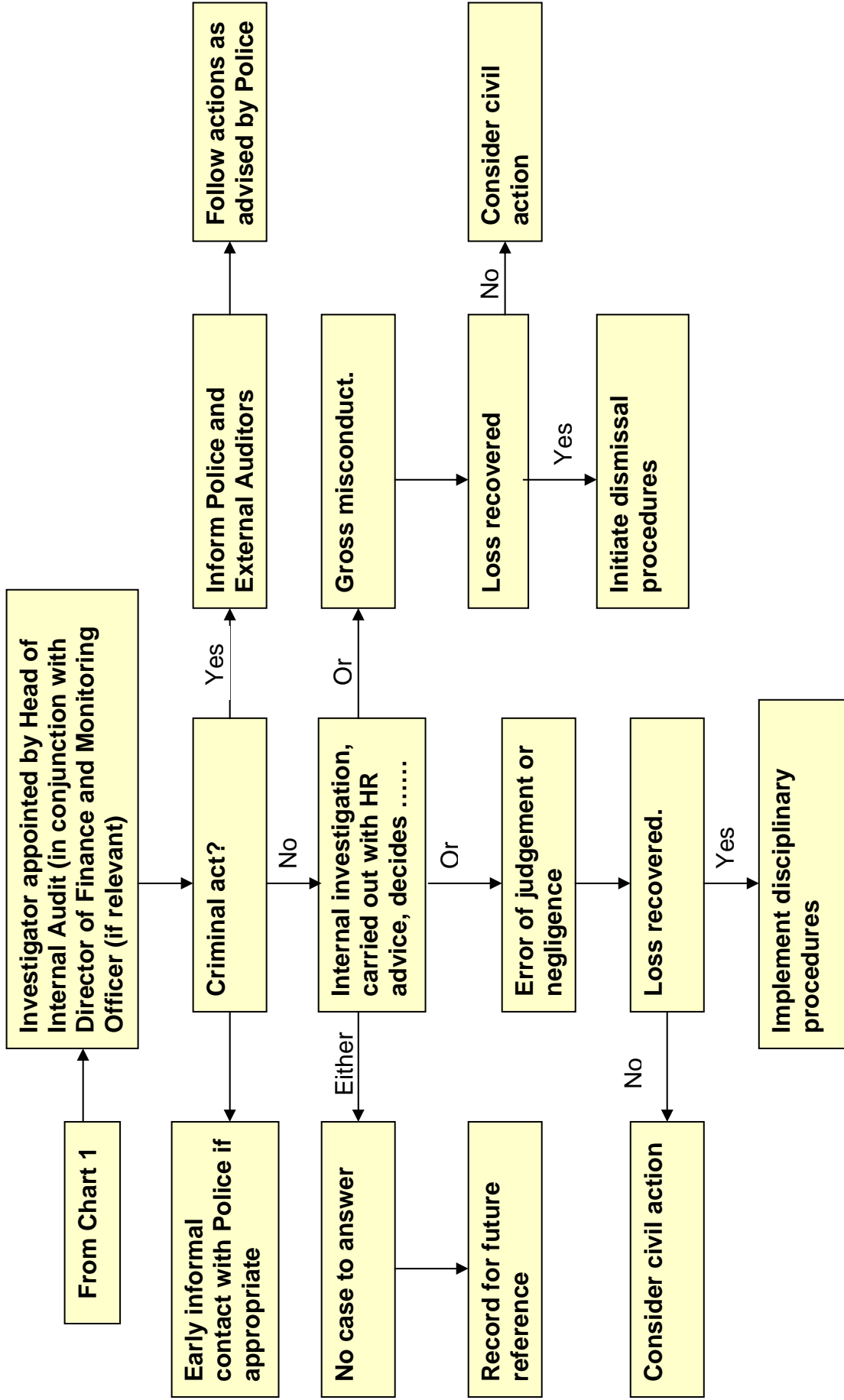
- 2.1 The scope of this response plan is not limited to fraud and corruption but is applicable to any suspected act of financial impropriety. This includes any act that puts the Council's resources at risk.
- 2.2 The exception to this are the arrangements for reporting Housing Benefit Fraud, which is dealt with in the Council's "Reporting Fraud" document for Housing Benefit claims. The Council's in-house Benefit Fraud Team investigates these frauds.
- 2.3 Definitions of what constitutes a fraud can be found in the Anti-Fraud and Corruption Strategy on page fraud

1. Reporting Fraud



Contact Numbers:
 Head of Internal Audit: 01793 463940
 Director of Finance: 01793 463300
 Monitoring Officer: 01793 463012
 Whistleblowing Hotline: 01793 464603

2. Conducting the Investigation



3. Reporting Suspicions

If fraud or corruption is suspected, then the matter should be reported without delay. Officers should report to a line manager at the outset and retain all evidence. If it is thought that the line manager may be involved, or that there may be a conflict of interest, the matter should be reported directly to a more senior officer, or to the:

- Head of Internal Audit
- Director of Finance
- Monitoring Officer (Director of Law and Democratic Services)

Employees may raise their concerns verbally, or preferably in writing, to ensure allegations are reflected accurately to those conducting investigations.

Employees who make a written allegation should ensure their account includes the background, history and nature of their concern (including names and relevant dates and locations, where applicable) and the reason why they are particularly concerned about the situation.

Internal Audit also provides a 24-hour Whistleblowing hotline that employees can use to report their concerns (telephone number 01793 464603). Messages left are treated as strictly confidential and are only accessed by authorised Internal Audit staff.

Employees can leave their personal details when calling the hotline or make the allegations anonymously. It should be noted that it is considerably more difficult to investigate anonymous allegations.

Alternatively contact can be made by writing to the Head of Internal Audit, Civic Offices, Euclid Street, Swindon. SN1 2JH or e-mail at nhobbs@swindon.gov.uk

If in doubt, Public Concern at Work (www.pcaw.co.uk) will give free and totally independent advice on how to proceed (contact helpline@pcaw.co.uk or telephone 020 7404 6609).

If suspicions have been reported through the Whistleblowing Policy they will be reported to the Council's Monitoring Officer who, in liaison with the Head of Internal Audit and Chair of Standards Committee, will appoint an appropriate investigating officer (for more details see the Whistleblowing Policy which is available on the Intranet – under the A-Z list of services (under 'W')).

4. Investigation

Managers & Supervisors:

As soon as an officer reports fraud or corruption, the manager or supervisor should, in all instances, seek advice from Internal Audit.

The Manager should:

- Obtain a written record of the concerns from the person making the allegations, or in cases where they have discovered the potential fraud, prepare a written report themselves. This should include:
 - Background details and nature of the suspicions (including relevant names, dates and locations).
 - Details of the job and areas of responsibility of the individuals implicated.
 - Why the person raising the matter is concerned.
 - Action taken to date.
 - A description of the systems, controls and procedures that should be operating within the area subject to abuse.
- Contact the Head of Internal Audit as soon as possible to discuss the seriousness and factual basis of the allegations and the next steps to be taken.
- Take care, at this stage, to ensure that the suspect(s) are not alerted to the potential investigation and the confidentiality of informants is not compromised.
- Under no circumstances take any action to investigate the allegations themselves, or allow employees to do so, without sanction or guidance from Internal Audit. This includes interviewing, or observation, of suspects in connection with the suspected act. This is to ensure that evidence is collected in a way that complies with relevant legislation and does not compromise the investigation and/or subsequent disciplinary procedures/prosecutions.

Internal Audit:

Once an allegation has been made and an investigation deemed necessary it is likely that Internal Audit will either conduct the investigation or be involved in some way.

Internal Audit will take appropriate advice from the Council Human Resources directorate and, where relevant, the Police during the course of their investigation.

The purpose of the audit investigation is to establish the facts in an equitable and objective manner. The process will involve the use of authority or delegated powers to:

- screen allegations, or information, to gauge their credibility;
- secure all evidence;
- interview suspects;
- interview witnesses;
- take statements;
- liaise with departments, or other agencies (including the Police).

Where evidence of offences or irregularities is found, the Council will take suitable further action. The investigating officer will compile a report of their findings for submission to the department concerned detailing their recommendations regarding disciplinary action or referring to the Police (see below).

5. Establishing and Securing Evidence

In order to initiate disciplinary/criminal proceedings against a suspect of financial misconduct it is essential that evidence be secured in a legally admissible form, without alerting suspects at the outset of the investigation.

As such, managers and staff should not attempt to collect any form of evidence (e.g. records, statements or surveillance evidence) without sanction from Internal Audit, who will be responsible for co-ordinating the collection of evidence as part of any internal investigation. Any IT equipment that may hold evidence should be secured without being accessed by anyone.

Staff collecting evidence (whether audit staff or otherwise) should ensure it is stored securely at all times and is not tampered with, that no marks are made on original documents and a record is kept of anyone handling evidence. The Data Protection Act should be complied with at all times.

Staff responsible for interviewing suspect(s) should be trained in the requirements of the Police and Criminal Evidence Act 1984. Failure to comply with PACE requirements in interviews will mean that nothing said by the suspect will be admissible in a court of law.

Staff responsible for commissioning and carrying out surveillance of suspects should do so in accordance with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Council's Policy and Protocol on Surveillance. Failure to comply with RIPA will make all surveillance evidence inadmissible in court and may leave the Council liable to court action. The Council's Monitoring Officer or Head of Internal Audit can provide advice in the requirements of RIPA.

6. Police Referral Procedures

The decision to refer a matter to the Police will only be taken by the Head of Internal Audit, in consultation with the Director of Finance, the appropriate Head of Service and the Director of Law and Democratic Services and where appropriate the Chief Executive. In such cases the Head of Internal Audit will instigate contact with the Police.

The Head of Internal Audit shall handle all requests from the Police for additional evidence, statements or any other form of assistance.

7. Prevention of Further Losses

When a suspected fraud is reported the Head of Internal Audit will liaise with the Head of Service and appropriate Human Resources Manager to determine the most appropriate course of action to prevent any further losses to the Authority being incurred.

This may require the suspension of the suspected individual(s) concerned. The normal circumstances for suspension would be:

- Where the continued employment of the individual(s) could lead to further losses.
- Where the continued employment of the individual(s) could jeopardise the investigation (where the individuals could destroy or remove evidence).
- Where the Police have charged the officer with a criminal offence relating to the Council.

All suspensions will be carried out in line with the Standards of Conduct and Disciplinary Procedure. Suspension does not constitute disciplinary action.

Any security passes and keys to Council property should be obtained from the suspect(s) along with other Council owned items (such as laptops), and returned to the appropriate officer or kept securely pending investigation. The appropriate Systems Administrators should be contacted to disable access to all relevant IT systems.

To prevent further losses and where it will not prejudice any subsequent investigation, management should liaise with Internal Audit to remedy any identified control weaknesses that have permitted the act of financial impropriety to be undertaken.

8. Recovery of Losses

Managers should seek to recover any losses incurred through acts of financial impropriety from the offenders concerned. Management should consult the Director of Law and Democratic Services to establish the options available to recover losses.

Where substantial potential losses have been identified at the outset of an investigation, management should seek legal advice immediately from the Director of Law and Democratic Services regarding the need to freeze the suspect's assets through the Court, pending conclusion of the investigation.

9. Publicity and Dealing with the Media in Connection with Suspected or Proven Fraud

Any public statements regarding pending, current or completed investigations or allegations of financial impropriety should only be made through the Communications team, by contacting the Director of Partnership, Policy and Communications.

Officers, Members and third parties of the Council should not make any public statement regarding suspected financial impropriety in order to avoid making libellous statements, or statements that may prejudice investigations, or any subsequent disciplinary/legal action. All such statements will be co-ordinated by the Communications team. If contacted by the public or the press, SBC personnel

(including members and third parties) should refer those making the enquiry to the Director of Partnership, Policy and Communications.

The Director of Partnership, Policy and Communications should optimise the publicity opportunities available to make employees and the public aware of the Council's commitment to taking action on acts of financial impropriety. As such any action taken relating to acts of financial impropriety should be reported in the press, as a deterrent to other potential offenders.

10. Roles and Responsibilities (who does what)

Director of Finance: has overall responsibility for the Council's response to fraud and to oversee the action taken to investigate.

Head of Internal Audit: has responsibility for investigation of fraud and advising on action to be taken.

Directors: have responsibility for establishing and maintaining adequate system controls within their directorates, including responsibility for prevention and detection of fraud and ensuring staff awareness.

Monitoring Officer (Director of Law and Democratic Services): has responsibility for operation of the Council's Whistleblowing Policy.

Managers and supervisors: have responsibility for the prevention and detection of fraud and corruption within their work area and for swiftly reporting allegations brought to them (see Reporting Suspicions, section 3 of this Appendix).

Investigating Officers (usually a member of the Internal Audit team)

Have responsibility for investigating matters of suspected fraud or corruption complying with relevant legislation and best practice/guidance.

Employees: are required to act in accordance with the Staff Code of Conduct to report all actual or suspected cases of financial impropriety.

Human Resources: will provide timely advice and guidance on Council policies and procedures during the course of any investigation and any subsequent disciplinary action.

External Contractors/Third Parties: should immediately contact the relevant service manager, or any of the personnel listed in section 3 of this Appendix, with concerns they have whilst working within the Council.

Council Members: are required to act in accordance with the Members Code of Conduct and should report any suspected, or detected, acts of financial impropriety immediately to the Monitoring Officer, Head of Internal Audit, Director of Finance or Chief Executive.

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CIPFA Benchmarking exercise of Internal Audit: 2009

AUDIT COMMITTEE

Date: 27th January 2009

Author: Head of Internal Audit

Wards Affected: None

Purpose

To present Members with a summary of the 2008 benchmarking exercise carried out by CIPFA with regard to the Council's Internal Audit service.

Recommendation

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

1 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 properly.
- 1.2 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 to ensure that it is providing an effective service that offers value for money.

2 Detail

Background

- 2.1 The Council subscribes to the CIPFA benchmarking club. CIPFA carries out benchmarking in a number of areas, one of which relates to internal audit. On an annual basis we provide information on the section relating to its:
 - Cost analysis
 - Audit coverage
 - Staffing – numbers, qualifications and pay
- 2.2 A report is then produced (see Appendix 1) that sets out comparisons for actual performance from the previous financial year, in this case 2007/08, and planned performance for the current financial year (2008/09) against all other unitary authorities who have contributed benchmarking information.

CIPFA Benchmarking exercise of Internal Audit: 2009

AUDIT COMMITTEE

Date: 27th January 2009

Findings

- 2.3 I have set out below the main results of the benchmarking under the above headings.

Cost analysis (see pages 1 – 8 of Appendix 1)

- The cost of the audit section based on the Council's turnover is slightly higher than the unitary average but lower than average when comparing cost per chargeable audit day (i.e. number of audit days left after deducting annual leave, sickness, training etc.). Estimates for 2008/09 indicate that the above trend will continue.
- The cost per in-house auditor was below the unitary average in 2007/08 and is estimated to fall to almost £2,000 below the average for 2008/09.
- However, the chargeable days per auditor (i.e. how many days of audit per auditor), was 3 days below the average for 2006/07. Without the high sickness levels the productive days would have been above the unitary average. The estimate for 2008/09 was that the difference of approximately 3 days below the average would continue. However, following continued sickness absence and the budget freeze, both the number of productive days and the average per auditor will fall short of this target.

Audit Coverage (see pages 9 – 13 of Appendix 1)

This section compares our planned audit coverage for 2008/09 of specific areas to other unitary authorities. I have set out below where we are significantly different from the average unitary figure:

- *Fundamental financial systems* – we are higher than average in this area mainly due to the additional work we carry out on Housing Benefits. Our coverage complied with BFI recommendations and is also as a result of the issues that we have found with the contractor's performance. The other system that we significantly exceed the average is Housing Rents where we have spent additional time looking at arrears. We generally spend about the average length of time looking at the other fundamental systems.
- *Strategic Risks* - Our coverage in this area is above the unitary average and emphasises that the internal audit plan is risk based ensuring that risks to key objectives are audited.
- *Audit of IT systems* – we are fortunate to have a highly qualified and experienced IT auditor at the moment. Given the rate of change within the Council and IT in particular it is essential that we will continue with our current level of coverage in this area. Unfortunately our current IT auditor will be retiring in March and it will be a challenge to find an experienced replacement.
- *Educational Establishments* - we spend slightly more time doing Financial Management Standards in Schools than the average

Further information on the subject of this report can be obtained from Nick Hobbs on Direct Dial No. 01793 463940 or email nhobbs@swindon.gov.uk

CIPFA Benchmarking exercise of Internal Audit: 2009

AUDIT COMMITTEE

Date: 27th January 2009

unitary. However, we spend slightly less on the actual audit element of school reviews. The figures quoted in the benchmarking for this area have not been adjusted to reflect the size of each authority and therefore the number of schools in each authority.

Staffing (see page 14 of Appendix 1)

This section compares our salary bandings and qualifications with other audit sections. The main findings in this area are as follows:

- *Salary bandings* – we are not far off average as far as the percentage of staff in each banding. The main difference is the lack of staff in the second and third tier banding. However, as detailed above our average salary is below the unitary average (see paragraph 2.3 above). The Single Status Review is programmed to be completed by April 2009. At this stage we do not know the outcome of the assessment of the auditor posts.
- *Qualifications* – in comparison with other authorities we have a section that is significantly better qualified than the average unitary authority (64% of our staff hold a professional qualification compared with the unitary average of only 34%).

Conclusion

- 2.4 The benchmarking data indicates that Swindon Borough Council's internal audit section is one that is well qualified (above the unitary average) and provides a cost effective service (below average costs).
- 2.5 However, there is always the risk that well qualified staff will look elsewhere if they see that neighbouring authorities offer better salaries. There may also be difficulty in recruiting to posts as experienced when trying to fill the Senior Auditor post recently. The turnover in the team has been low this current year compared to previous years.

Alternative Options

Not Applicable

CIPFA Benchmarking exercise of Internal Audit: 2009

AUDIT COMMITTEE

Date: 27th January 2009

Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report itself.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit 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. An effective Internal Audit section will help to ensure that there are effective systems of internal control within the Council. This in turn should 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 – Audit Benchmarking Club 2008 report.

Key Decision/Decision in Forward Plan

Not Applicable

Audit Benchmarking Club
2008

Swindon Borough Council

compared with

Unitary authorities

PREFACE

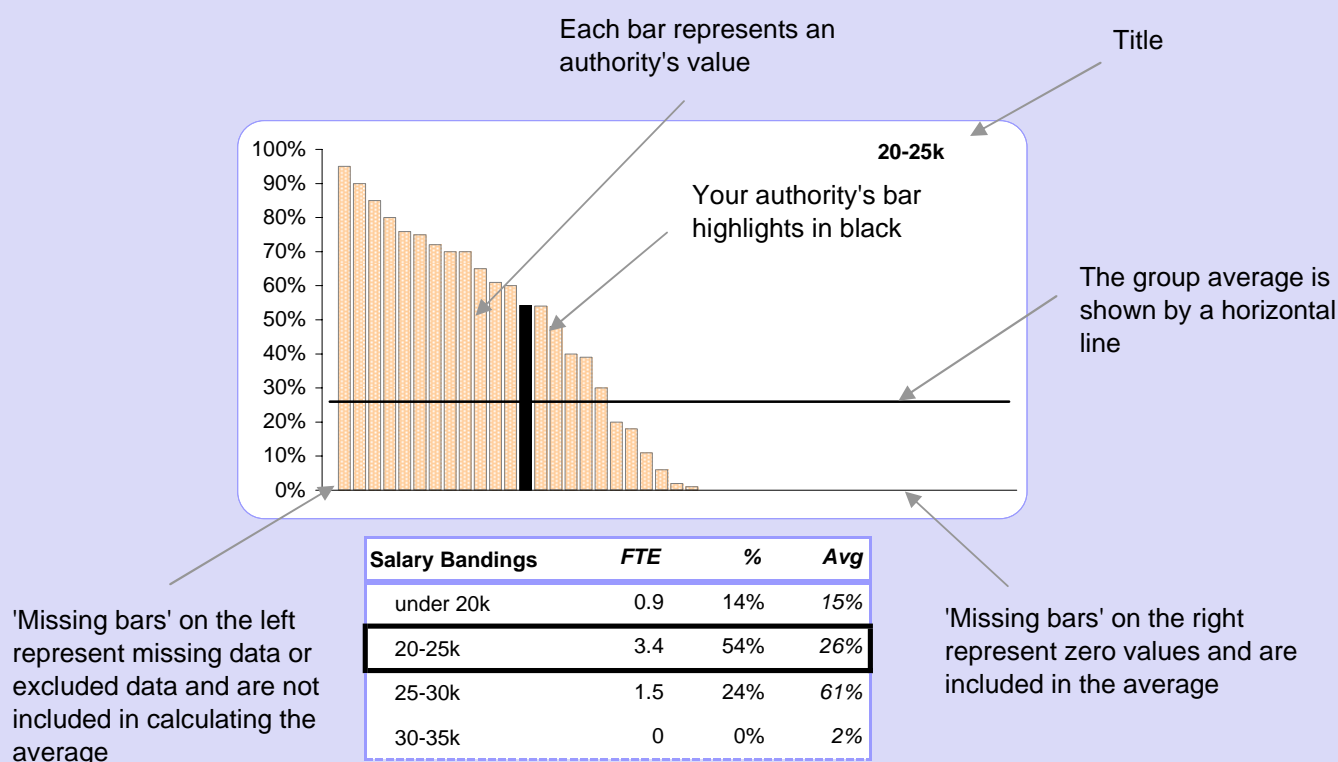
This report compares your data with the group of authorities specified on the title page.

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages: Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts: We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc...). Below we have annotated an example chart to help explain what they show.

Bar Charts: These are our standard method of displaying a full set of data



INTRODUCTION

This report compares your performance with the group of authorities specified on the title page. It is divided into the following sections.

	Page
1 Cost Analysis	1
2 Audit Coverage	9
3 Staffing	14
4 Time series	16
5 Quartiles (tiered report only)	17

Section 1 - Cost Analysis

This section shows the analysis of audit costs for 2007/08 actuals and 2008/09 estimates.

The main benchmarks are cost per audit day, cost per £m turnover and chargeable days per auditor.

Section 2 - Audit Coverage

This section looks at audit days per £m gross revenue turnover and the split by type of audit. It then goes on to analyse the days spent on fundamental financial systems, operational risks and corporate governance.

Section 3 - Staffing

This section shows salary bandings and staff qualifications.

Section 4 - Time series

This section is particularly useful as it shows performance over time compared with the tier average. The time series shown are for cost per £m gross revenue turnover, cost per audit day, audit days per £m gross revenue turnover, cost per auditor and chargeable days per auditor.

Section 5 - Quartiles

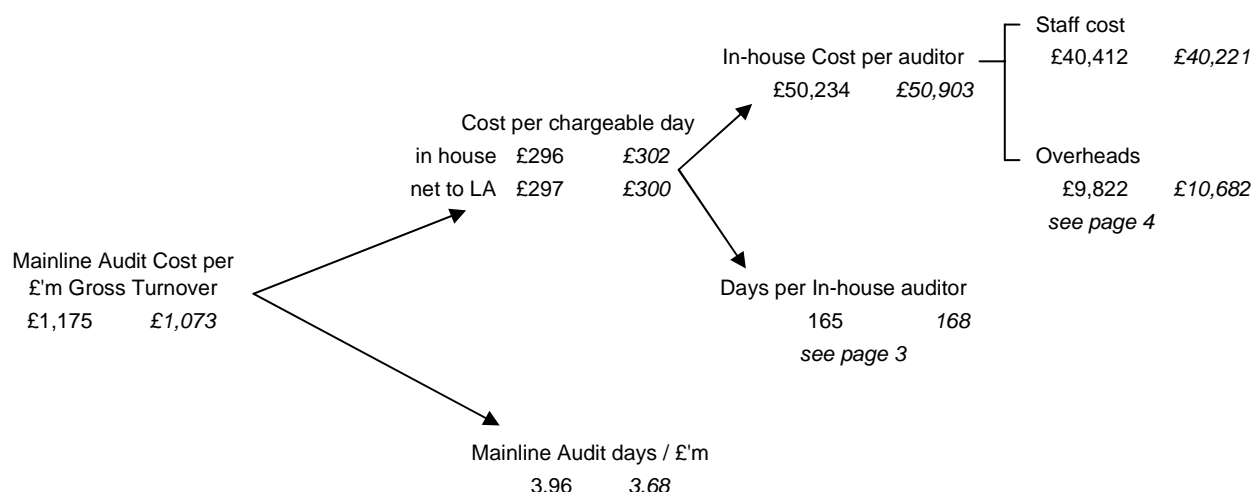
This section compares a member's figures with the quartile figures for the tier of authority. The quartile information is only included with the tiered reports.

SECTION 1 - COST ANALYSIS

2007/08 ACTUALS

This tree diagram starts with mainline audit cost/£m of gross turnover and breaks it down to cost/audit day and audit days/£m gross turnover. The cost/audit day is further analysed by cost/auditor and audit days/auditor.

Finally cost/auditor is split between pay and overheads. For each benchmark two figures are given, the first being the authority's value and the second (in italics) is the group average.



Chargeable Audit days

	Audit Days	Cost £'k	Cost/ day	Avg
In-house	1,731	512	£296	£302
Bought-in +	0	0	na	£408
Gross	1,731	512	£296	£301
Charged out	20	5	£250	£475
Net to LA	1,711	507	£297	£300
Excluded work	0	0		
Mainline audit	1,711	507		

+ Bought-in days are shown inclusive of non-chargeable days to show a consistent cost/day figure.

Basic data

	Authority
Gross Turnover £'m	£432.0
FTE staff (on payroll)	9.9
FTE agency staff	0.3
Staff cost (on payroll) £'k	£396.5
Agency Staff cost £'k	£15.7
Overheads cost £'k	£100.2

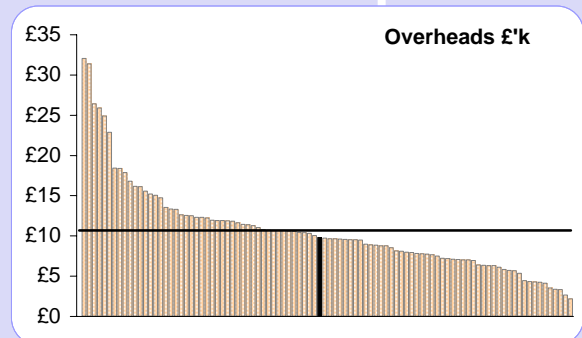
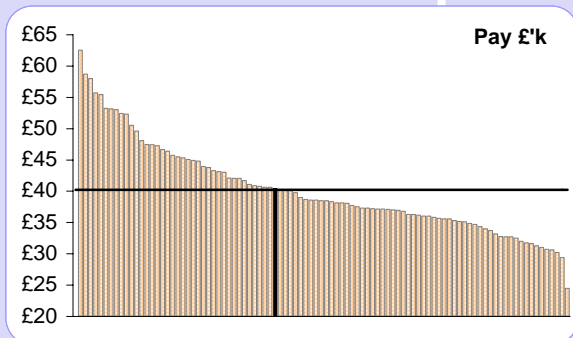
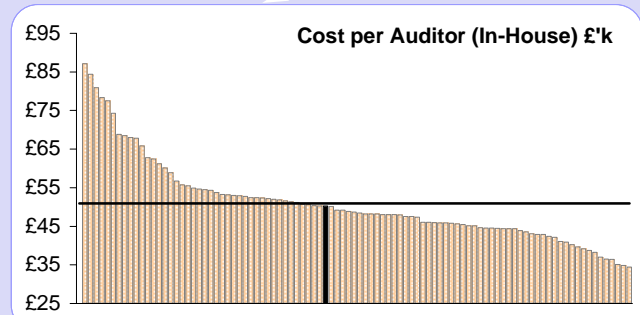
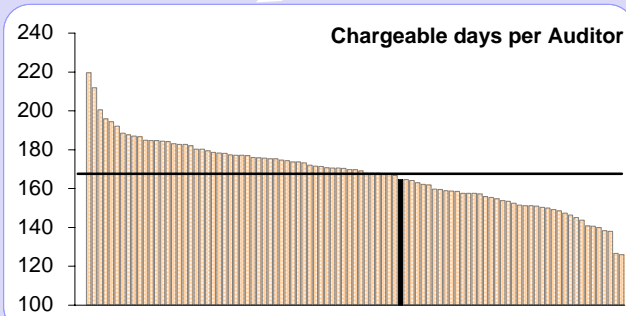
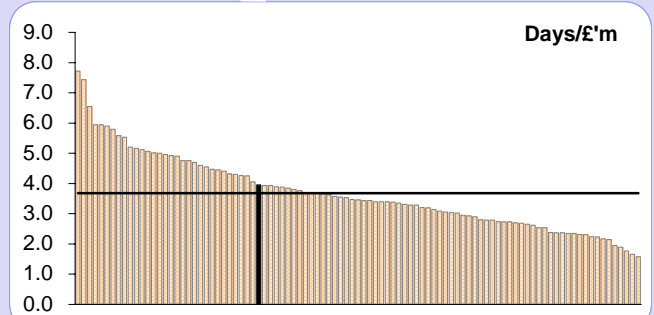
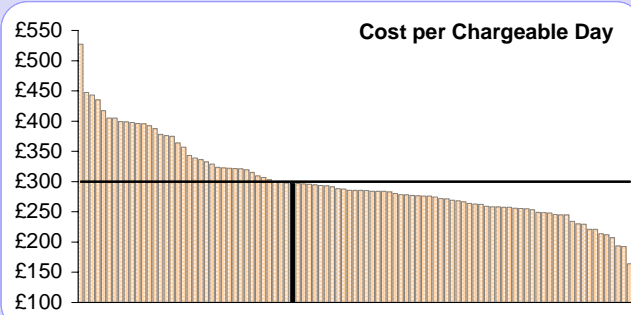
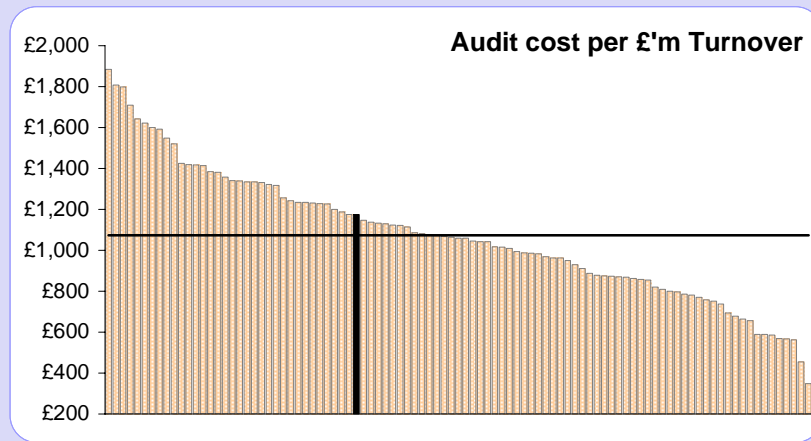
Benchmarks

	Authority	Avg
Audit days per £'m Gross Turnover	3.96	3.68
Cost per £'m Gross Turnover	£1,175	£1,073
Chargeable Days per auditor (staff)*	165	168
Cost per auditor (In-house)	£50,234	£50,903
Staff cost per auditor (In-house)	£40,412	£40,221
Overheads cost per auditor (In-house)	£9,822	£10,682

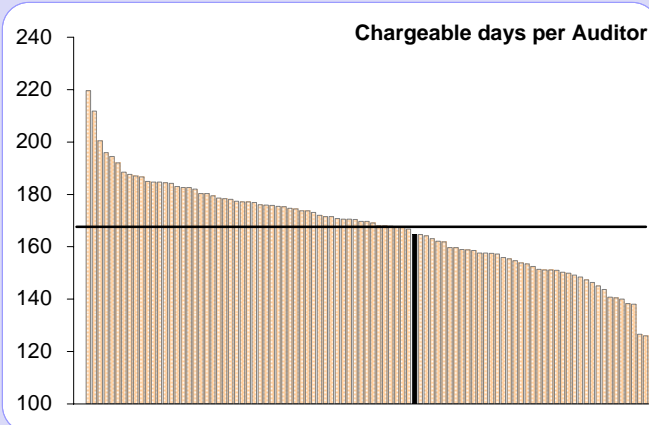
In-house means staff on payroll and agency staff, excluding bought-in

**see page 3 for details*

2007/08 ACTUALS



CHARGEABLE DAYS PER AUDITOR - 2007/08 Actuals



Staff (Payroll)	9.9
Agency Staff	0.3

Chargeable days - Staff on payroll

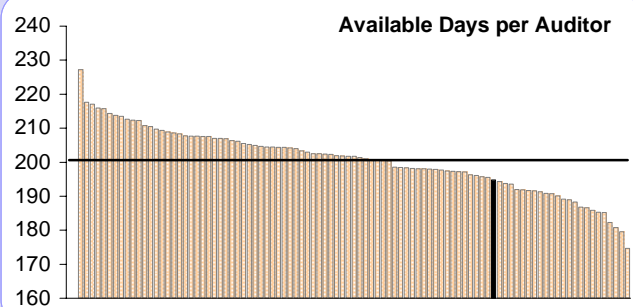
		days/FTE	Avg
Total days pa	2,584	261.0	260.6
Non-productive days:			
Bank holidays	99	10.0	10.0
Annual leave	315	31.8	29.2
Special leave	7	0.7	1.4
Sickness	144	14.5	8.2
Training	91	9.2	10.7
Available Days	1,928	194.7	200.6
Other non-chargeable days	297	30.0	33.0
Chargeable days	1,631	164.7	167.7

Chargeable days - Agency Staff

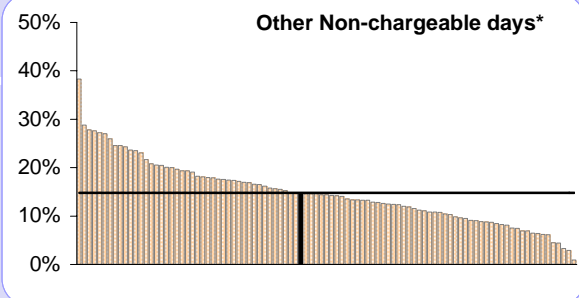
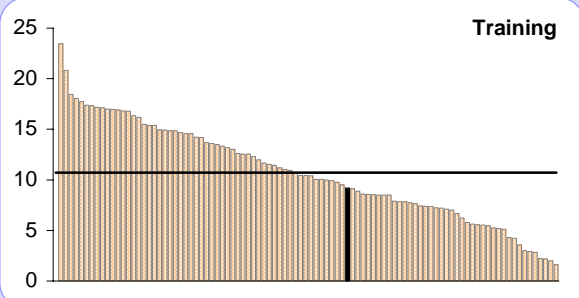
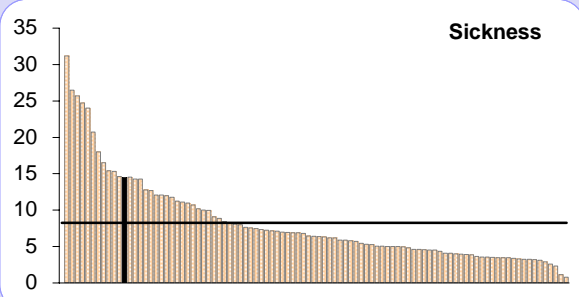
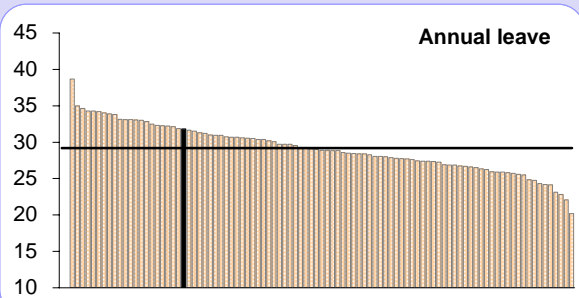
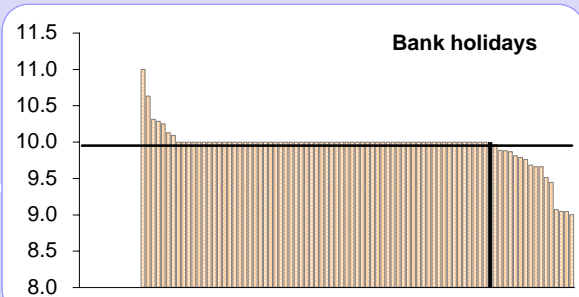
Total agency staff days	100.0
Non-chargeable days	0.0
Chargeable agency staff days	100.0

Total Chargeable days - in house

Total days	1,731
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"Non-chargeable days"

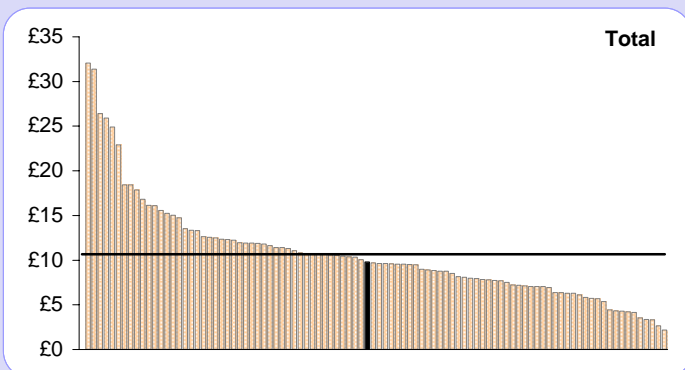


Swindon 14.65% Average 14.78%

*This is displayed as a percentage of all available days, including Agency Staff and Bought-In Audit.

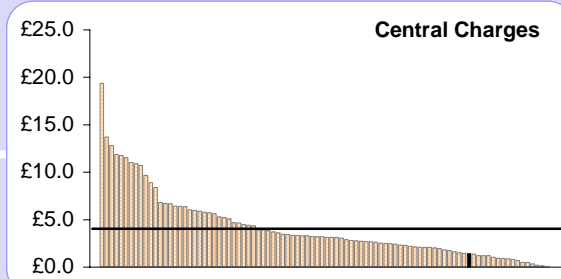
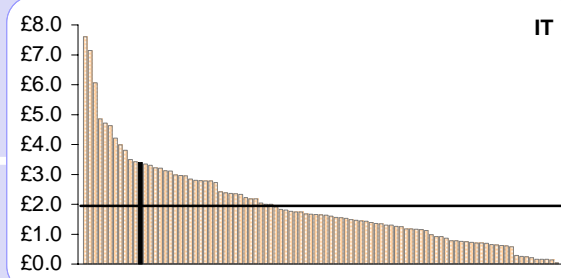
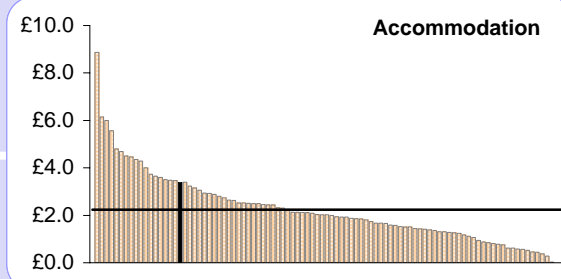
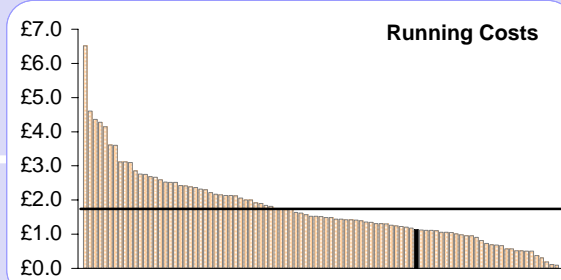
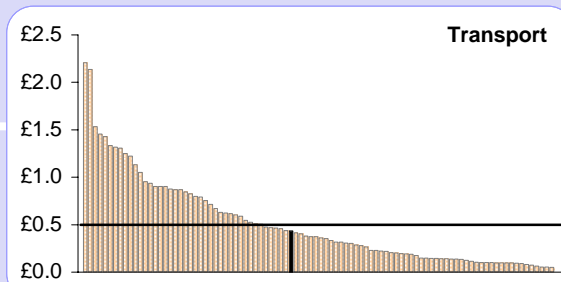
OVERHEAD COSTS - 2007/08 Actuals

£'k per FTE



Overhead costs

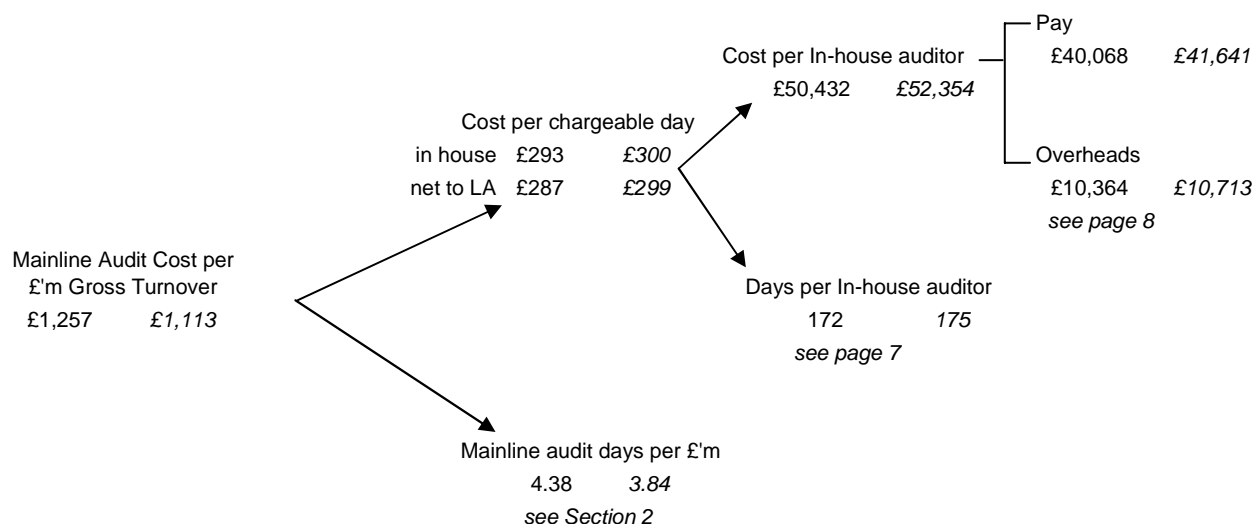
	£'k	£'k/ FTE	Avg
Transport & Travel	4	0.4	0.5
Other running costs	12	1.2	1.7
Accommodation	35	3.4	2.2
IT	35	3.4	2.0
Other central charges	15	1.4	4.0
	100	9.8	10.7



2008/09 ESTIMATES

This tree diagram starts with mainline audit cost/£'m of gross turnover and breaks it down to cost/audit day and audit days/£'m gross turnover. The cost/audit day is further analysed by cost/auditor and audit days/auditor.

Finally cost/auditor is split between pay and overheads. For each benchmark two figures are given, the first being the authority's value and the second (in italics) is the group average.



Chargeable Audit days

	Audit Days	Cost £'k	Cost/ day	Avg
In-house	2,029	595	£293	£300
Bought-in *	0	0	na	£415
Gross	2,029	595	£293	£299
Charged out	80	36	£450	£504
Net to LA	1,949	559	£287	£299
Excluded work	0	0		
Mainline audit	1,949	559		

* Bought-in days are shown inclusive of non-chargeable days to show a consistent cost/day figure.

Basic data

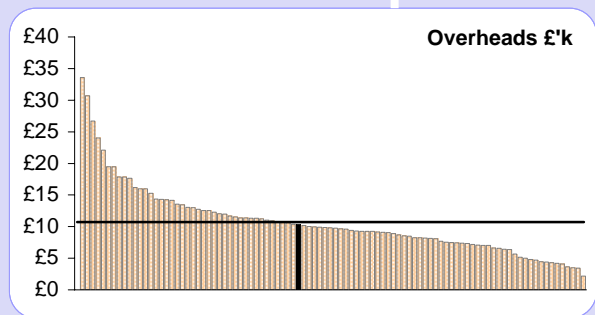
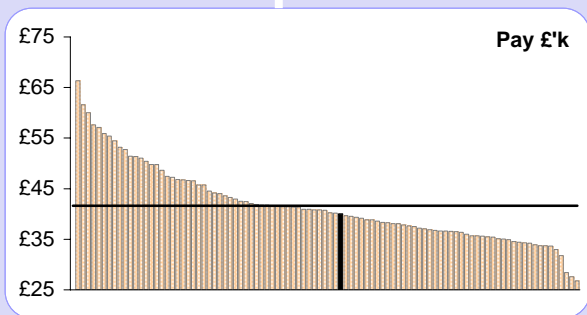
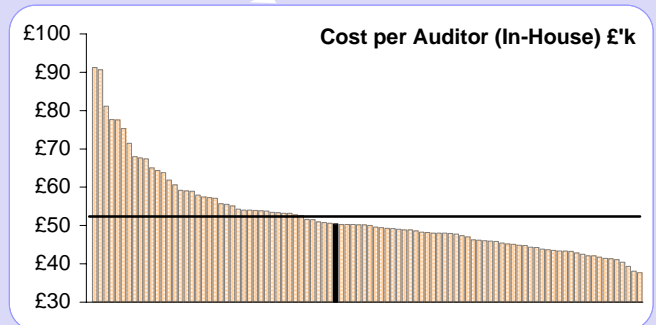
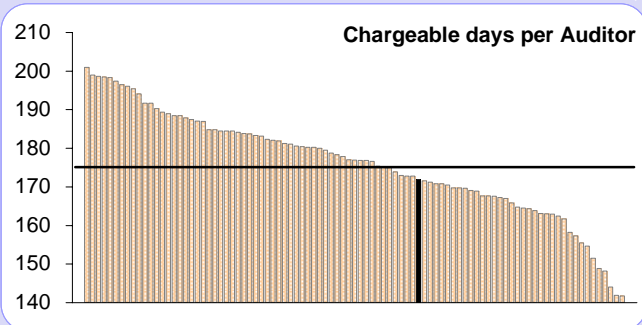
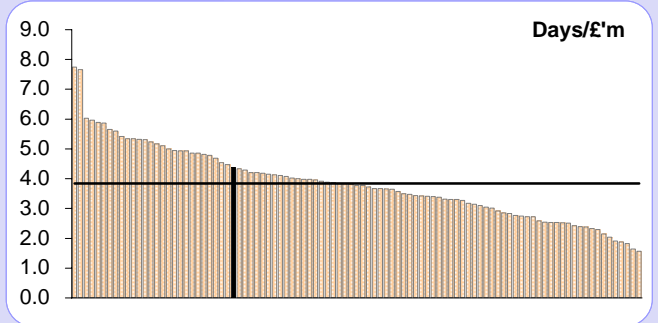
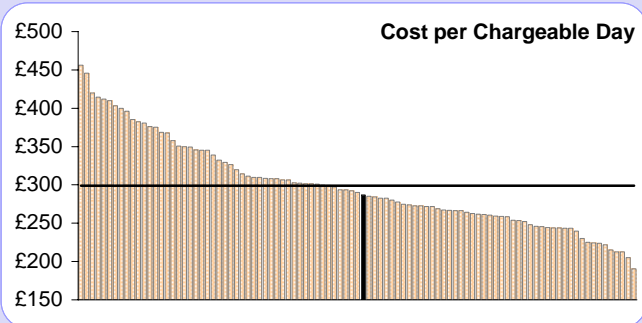
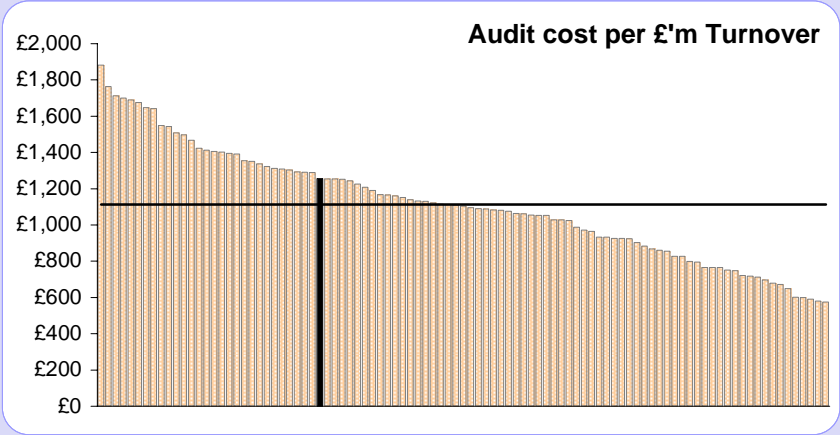
	Authority
Gross Turnover £'m	£444.9
FTE staff (on payroll)	11.8
FTE agency staff	0.0
Staff cost (on payroll) £'k	£472.8
Agency Staff cost £'k	£0.0
Overheads cost £'k	£122.3

Benchmarks

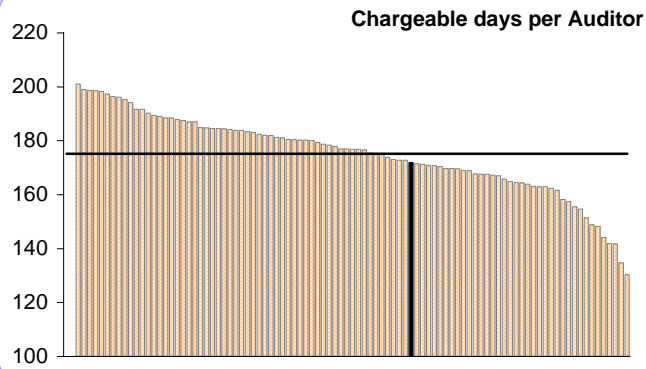
	Authority	Avg
Audit days per £'m Gross Turnover	4.38	3.84
Cost per £'m Gross Turnover	£1,257	£1,113
Chargeable Days per auditor (staff)*	172	175
Cost per auditor (in-house)	£50,432	£52,354
Staff cost per auditor (in-house)	£40,068	£41,641
Overheads cost per auditor (in-house)	£10,364	£10,713

In-house means staff on payroll and agency staff, excluding bought-in

*see page 7 for details



CHARGEABLE DAYS PER AUDITOR - 2008/09 Plan



FTE Auditors 11.8

Chargeable days - Staff on payroll

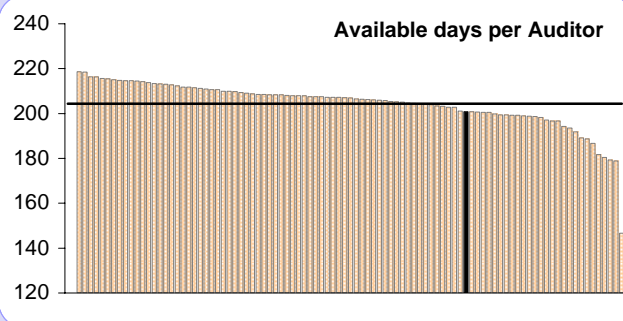
		days/FTE	Avg
Total days pa	3,068	260.0	260.1
Non-productive days:			
Bank holidays	71	6.0	6.0
Annual leave	361	30.6	29.9
Special leave	2	0.2	1.1
Sickness	80	6.8	6.2
Training - Audit qualification	184	15.6	11.0
Available Days	2,370	200.9	204.4
Non-chargeable days	341	28.9	29.4
Chargeable days	2,029	172.0	175.1

Chargeable days - Agency Staff

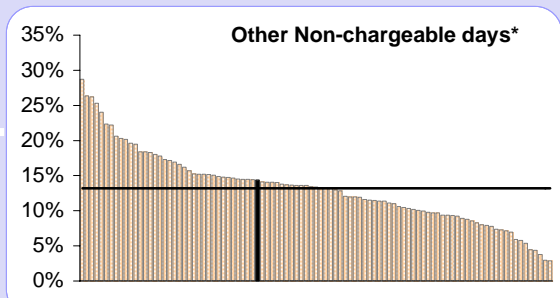
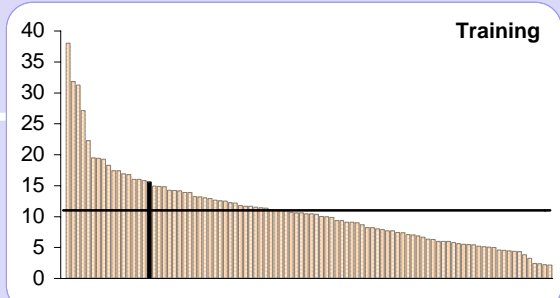
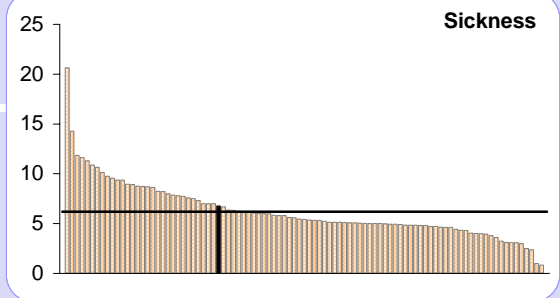
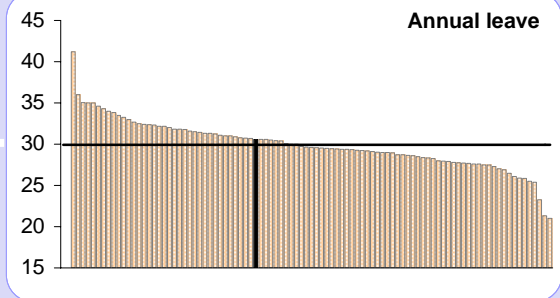
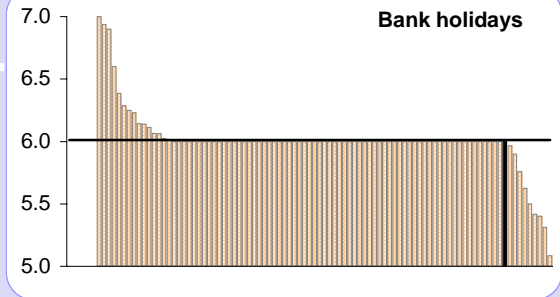
Total agency staff days	0.0
Non-chargeable days	0.0
Chargeable agency staff days	0.0

Total Chargeable days - in house

Total days	2,029
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"Non-chargeable days"

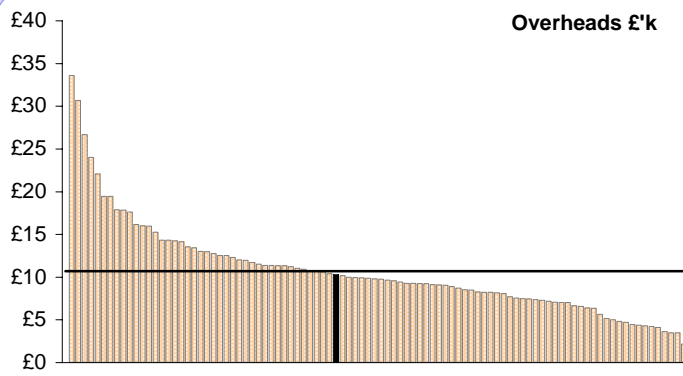


Swindon 14.4% Average 13.2%

*This is displayed as a percentage of all available days, including Agency Staff and Bought-In Audit.

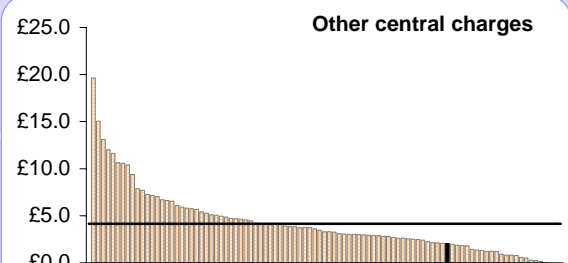
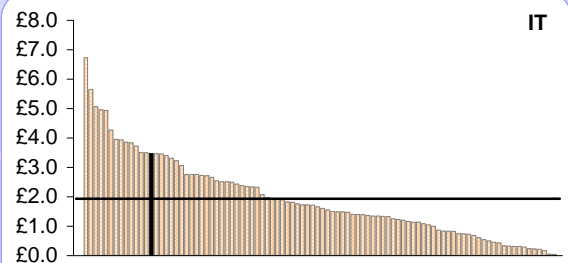
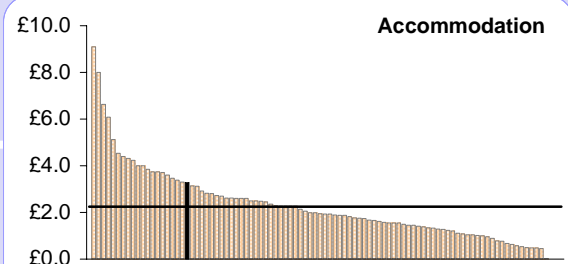
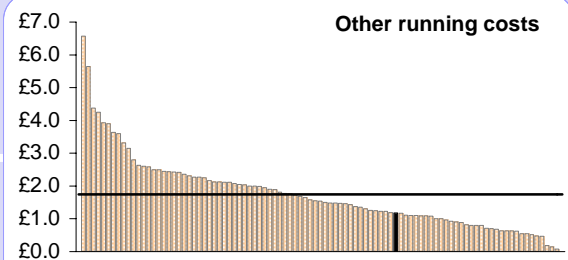
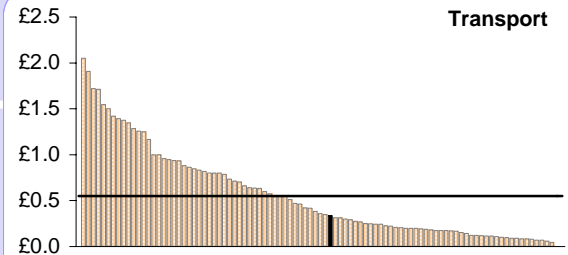
OVERHEAD COSTS - 2008/09 Estimates

£'k per FTE



Overhead costs

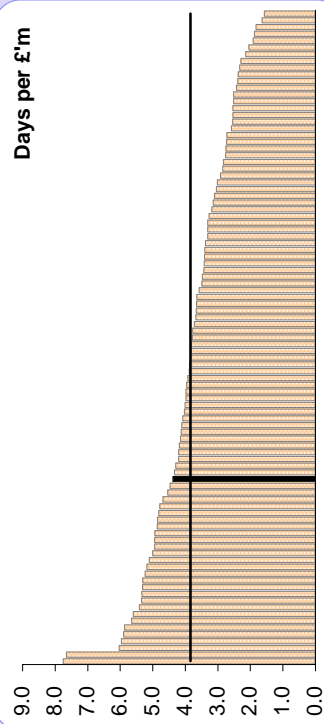
	£'k	£'k/FTE	Avg
Transport & Travel	4	0.3	0.6
Other running costs	14	1.2	1.7
Accommodation	39	3.3	2.3
IT	41	3.5	1.9
Other central charges	25	2.1	4.1
	122	10.4	10.7



SECTION 2 - AUDIT COVERAGE

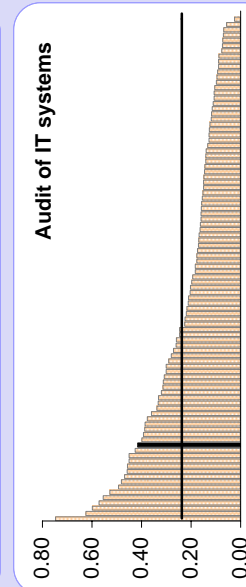
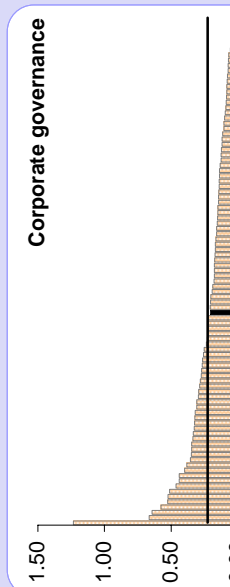
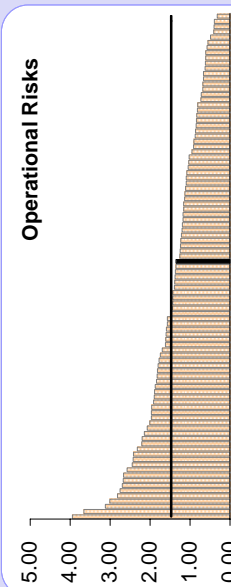
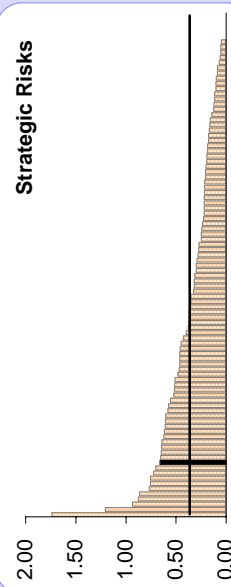
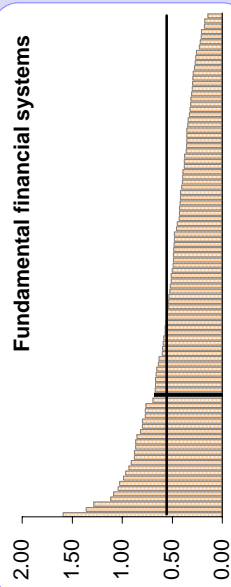
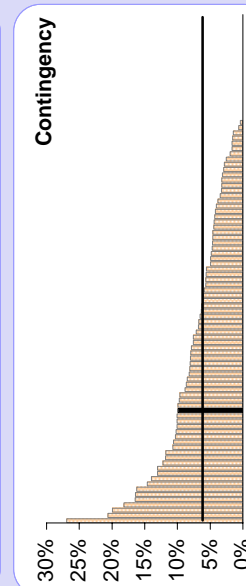
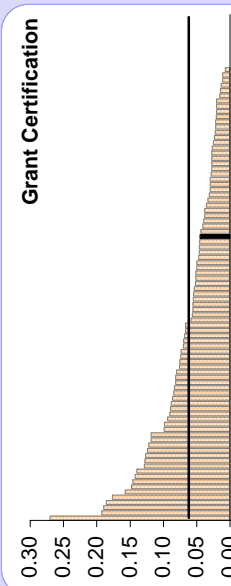
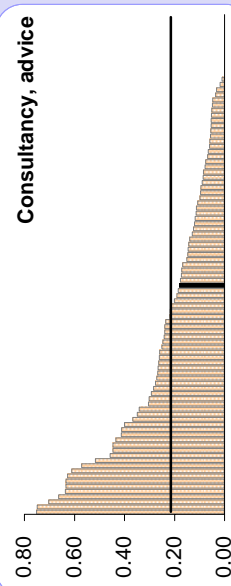
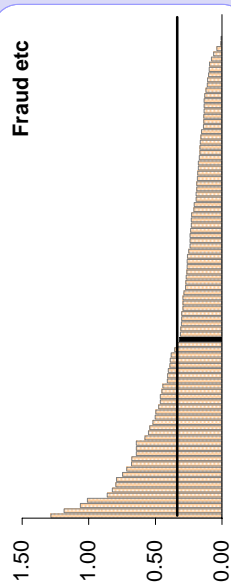
AUDIT DAYS PER £'m 2008/09 Plan

by type of audit



Gross Turnover £'m	444.9		
Audit days per £m	Days	days/£'m	Avg
Fundamental financial systems	301	0.68	0.56
Strategic Risks	294	0.66	0.36
Operational Risks	601	1.35	1.47
Corporate Governance	92	0.21	0.22
Audit of IT systems	185	0.42	0.24
Fraud etc	143	0.32	0.34
Consultancy, advice	80	0.18	0.21
Grant Certification	20	0.04	0.06
Other	40	0.09	0.13
Contingency*	193	9.9%	6.2%
	1 949	4.38	3.84

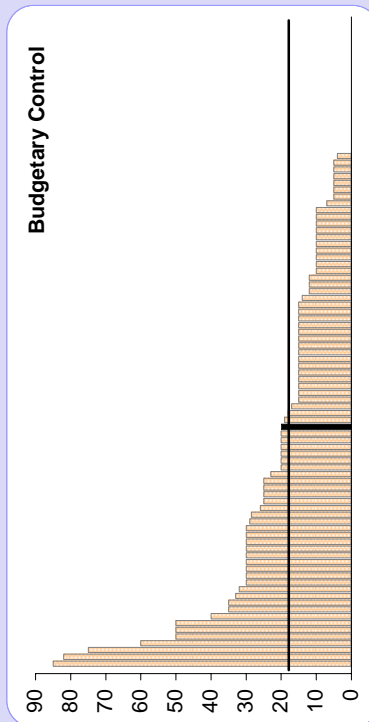
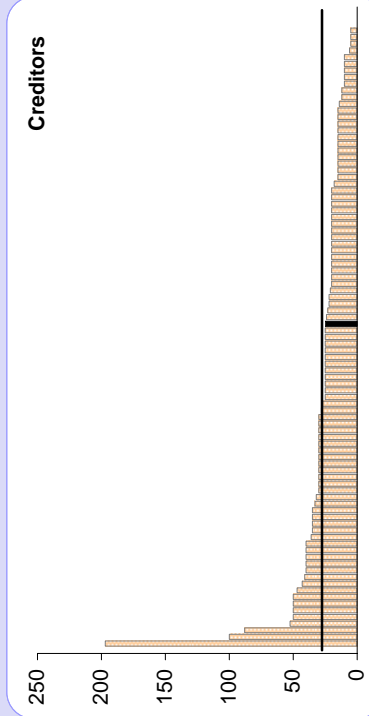
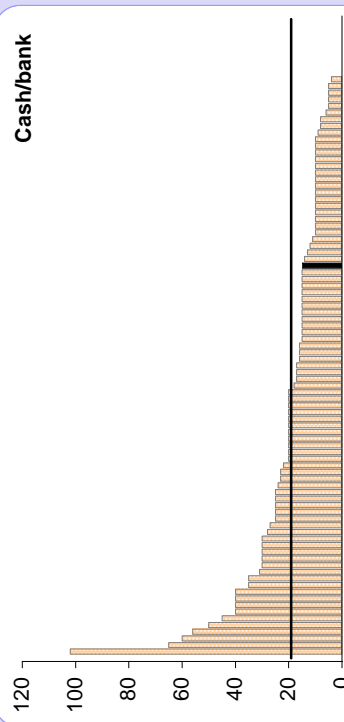
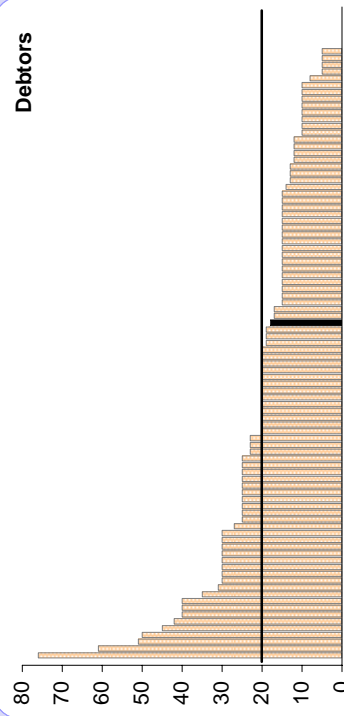
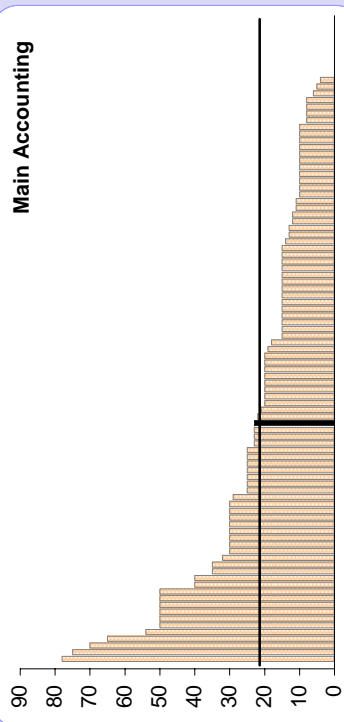
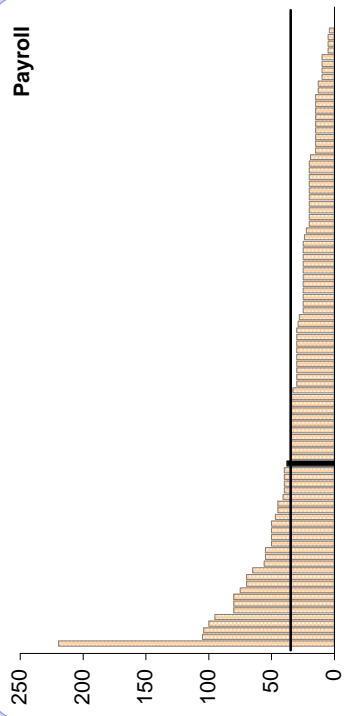
*Contingency is shown as a percentage of the total number of days



Fundamental Financial Systems - with no adjustment for size of authority

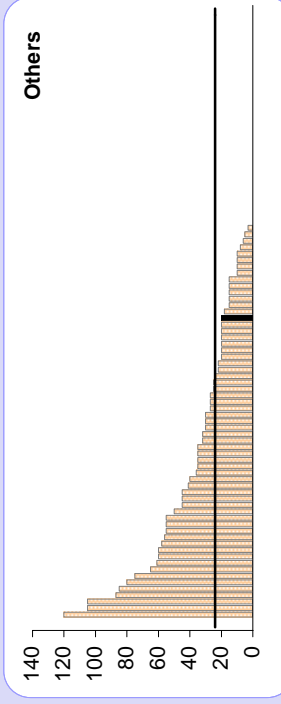
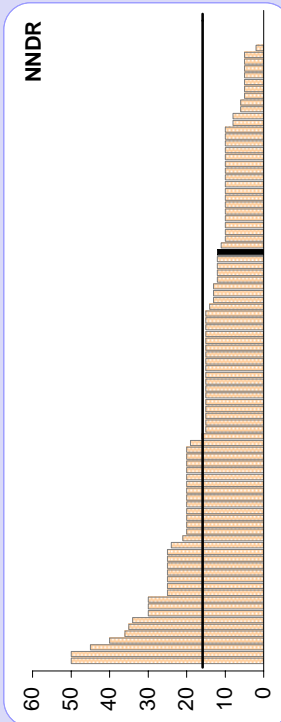
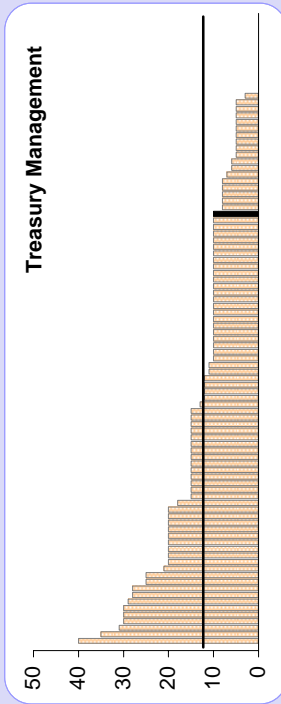
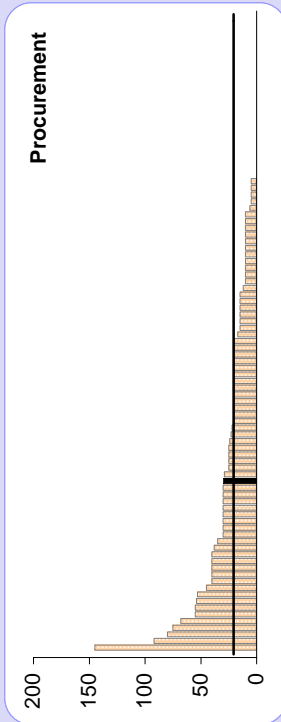
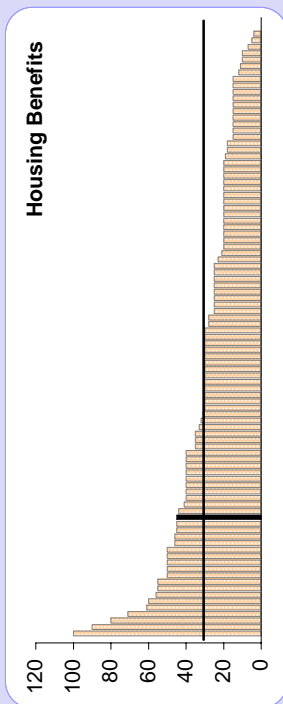
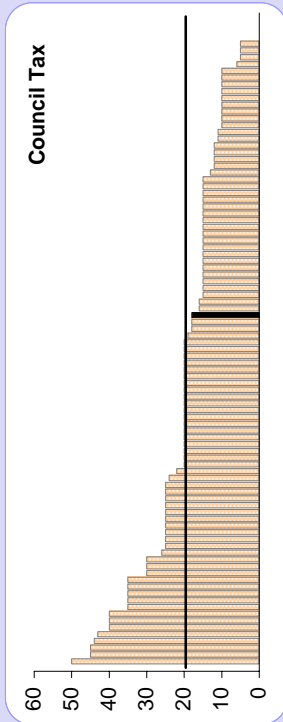
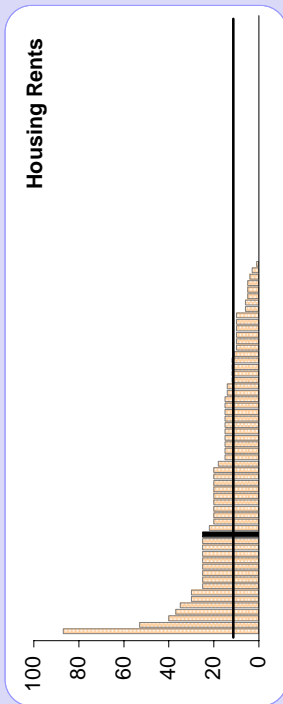
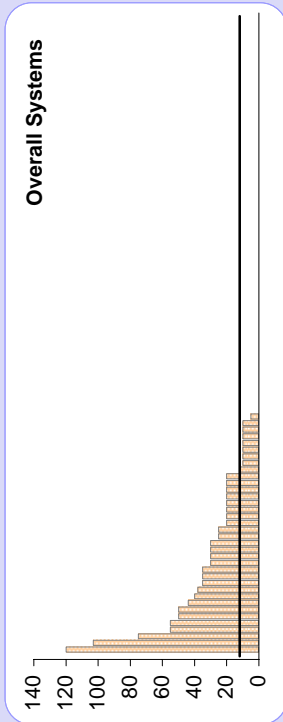
2008/09 plan

	Days	Avg
Payroll	38	35
Debtors	18	20
Creditors	25	27
Main Accounting	23	21
Cash/bank	15	19
Budgetary control	20	18
Overall Systems	0	12
Council Tax	18	20
NNDR	12	16
Procurement	30	21
Housing Rents	25	11
Housing Benefits	45	31
Treasury Management	10	12
Others	20	24
Total	299	292



FUNDAMENTAL FINANCIAL SYSTEMS (continued) - with no adjustment for size of authority

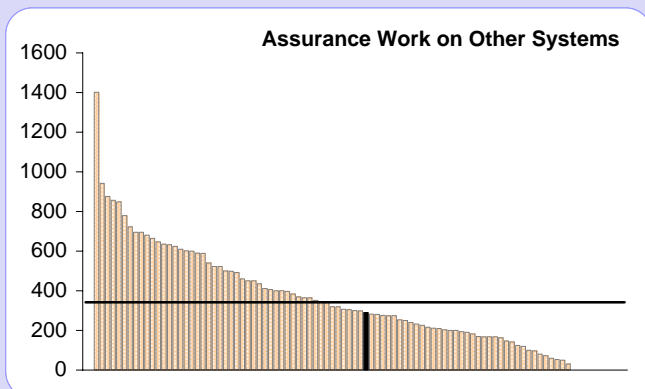
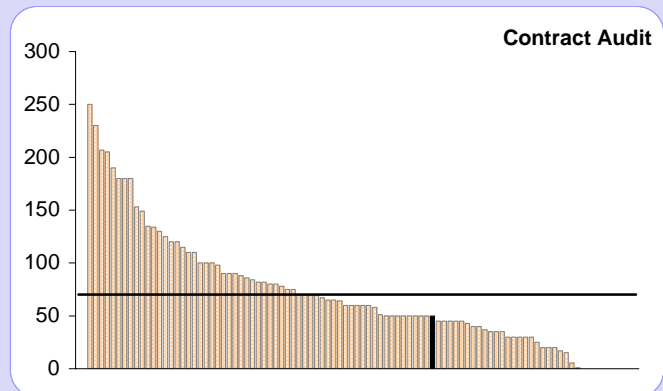
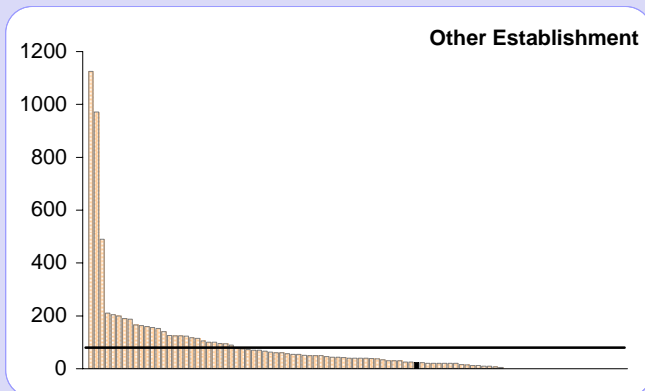
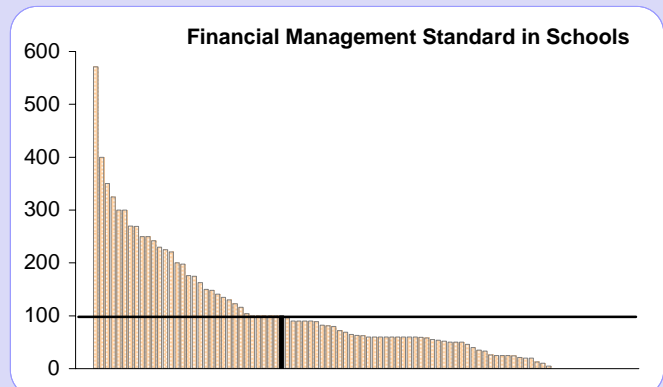
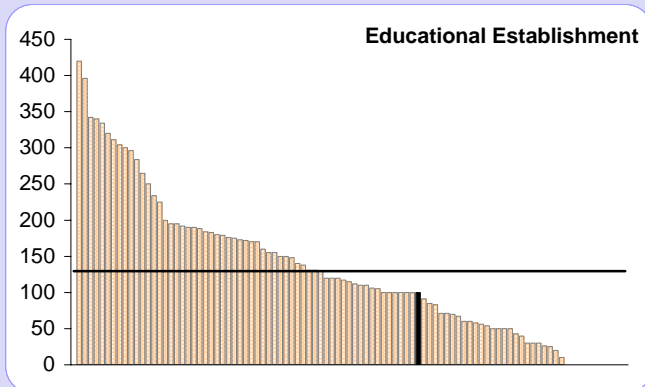
2008/09 Plan



Operational Risks Breakdown - with no adjustment for size of authority

2008/09 Plan

Total Number of Operational Risks Days	601	
	No. of Days	Avg
Educational Establishment	100	130
Financial Management Standard in Schools	100	98
Other Establishment	24	80
Contract Audit	50	70
Assurance Work on Other Systems	291	343
Other	36	39

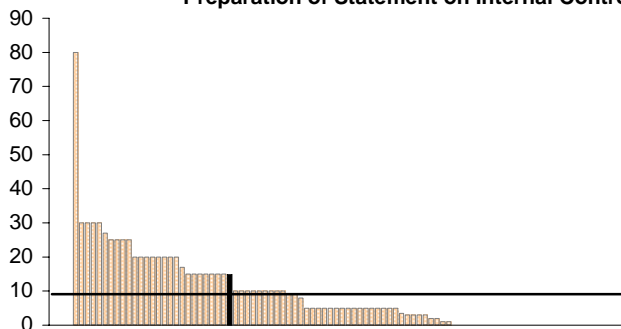


Corporate Governance Breakdown - with no adjustment for size of authority

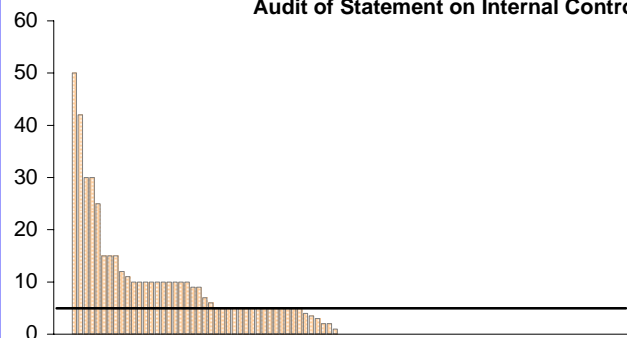
2008/09 Plan

Total Number of Corporate Governance Days	92	
	No. of Days	Avg
Preparation of Statement on Internal Control	15	9
Audit of Statement on Internal Control	0	5
Annual Review of the System of Internal Audit	5	5
Corporate Governance Framework	15	20
Audit of Risk Management Process	20	15
Performance Management (incl BVPI)	29	31

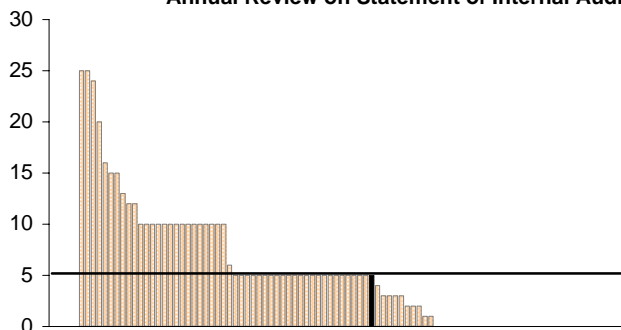
Preparation of Statement on Internal Control



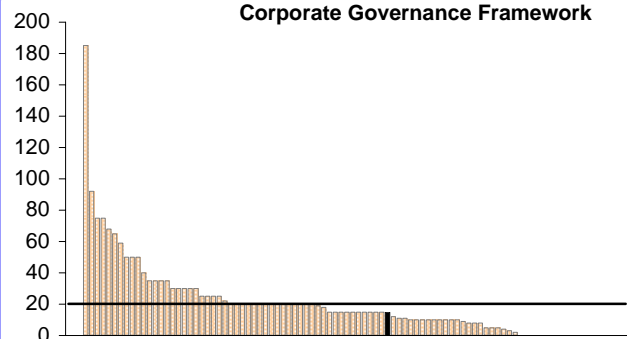
Audit of Statement on Internal Control



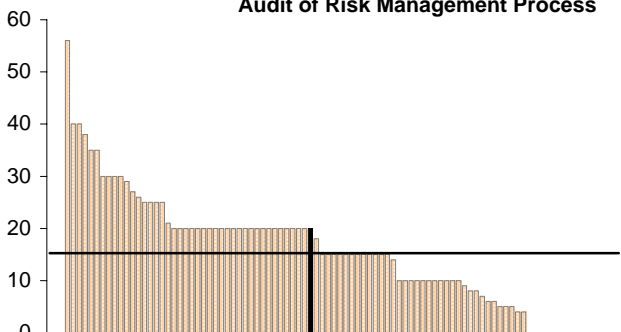
Annual Review on Statement of Internal Audit



