

Swindon Borough Council

Audit Committee

Tuesday, 15 April 2014

Committee Room 6, Civic Offices

At 6.00 p.m.

Conservative Councillors

Steve Weisinger
(Chair)
Roderick Bluh
Michael Bray
John Haines

Labour Councillors

Des Moffatt
Steve Allsopp
Neil Heavens

Committee Officer: Steve Jones (01793 463602)

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Access Arrangements - The venue is wheelchair accessible and an infrared receiver hearing system is provided. If you have any special requirements to enable you to attend the meeting or would like to receive any of the pages contained in this agenda in a larger print size, please contact the Committee Officer as soon as possible prior to the date of the meeting.

AGENDA

1. Apologies for Absence

2. Declarations of Interest

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

3. Public Question Time

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

4. Minutes (Pages 1 - 4)

To receive the minutes of the meeting held on 4th February 2014

5. Internal Audit reports identifying 'significant' risk or 'of concern': Highways Capital Programme HIA (Pages 5 - 40)

6. Annual Statement of Accounts 2013/14 BDR (Pages 41 - 44)

7. **Internal Audit Plan: 2014/15 HIA** (Pages 45 - 56)
8. **Internal Audit review: Strategic Fraud Update HIA** (Pages 57 - 64)
9. **External Audit Reports** (Pages 65 - 112)
 1. Swindon Certification Work Plan
 2. Audit Plan for Swindon Borough Council
 3. Update for Audit Committee
 4. Swindon Borough Council Financial Statements for the year ended 31 March 2014
 5. Swindon Borough Council Financial Statements for the year ended 31 March 2014 – Understanding how the Audit Committee gains assurance from management
10. **Head of Internal Audit Update HIA** (Pages 113 - 128)

Date of Despatch: 07 April 2014

Key:

Officers:

BDR - Board Director, Resources
 HIA - 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.

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.

AUDIT COMMITTEE

TUESDAY, 4 FEBRUARY 2014

PRESENT:- Councillors Steve Weisinger (Chair), Steve Allsopp, Roderick Bluh, Michael Bray, John Haines and Des Moffatt

An apology for absence was received from Councillor Neil Heavens.

41. Declarations of Interest

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

42. Public Question Time

There were no public questions.

43. Minutes

Resolved - That the minutes of the meeting held on 5th November 2013 be confirmed and signed.

44. Treasury Strategy Statement 2014/15

The Committee received a report on the Council's Treasury Management Strategy for 2014/15, including Prudential Indicators up to 2015/16, the Annual Investment Strategy, and the Minimum Revenue Provision Policy Statement. Paul Smith, the Council's Head of Finance, Housing, Treasury and Growth, presented the report, expanding on the following key elements of the strategy:

- the current treasury position;
- the treasury indicators which will limit the treasury risk and activities of the Council;
- the prospect for interest rates;
- the borrowing strategy;
- the policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- the creditworthiness policy; and
- the policy on use of external service providers.

Following his introduction of the strategy, