

Swindon Borough Council

Audit Committee

Tuesday, 21 April 2009

Committee Room 6, 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

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AGENDA

PART 1 (PUBLIC ITEMS)

1. Apologies for Absence

2. Declarations of Interest

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

3. Member Training - Risk Management

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 27th January 2009

6. Exempt Items - Exclusion of Press and Public

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

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

<u>Item No.</u>	<u>Paragraph No.</u>
11, 12 and 13	7

- 7. External Audit - Annual Audit and Inspection letter** (Pages 5 - 22)
- 8. External Audit - Data Quality** (Pages 23 - 30)
- 9. Update on Accounts Changes for 2008/09** (DF-CE) (Pages 31 - 34)
- 10. Draft Internal Audit Annual Plan 2009/10** (HIA-CE) (Pages 35 - 38)

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

- 11. Internal Audit reports identifying significant risk or 'of concern' - Cash Collection** (HIA-CE) (Pages 39 - 90)
- 12. Internal Audit reports identifying significant risk or 'of concern' - Waste Management** (HIA-CE) (Pages 91 - 158)
- 13. Head of Internal Audit Update** (HIA-CE) (Pages 159 - 174)

Date of Despatch: 09 April 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, 27 JANUARY 2009

PRESENT:- Councillors Michael Dickinson (Chair), Des Moffatt (Vice-Chair), Steve Allsopp, Peter Stoddart and Keith Williams

Apologies for absence were received from Councillors Mary Martin and Eric Shaw.

34. Member Training - Local Authority Finance

Further to Minute 21 and the Committee's discussion of Audit Committee Member Training requirements to assist them in fulfilling their role within the Council's assurance framework, the Deputy Head of Finance (Core Finance), Darren Stevens made a presentation to the Committee on the topic of 'Local Authority Finance'. The presentation covered the current statutory requirements for the Council's financial statement for 2008/09, under the Statement of Recommended Practice (SORP) issued by the Audit Commission. Darren Stevens explained the main statements that the Council was required to prepare and their sub-statements and statutory deadlines for submission.

It was noted that the Committee would receive a report at its April meeting on the changes in requirements for the 2009/10 statement, which were not expected to be substantial. It was anticipated that the requirements for 2010 onwards would be substantially amended, but that the detail was not yet known.

35. Declarations of Interest

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting. No declarations were made.

36. Public Question Time

No public questions were received.

37. Minutes

Resolved - That the minutes of the meeting held on 25th November 2008, be confirmed and signed.

38. 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>
11-13	7	43-45

39. Review of the Internal Audit Strategy and Terms of Reference

The Head of Internal Audit submitted a report presenting the Strategy for the provision of Internal Audit, the Terms of Reference for Internal Audit, and Internal Audit's Performance and Quality Assurance Framework for approval by the Committee. It was noted the main change since these were last reviewed by the Committee was the Performance Management and Quality Assurance Framework, which on the advice of External Audit, brought together in one document rather than many how the Head of Internal Audit will ensure the effective performance of the Internal Audit section.

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

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

The Committee noted that 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. The Committee now received a report on the review from the Head of Internal Audit, including confirmation that the Council had received an overall theme score for Internal Control of 3, within its Use of Resources assessment, including a notable practice score of 4 for probity and propriety, retained for a second year.

The Committee reviewed the update of the effectiveness of internal audit using the sources of assurance detailed in the report and previously reported to the March 2008 meeting of the Committee.

Resolved - 1) That the Head of Internal Audit and Director of Law and Democratic Services be congratulated on the Use of Resources: Internal Control score.

2) That the Committee confirm its satisfaction with the effectiveness of the Council's internal audit system, and that no areas of non-compliance with best practice had been identified.

41. Anti-Fraud & Corruption Strategy and Whistleblowing Procedure

The Head of Internal Audit presented the draft updated Anti-Fraud and Corruption Policy, Whistleblowing Policy and Fraud Response Plan. It was noted that the Standards Committee on 19th January 2009 had approved these documents to be finalised and issued by the Director of Law and Democratic Services and Head of Internal Audit, subject to any comments received from consultees, including the Audit Committee.

Resolved - That the Audit Committee endorse and approve the updated Anti-Fraud and Corruption Strategy, Whistleblowing Policy and Fraud Response plan.

42. CIPFA Benchmarking exercise of Internal Audit: 2009

The Committee received a report from the Head of Internal Audit presenting a summary of the 2008 benchmarking exercise carried out by CIPFA with regard to the Council's Internal Audit Service. It was noted that the service currently offered very good value for money, with a below average cost for the service, but with a higher qualified staff including 64% qualified compared to the national average of 32%.

Resolved - That the contents of the report be noted.

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

The Head of Internal Audit submitted a report presenting the Internal Audit report on Building Control, finalised in December 2008, assessed as of 'moderate concern'. The Council's Director of Planning and Transport Strategy, Group Leader for Building Control, and Principal Auditor, summarised the issues identified within the report, and presented the management response outlining the actions to be taken in response to the report's key findings and recommendations.

Resolved - 1) That the Officers be thanked for their report.

2) That the comments contained in the management response be endorsed.

3) That the Director of Planning and Transport Strategy be authorised to adjust the target dates within the Management Report, subject to the approval of the changes by the Head of Internal Audit.

4) That the Director of Planning and Transport keep a robust and detailed log of complaints regarding the activities of Approved Inspectors.

44. Internal Audit reports identifying significant risk or 'of concern' - Government Connect

The Head of Internal Audit submitted a report presenting the Internal Audit report on the project for the Council to join the Government Connect Secure Extranet (GCSx). This project had been identified as of 'significant risk' to the Council. The Council's Group Director, Business Transformation and Head of IT summarised the issues identified within the report, and tabled an updated project Action Plan, and a copy of the HR Action Plan.

Resolved - 1) That the contents of the report be noted.

2) That the Head of IT identify by 13th February 2009 which Councillors have email forwarding in place, and arrange for alternative arrangements, including training on Citrix where appropriate.

3) That the Director of Law and Democratic Services send a copy of the Audit Report to the Leader of the Council highlighting the Committee's concerns at the timescales for implementation of the Government Connect Secure Extranet and the risks involved.

45. Head of Internal Audit Update

The Committee received a report summarising the main issues arising from the Internal Audit reports finalised since the last meeting of the Committee in November, and advising on the progress against the Internal Audit Plan. The Committee also noted an update on respect of the staffing situation within internal audit.

Resolved - 1) That the report be noted.

2) That the Internal Audit Reports on Strategy for Waste and on Cash Collection, be submitted to the next meeting of the Committee for consideration and that the relevant officers and responsible Cabinet Members be invited to attend the meeting.

3) That the report on Capita contract management be submitted to the next meeting if finalised in time.

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Annual Audit and Inspection Letter

Swindon Borough Council

Audit 2007/08

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
 - any third party.
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Key messages

- 1 The Council continues to be a two star Council under the Audit Commission's Comprehensive Performance Assessment (CPA).
- 2 The Council is improving well under the Audit Commission's Direction of Travel Assessment. Strong leadership and effective partnerships continue to deliver improved outcomes.
- 3 The Council achieved a score of 3 (out of 4) for its use of resources underpinned by sound internal control and improving value for money and embedding of arrangements for financial reporting, risk management and asset management.
- 4 Data quality arrangements although adequate need to improve.
- 5 An unqualified opinion has been given on your accounts.
- 6 A conclusion on your VFM arrangements concluded that your arrangements are effective.

Action needed by the Council

- 7 The Council should obtain confirmation from management that it is:
 - continuing to develop Children's Services by maintaining focus in areas where performance can be significantly improved, such as Key Stage 3 and 4 school results, high teenage conception rates and getting more young people in to education, training or employment;
 - implementing the agreed improvements in respect of data quality arrangements;
 - responding to recommendations made in our Annual Governance report in relation to financial reporting (see paragraph 42); and
 - taking steps to ensure that staff complete grant claims in accordance with grant conditions.

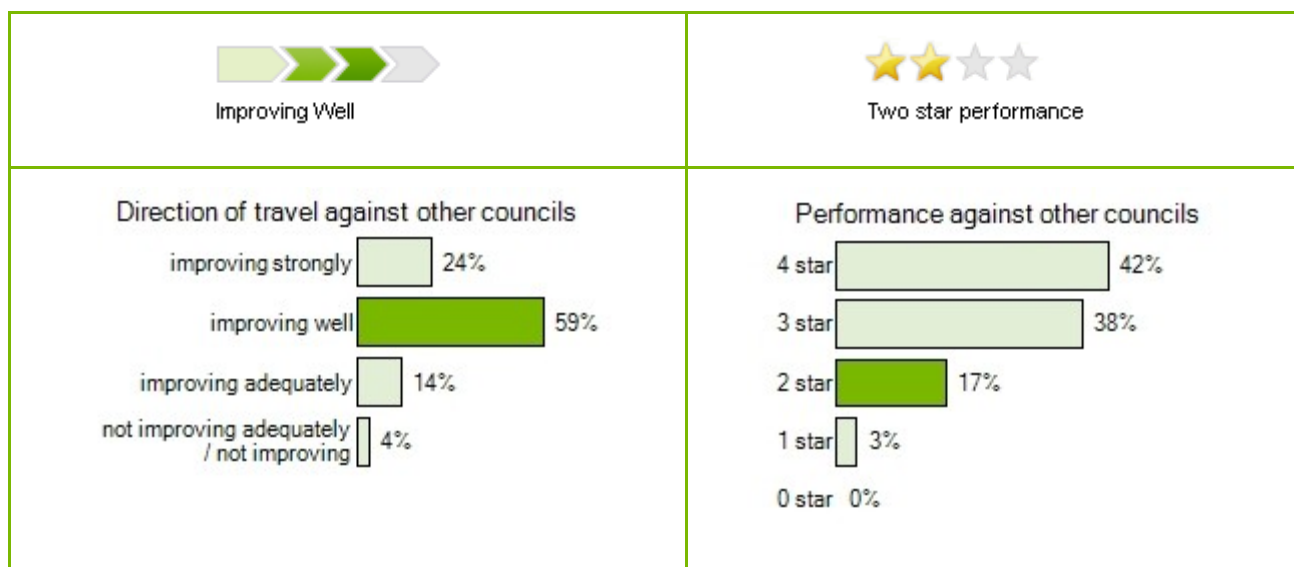
Purpose, responsibilities and scope

- 8 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. (It also includes the results of the most recent corporate assessment.)
- 9 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 10 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 11 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your appointed auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Swindon Borough Council performing?

- 14 The Audit Commission's overall judgement is that Swindon Borough Council is/improving well and we have classified Swindon Borough Council as two star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of councils in CPA



Percentage figures may not add up to 100 per cent due to rounding.

Source: Audit Commission

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	2 Star
Corporate assessment/capacity to improve (October 2006)	2 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

Summary

- 15** Strong leadership and effective partnerships continue to deliver improved outcomes and secure the town's future economic viability. Good progress is being made against all of its annual priorities. Longer term 'Promises' delivered in 2008 include opening the new Central Library and establishing a 'First Stop Shop'. Adult services are good with more people being helped to live at home. Children and young people's services, such as keeping children safe, are better overall, but school results for some children, high teenage conception rates and getting more young people into education, training or employment remain a challenge for the Council. Housing services are delivering to a high standard and recycling and composting rates are high. With partners, it is helping more people stay active and reduce the number of people who smoke. Partnerships with the NHS and Police are improving health and making people feel safer. Benefits services provided to some of the Borough's most vulnerable people have not improved. Delivery plans are strong - the central library was opened on time and to budget. Value for money has improved.

How is Swindon Borough Council performing?

The Council's achievements against its priorities

- 16 The Council is continuing to drive forward its transformational agenda with good progress being made in all of its priorities areas. Sixty-five per cent of performance indicators improved in 2007/08 which is slightly above the average range for councils nationally. The quality of services is good with 32 per cent of indicators now performing amongst the top 25 per cent of councils nationally and is above the national average.
- 17 The Council has maintained its scores in the external assessments of its priority services and improvements have been made in some areas. The Council has maintained its score of 3 (out of 4) for Adult Social Care with leadership within the Council and PCT assessed as excellent with promising capacity for improvement. Ofsted¹ rated Services for Children and Young People as at least adequate, as last year, but said services to safeguard children were good and had improved. The Council's housing services have continued to improve. These achievements mean that local residents can have confidence in many Council services.
- 18 The Council describes its long-term priorities in its corporate plan - 'Making Swindon the UK's Best Business Location'. It has committed to delivering 50 specific 'Promises' by 2010. Within this, the Annual Operating Plan identifies seven strategic aims for 2008/09: destination of choice; all benefiting from growing economy; environment safeguarded; healthy, caring and supportive; high aspirations, superb education; people have influence and feel safe and organisation transformation. These align with the six themes of the Community Strategy 'A Shared Vision for Swindon 2008 to 2030' and Swindon's LAA targets.
- 19 Strong leadership is ensuring the Council's aim to become a 'Destination of Choice' is realised. Development agreements for the regeneration of Swindon Town centre have been signed bringing inward investment of half a billion pounds. These schemes, once completed, will improve the environment for residents and visitors and will make the town more attractive for incoming investors. The new central library opened in October 2008 and has won a national award for sustainable design. This new facility has improved its service for local people and visitors through seven day opening and increased hours. A recent Council survey showed that people are more satisfied with shopping and entertainment in the town centre.
- 20 Effective partnerships are delivering positive economic development outcomes. The Swindon Strategic Economic Partnership (SSEP) has delivered a range of initiatives and is engaging with a large number of local businesses. The Swindon Youth Enterprise Challenge has helped to reduce the percentage of young people not in education, training or employment by 2 per cent between 2006 and January 2008. This is still higher than the national average and the Council has reviewed its strategy and action plans to address the issues. Workplace numbers increased and the number of vacant premises in the town centre decreased during the early part of 2008 – these are very positive results in the current economic downturn and the Council may struggle to maintain this during 2009.

¹ Office for Standards in Education, Children's Services and Skills

- 21** The Council is safeguarding the environment. The Council has been nominated for national and regional awards for its work on waste management and green initiatives. 47 per cent of waste has been diverted from landfill in the first quarter of 2008/09 and standards of cleanliness of roads and public places are improving. The following initiatives were progressed during 2008 but it is too early to measure their benefits. The 'StreetSmart' service launched in September 2008 with one telephone number and email address to make it easier for residents to request services and report problems. Over 60 per cent of Swindon schools enrolled on the Eco-Schools programme. The Council has worked in partnership with the Carbon Trust to establish the 'carbon baseline' and develop a Carbon Reduction Management Plan for the Council.
- 22** Effective partnership working is improving health and meeting the needs of a wide range of groups. The Council's plans to provide integrated health and social care services are progressing well. A range of groups have been involved in the development of policy and services and this was assessed as excellent by the Commission for Social Care Inspection (CSCI). The Smokefree Swindon Partnership has supported 779 people to give up smoking in the first three quarters of 2007/08 against a target of 723. Over 4,000 people have participated in Council-led sports events such as the Festival of Sport. Adult social care services are good. Improvements in 2008 have seen increasing physical activity for the over 50s; more people being assisted to live at home; an increase in hospital avoidance numbers and more people in receipt of direct payments that give them choice in the provision of their care. The Council has provided 7,600 breaks for carers and helped vulnerable people access financial and benefits advice. The numbers of children in care reduced by 9 per cent. The Council has made good progress in helping children and young people to stay healthy but has not succeeded in ensuring a consistent downward trend in the rates of teenage conceptions which remain above average. A programme of sexual health youth clinics in secondary schools and a sexual health and relationship policy are being implemented to help address this.
- 23** The Council has continued to drive forward improvements in education. Ofsted reported overall improvement in Council services with good capacity to improve in the future. At Key Stage 2 the number of children achieving at level 4 or above in English and maths improved from 72 per cent in 2007 to 74 per cent in 2008 which is above average nationally when compared to similar councils. School attendance has improved with missed half days of schooling decreasing from 7.35 per cent in 2006/07 to 6.69 per cent in 2007/08 and is above the national average. The Annual Youth Festival attracted a record crowd of over 2,500 young people and learning ambassadors are helping to change lives and raise aspirations. Some areas are still below average nationally such as Key stage 3 attainment levels and at Key Stage 4 and key post-16 qualifications when compared to similar councils.

How is Swindon Borough Council performing?

- 24** The Council is working effectively with partners to make people feel safer and have more say in decisions which affect their local areas. The Council completed the Streets for Living project with European partners. Anti-social behaviour has seen an 8 per cent reduction overall and as high as 60 per cent in some areas. Older people are benefiting from a proactive community safety partnership which is making people feel safer with 'Safe and Clean' operations conducted in six wards. Improved local decision making has been facilitated through the Eastcott Community Council bringing together a range of stakeholders to identify local priorities and tackle local issues. The Council hosted a Migrant Workers Conference which included a free workshop for local companies that employ migrant workers. In response to an increase in serious road accidents the Council has revised its strategic plan for accident reduction and speed limit review.
- 25** Improvements in access to services is mixed. The Council have improved the information available to the public, through investment in its website and the development of the Contact Centre. A recent survey of people using the new contact points showed that 80 per cent thought that the Council was providing a good service. However the benefits service has not improved. Following the change of contractor in December 2007 the Council's performance in processing of benefits claims dipped sharply. Processing times improved during the first six months of 2008/09 but no improvement has been made on last year's performance. Vulnerable customers may find their tenancies under threat when benefits are not processed promptly.
- 26** Strong procurement and service reviews are achieving better value for money. The Council has clear and detailed information on costs and performance and a good understanding of their interaction. Spending is in line with priorities, supported by Medium Term Financial planning, and there is a track record of investment resulting in improved services.

How much progress is being made to implement improvement plans to sustain future improvement?

- 27** The Council is making good progress and has delivered most of its longer-term 'Promises' due for completion in 2008/09. For example, it has established a 'First Stop Shop' in the town centre; opened the new central library with flexible opening hours and exceeded the Government's standard for decent homes in all council owned houses. It has a clear vision and ambition for the area and is working with its partners to deliver more in its priority areas.

- 28** The Council has robust plans in place to meet its future strategic challenges and continue on its improvement journey. In order to manage growth plans have been developed such as the Eastern Development Area Masterplan and the Draft Transport Strategy in agreement with Government partners, private sector parties and the public. The 'Connecting People Connecting Places' project joins up the plans and service delivery of the Council and partners at a more local level with advanced arrangements in place for the transition to cluster areas. The first phase is due to be operational from April 2009. Agreements have been reached between the Council and secondary school heads to complete three reviews to improve performance in key areas in 2009. Plans to move Swindon Commercial Services to an arms length organisation by June 2009 are underway. Delivery plans are resilient – the Council opened the new central library on time and to budget.
- 29** Good financial management, sound internal capacity and strong partnerships are ensuring that the Council has capacity to deliver its plans for improvement. Organisational transformation is a key priority for the Council and is being progressed via a variety of initiatives. A fund has been set up to help promote investment in new ideas and business improvements. Examples include a single database for streetscene and transport assets to help make better-informed maintenance decisions and provide better customer responses, and a Project Management Office (PMO) to support project sponsors and managers in planning and delivering projects. Staff focussed initiatives such as the In Touch system; succession planning; talent mapping and virtual staff college are building internal capacity. Strong partnerships with the Swindon Capita Partnership, the PCT, SSEP, LSP and the voluntary sector are all strengthening capacity. The LSP anticipates receiving a Performance Reward Grant to be realised from LAA1 of £2.8 million.
- 30** The Council has developed a strong platform on which to continue to improve the delivery of public services to local people and these are now delivering tangible results and a positive impact on the quality of life of local people.

Service inspections

- 31** An important aspect of the role of the Comprehensive Area Assessment Lead is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- 32** During the last year the Council has received a number of assessments from other inspectorates such as Ofsted and CSCI and these have been taken into account when arriving at our assessment of direction of travel above.

The audit of the accounts and value for money

- 33** Your appointed auditor has reported separately to the Audit Committee acting as Those Charged With Governance (TCWG] on the issues arising from our 2007/08 audit and have issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate: and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 34** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 35** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

- 36** I am pleased to recognise this year that the Council has continued to strengthen its arrangements under the general area of Use of Resources (UoR) and continues to perform well overall.
- 37** This year following further embedding of arrangements and continued improvements in service performance we have assessed the Value for Money theme of Use of Resources as a score of 3 (Performing Well) compared to a 2 (Adequate Performance) last year. This was due to our increased assessment in relation to the achieving value for money sub theme, which was based on continued improvements in performance in key services areas.
- 38** In addition we have increased our assessment from a score of 2 to a score of 3 in respect of three further sub themes (ie external accountability in relation to financial reporting, risk management and management of the Council's asset base) due to further embedding of improved arrangements introduced last year.
- 39** The Council continues to perform strongly in the area of probity and propriety with its general notable practice in this area continuing to be recognised as such by the Audit Commission.
- 40** The Audit Commission has introduced a new Use of Resources framework effective from April 2009. The new UoR framework is more challenging than the existing framework as it covers a broader range of activities and requires judgements which are more outcomes based. The new UoR assessment will form part of the organisational assessment under the new Comprehensive Area Assessment framework.
- 41** Our work under the new UoR framework has already commenced and we are working with the Council to ensure a clear understanding of what is required and how the assessment will be undertaken.

The audit of the account

- 42 There were no material matters arising from the audit. The most significant issues identified were reported in our report to the Audit Committee in September 2008 and related to:
- the need to fully reconcile the Statement of Total Recognised Gains and Losses with other statements; and
 - improving the evidence to support classification of entries in a number of the principal statements.
- 43 Members will want to be aware that the Audit Commission has now revised its reporting level for trivial errors downwards for next year and this may mean that our report to those charged with governance will refer to a greater number of errors. We will endeavour to recognise the impact of this change in next years report so members have a clear picture of the extent to which the quality of the Council's accounts has changed.
- 44 As this was our first audit of the Council's accounts we have identified a number of improvements in the way we will carry out our audit next year and some areas where we believe the Council can improve its own processes or documentation further. These were discussed with the finance team at a meeting in November 2008.