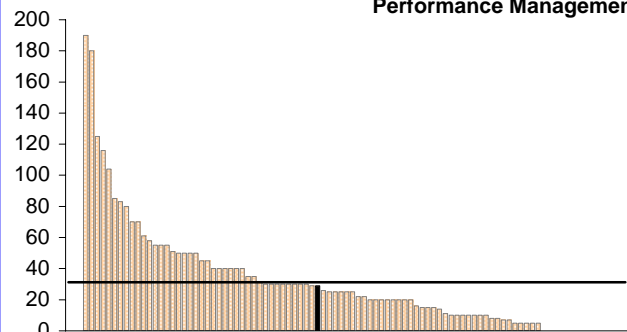
Corporate Governance Framework



Audit of Risk Management Process

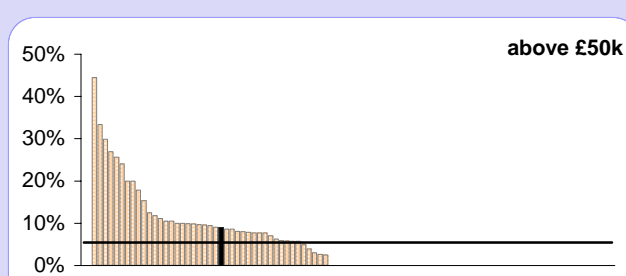
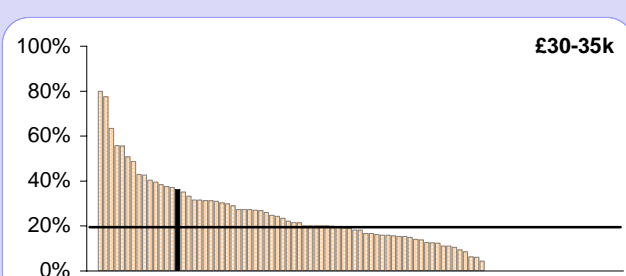
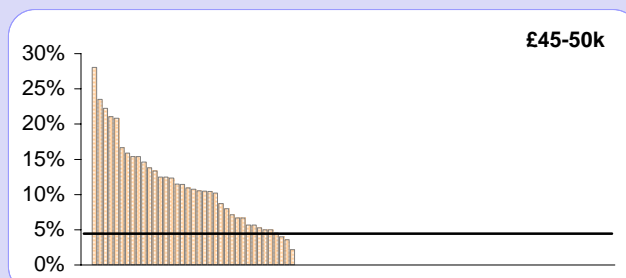
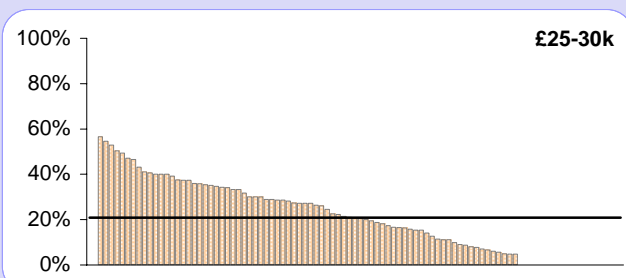
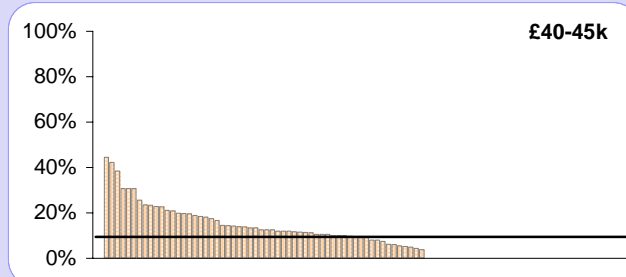
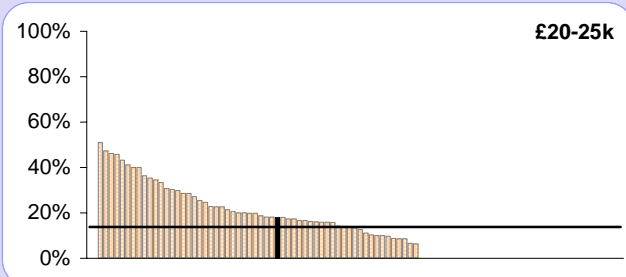
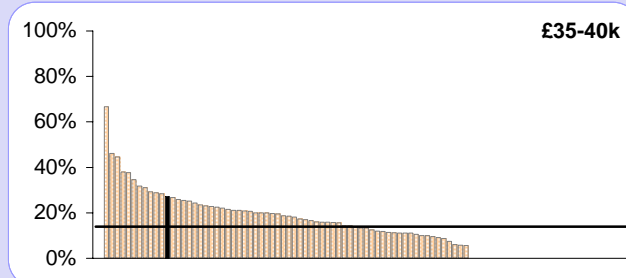
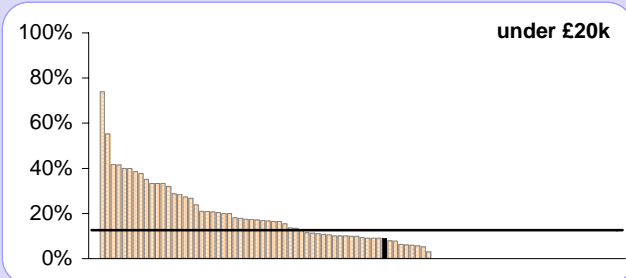


Performance Management



SECTION 3 - STAFFING

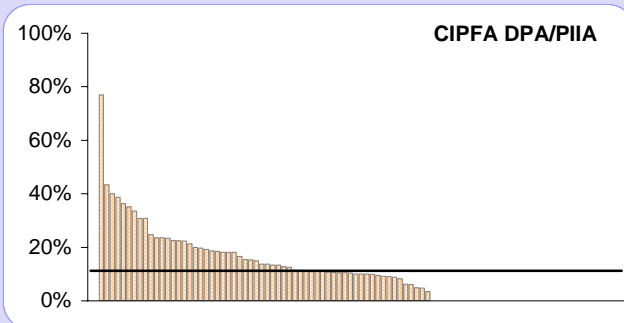
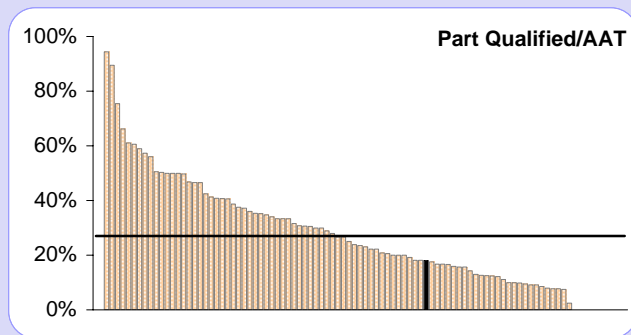
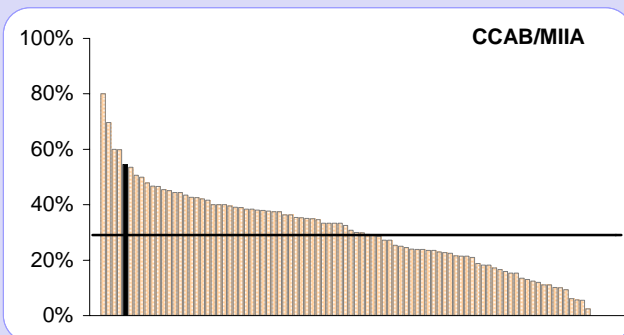
Staff Salary Bandings as at 31 March 2008



Salary bandings

	FTE	%	Avg
under £20k	1.0	9%	13%
£20-25k	2.0	18%	14%
£25-30k	0.0	0%	21%
£30-35k	4.0	36%	19%
£35-40k	3.0	27%	14%
£40-45k	0.0	0%	9%
£45-50k	0.0	0%	4%
over £50k	1.0	9%	4%
	11.0		

Qualifications as at 31 March 2008



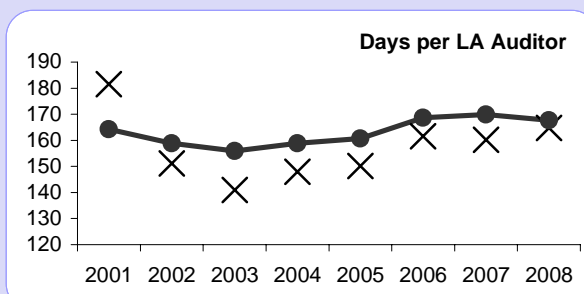
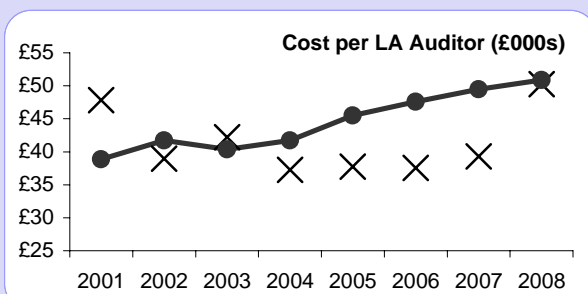
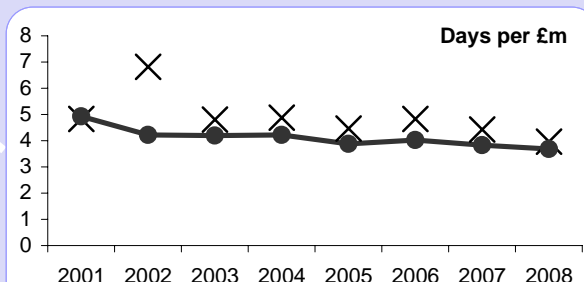
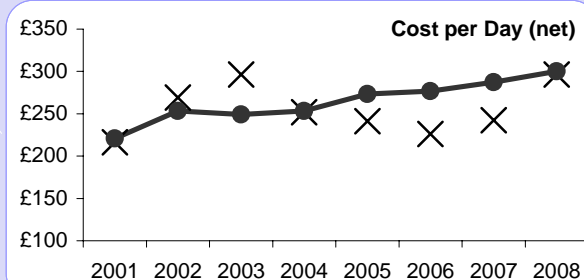
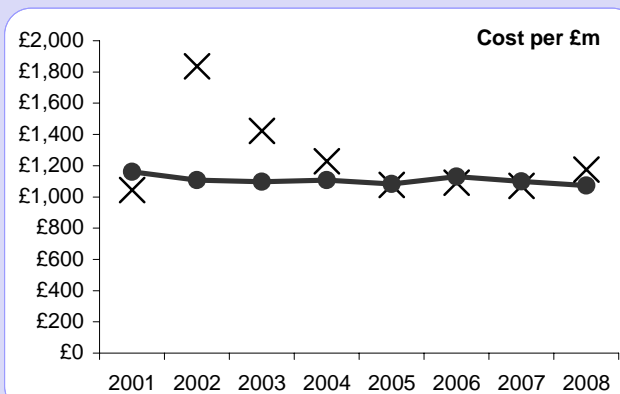
Qualifications

	FTE	%	Avg
CCAB/MIIA	6.0	55%	29%
CIPFA DPA/PIIA	0.0	0%	11%
Part Qualified/AAT	2.0	18%	27%
Other specialists	1.0	9%	5%
Trainees (actively training)	1.0	9%	11%
Non-Qualified	1.0	9%	16%
	11.0		

SECTION 4 - TIMESERIES

Actuals: e.g. 2008 refers to this years 2007/08 actuals

The 2008 averages are the actual club averages. For previous years, the averages shown here are scaled up or down from the 2008 figure based on the average rate of change in each year. This is calculated using data from members who supplied figures in consecutive years, otherwise the simple average in each year would be distorted by changes in the composition of the club from year to year.



KEY: Club Average - Black Line
Swindon - Crosses



Timeseries data								
	2001	2002	2003	2004	2005	2006	2007	2008
Cost*	£287k	£413k	£443k	£432k	£415k	£419k	£452k	£512k
FTE Auditors	6.0	10.6	10.5	11.6	11.0	10.1	10.1	9.9
Cost per LA Auditor	£47,833	£38,962	£42,190	£37,259	£37,727	£37,551	£39,289	£50,234
Average	£38,882	£41,744	£40,347	£41,744	£45,485	£47,591	£49,476	£50,903
Days per LA Auditor	182	151	141	148	150	162	160	165
Average	164	159	156	159	161	169	170	168
Cost per £m	£1,043	£1,836	£1,423	£1,228	£1,076	£1,091	£1,071	£1,175
Average	£1,160	£1,108	£1,096	£1,108	£1,083	£1,130	£1,100	£1,073
Cost per Day (net)	£216	£269	£296	£252	£241	£226	£242	£297
Average	£221	£253	£249	£253	£273	£277	£287	£300
Mainline Audit Days	1,119	1,642	1,700	1,722	1,825	1,843	1,820	1,711
Turnover	£232m	£241m	£354m	£353m	£409m	£382m	£412m	£432m
Days per £m	4.8	6.8	4.8	4.9	4.5	4.8	4.4	4.0
Average	4.9	4.2	4.2	4.2	3.9	4.0	3.8	3.7

* Figure shown is the cost of your In-House Audit section

SECTION 5 - QUARTILE FIGURES

Unitary authorities

2007/08					
	Swindon	Average	Lower Quartile	Median	Upper Quartile
Cost/auditor £'k					
Pay	£40.4	£40.2	£35.57	£38.5	£44.2
Overheads	£9.8	£10.7	£7.19	£9.7	£12.3
Total	£50.2	£50.9	£44.50	£48.6	£53.4
Days per Auditor	165	168	156	170	178
Cost per Day (net to LA)	£297	£300	£258.37	£286	£324
Days per £'m	3.96	3.68	2.74	3.45	4.45
Cost per £'m	£1,175	£1,073	£862.79	£1,060	£1,256

2008/09					
	Swindon	Average	Lower Quartile	Median	Upper Quartile
Cost/auditor £'k					
Pay	£40.1	£41.6	£36.5	£40.5	£45.7
Overheads	£10.4	£10.7	£7.4	£9.8	£12.5
Total	£50.4	£52.4	£45.4	£50.1	£55.2
Days per Auditor	172	175	167	177	185
Cost per Day (Net to LA)	£287	£299	£259	£290	£332
Days per £'m	4.38	3.84	2.92	3.78	4.69
Cost per £'m	£1,257	£1,113	£884	£1,104	£1,309

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Agenda Item 12

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

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Agenda Item 13

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

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