Value for Money conclusion

- 45 Our work in arriving at our value for money conclusion included an assessment of the adequacy of the arrangements for data quality. Although we concluded that arrangements were adequate we made a number of recommendations to improve the arrangements further. These related to:
- better communication of the corporate commitment to data quality;
 - including data quality in the corporate induction process; and
 - implementing outstanding recommendations from last years report on data quality as soon as possible.
- 46 These recommendations were contained in our report dated January 2009 and were accepted by management.

Grant Claims

- 47 Significant sums of grant monies flow annually from central government to local government and we audit all grant claims above £100,000.
- 48 In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims and, in the last year alone, the reduction in the number of claims subject to audit and has resulted in a significantly lower audit fee than estimated in our audit plan (ie an actual cost of £60,811 compared to an estimated £85,000). The estimated cost for next years work is £66,350.

- 49 We audited a total of 8 claims of which 5 were amended and 3 required reports to the grant paying department. The amendments and issues raised in the reports had the effect of reducing the Council's grant entitlement by about £125,000 which is not significant in relation to the sums of money involved.
- 50 The co-ordinations arrangements put in place by the Director of Finance worked well. Most problems identified related to non compliance with guidance by officers completing the claims and we have identified a number of recommendations in our draft report dated March 2009 which should help to reduce the number of errors and issues for next year.

Looking ahead

- 51 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 52 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 53 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 54** This letter has been discussed and agreed with the Chief Executive and other officers. A copy of the letter will be presented at the audit committee on 21 April 2009. Copies need to be provided to all Council members.
- 55** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	May 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	November 2008
Date quality report	January 2009
Annual audit and inspection letter	March 2009

- 56** The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 57** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Melanie Watson
Comprehensive Assessment Area Lead

4 March 2008

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Data Quality

Summary of issues arising from 2007/08 audit

Swindon Borough Council

Audit 2007/08

March 2009



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Data Quality	4
Appendix 1 – Action Plan	6

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Introduction

- 1 This summary sets out the findings from our work on data quality as part of the 2007/08 audit.

Data Quality

- 2 Our work on data quality has consisted of a review of the management arrangements in place to deliver quality data, analytical review, and a review of the detailed processes in place to ensure the accurate calculation of four individual performance indicators.

Management arrangements

- 3 We concluded that as in previous years the management arrangements in place to deliver quality data met the minimum standards required to achieve an unqualified/positive conclusion on the Council's arrangements for Value for Money.
- 4 Whilst some improvements in arrangements have taken place despite these the coordination of data quality at a corporate level remains weak in some respects ie:
- the corporate commitment to data quality has not been communicated widely to staff;
 - training on data quality is delivered at a local level and data quality is not included in the corporate induction process; and
 - there has been no corporate communication highlighting data quality as a key priority for the Council, outside of that with performance champions.
- 5 Also, some key recommendations arising from last year's assessment have not been implemented such as:
- the need for better communication of data quality action plans underpinning the corporate strategy;
 - introducing arrangements for the monitoring and reporting of progress; and
 - the introduction of spot checking of arrangements at service level.

Recommendations

- R1** Corporate commitment to data quality should be communicated more widely to staff. This should include highlighting data quality as a key priority for the Council in corporate communications.
- R2** Data quality should be included in the corporate induction process.
- R3** Outstanding recommendations from the 2006/07 data quality assessment should be implemented as soon as possible.

Review of performance indicators

- 6 The individual performance indicators examined this year were:
- BV 78a - speed of processing new housing benefit claims;
 - BV 78b - speed of processing change of circumstances re housing benefits;
 - BV165 - pedestrian crossings: Disabled people; and
 - BV199 - cleanliness of public spaces.
- 7 The two housing benefit indicators were mandatory this year as they form part of the housing benefit block assessment for CPA. All auditor judgements were input to the Audit Commission's Electronic Data Collection Service on 12 November 2008.
- 8 The following table summarises the finding from the review of the four indicators examined in detail this year.

Table 1

Finding s from 2007/08 audit

BV indicator	Whether qualified	Comment
Speed of processing new HB claims.	No	Some minor issues were identified from our testing but we concluded that the PI was fairly stated.
Speed of changing change of circumstances for HB.	No	As a result of issues identified from our testing the Council chose to re-publish this PI as 18.9 days rather than the original 19.9 days.
Cleanliness of public spaces.	No	Minor issues raised about completion of cleaning logs.
Pedestrian crossings: disabled people.	No	As a result of weaknesses in the data used to calculate this PI the Council agreed to change the reported PI figure from 88.4% to 60.8%.

Peter Smith
Audit Manager
March 2009

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Data Quality					
4	R1 Corporate commitment to data quality should be communicated more widely to staff. This should include highlighting data quality as a key priority for the Council in corporate communications.	3	Matt Gott/ Karen Sims	Yes	Agreed. We are planning a series of communications on data quality.	
4	R2 Data quality should be included in the corporate induction process.	2	Matt Gott/ Karen Sims	Yes	Agreed. We will work with colleagues in training and development to put this action in place as soon as possible.	
4	R3 Outstanding recommendations from the 2006/07 data quality assessment should be implemented as soon as possible.	3	Matt Gott	Yes	We are developing a new data quality strategy in conjunction with key partners and accompanying policy for SBC. The SBC policy will incorporate the outstanding recommendations from the 2006/07 DQ assessment highlighted in the report and will be put in place as soon as possible.	

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Update on Accounts Changes for 2008/09

AUDIT COMMITTEE

Date: April 2009

Author: Director of Finance

Wards Affected: None

Purpose

1. To inform the Audit Committee of updates to the Statement of Recommended Practice (SORP) in preparation of receiving the annual Statement of Accounts at its June meeting.
2. To highlight significant changes proposed in future years.

Recommendation

The Audit Committee is asked to:

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

1. Reasons

- 1.1 This report informs Members of the context in which the Statement of Accounts must be produced, its overarching objectives and the required contents. It is intended that Members will be better prepared to scrutinise the accounts at the June meeting with the knowledge of how financial reporting requirements have changed since the 2007/08 accounts.

2. Timetable

- 2.1 The 2008/09 Statement of Accounts must be approved by the Audit Committee (the designated Committee of the Council for such purpose) by the 30th June 2009. The accounts will be presented to the Audit Committee meeting on 23rd June and the annual closedown timetable of actions needed in compiling the statements is being followed to achieve this.

3. Context

- 3.1 The key requirements for the statement of accounts are set out in a document published each year by the Chartered Institute of Public Finance and Accountancy (CIPFA). The SORP is the checklist of minimum requirements that the accounts must contain.
- 3.2 The SORP is annually updated by CIPFA after a consultation period to ensure that local government accounting practice remains in line with changes to wider accounting standards. Changes implemented to the 2008/09 SORP are fewer than previous year's updates, but reflect the progression toward greater changes incoming years.

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

Update on Accounts Changes for 2008/09

AUDIT COMMITTEE

Date: April 2009

- 3.3 The overriding requirement of the SORP is that the accounts 'present fairly' the financial position of the authority. In doing this, the SORP sets out the proper accounting practices for the statement of accounts. It is against the requirements of the SORP that the external auditors will base their audit opinion and material non-compliance will result in the accounts being 'qualified' i.e. the auditors' opinion is such that reliance cannot be placed on the accuracy of the financial statements.
- 3.4 The SORP is prepared on the basis that the intention of the statement of accounts is to give electors, taxpayers, members, employees and other interested parties clear information about the authority's finances. It should answer such questions as:
- What did the authority's services cost in the year of account?
 - Where did the money come from?
 - What were the authority's assets and liabilities at the year-end?
- 3.5 For comparative purposes between authorities, the SORP also requires a consistent pattern of presentation and compliance with the CIPFA Best Value Accounting Code of Practice (BVACOP) service analysis.
- 3.6 In producing the accounts, it is also important that interpretation and explanation is clear and prominent. The SORP requires an explanatory foreword that should highlight and explain the more significant features of the accounts. The supporting narrative to the accounts should also be in plain language, with technical terms explained in a glossary.

4. Changes to the SORP for 2008/09

- 4.1 There are a number of minor changes to the 2008 SORP, which mainly provide clarifications to previous changes, but the main area of change relates to asset disposal revaluations.
- 4.2 In previous years assets have been re-valued at market value upon disposal, effectively restating an asset value to the latest valuation at point of disposal. The alternative has been to not revalue but show a profit or loss on disposal. Either method has been allowed under earlier SORPs but from 2008/09 revaluations on disposal will not be permitted.
- 4.3 A process of restating the Authority's 2007/08 comparative figures to remove such so-called "deathbed valuations" has been ongoing and these changes will be incorporated into the draft statements for 2008/09.

5. Proposed changes to the SORP in 2009/10

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

Update on Accounts Changes for 2008/09

AUDIT COMMITTEE

Date: April 2009

- 5.1 In addition to the changes in the 2008/09 SORP, CIPFA have consulted on the possible changes to the 2009/10 SORP. Final changes will be released in the summer of 2009 and more detailed information brought to committee before the 2009/10 accounts.
- 5.2 It is however expected that significant changes to PFI (Private Finance Initiative) accounting will be introduced in preparation of International Financial Reporting Standards (see below). In the wider sense this will mean a review of the Authority's PFI schools during 2009/10 to assess whether they should come onto the balance sheet as Council assets.
- 5.3 Based on our current understanding of the proposed changes, it seems unlikely that the PFI schools will remain off balance sheet, but detailed review will need to be undertaken once the final 2009/10 SORP is released to confirm this.

6. International Financial reporting Standards (IFRS)

- 6.1 From 2010/11 local government will follow other government sectors in the introduction of international financial standards. Part of the delay in implementation for local government has been the need to review the PFI accounting process whilst producing an IFRS SORP that accounts for local government taxation accounting.
- 6.2 Introduction of IFRS will have wide implications for the production of the 2010/11 financial statements. Whilst it is difficult to know the full impact at this early stage, CIPFA are committed to releasing draft chapters of the IFRS SORP as they are completed.
- 6.3 These releases are focussing at first on the areas that are seen as requiring more consideration. This will involve the main areas of asset valuations accounting issues, lease appraisal and whether currently defined operating leases (off balance sheet) should be reclassified as finance leases (on balance sheet asset) and accounting for employee benefits.
- 6.4 Some of these changes to the accounting standards do have the possibility of impacting on council tax if legislation is not implemented to negate their effect. It is considered highly unlikely that government will not introduce such legislation, which would have the same effect as that on capital charges. This would allow items to be reversed out in the statement of movement on general fund balances, much like depreciation and other capital charges.
- 6.5 Financial year 2009/10 is therefore going to be a key year for the review and implementation of accounting standards changes. Not only do 09/10 SORP changes need review, but also the introduction of IFRS SORP requires a restatement of 09/10 SORP figures, with an opening balance sheet produced as at 1/4/09.

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

Update on Accounts Changes for 2008/09

AUDIT COMMITTEE

Date: April 2009

- 6.6 Early work on IFRS SORP is being undertaken and information being collected where possible at this point in time, such as untaken leave for employee benefits changes, to help in later adjustments. More work will be required after the 2008/09 accounts have been closed once more detailed information starts to become available. The Audit Committee will be presented with updates during the next year as more details emerge.

Alternative Options

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

Risk Management

Financial and Procurement Implications

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

Legal / Human Rights Implications

- There are no Legal/Human Rights issues.

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

- There are none.

Consultees

- None

Background Papers and Appendices

- None

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

AUDIT COMMITTEE

Date: 21st April 2009

Author: Head of Internal Audit

Wards Affected: None

Purpose

To present the draft Internal Audit Annual Plan (2009/10) for approval by the Audit Committee.

Recommendations

- That the Audit Committee approves the draft Internal Audit Plan for 2009/10.

1 Reasons

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

2 Detail

- 2.1 Internal Audit is a statutory requirement under the Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 The Head of Internal Audit has put together a draft risk-based Internal audit plan for 2009/10 (see appendix 1). The plan has been produced on the basis of:
- Ensuring that there is adequate coverage of the Council's governance arrangements and key systems of internal control in order to provide assurance to the Leader and Chief Executive when certifying the Annual Governance Statement, and to the Council's Audit Committee.
 - Ensuring that the Director of Finance's Section 151 (Local Government Act 1972) requirements are met.
 - Ensuring compliance with the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006.
 - Risks identified to the Council meeting its key objectives identified in the Corporate Risk register are covered.
 - The requirements of External Audit, in particular in relation to the audit of the Council's main financial systems.
 - Group Director/Director priorities.
 - Priorities identified by Internal Audit.
 - Additional Corporate Governance issues including anti-fraud and corruption work.
 - Certification work including the Local Area Agreement, BVPIs, Streets for Living and SCITT audits etc.

AUDIT COMMITTEE

Date: 21st April 2009

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

Alternative Options

Not Applicable

Risk Management

Financial and Procurement Implications

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

Legal/Human Rights Implications

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

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

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

DRAFT Internal Audit Annual Plan 2009/10

AUDIT COMMITTEE

Date: 21st April 2009

Consultees:

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

Chief Executive

Group Directors

All Directors

Heads of Finance

The Council's External Auditor: The Audit Commission

Appendices / Background papers

Appendix 1 – Draft Annual Internal Audit Plan: 2009/10 (*to follow*)

Key Decision/Decision in Forward Plan

Not Applicable

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Agenda Item 11

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

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Agenda Item 12

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Agenda Item 13

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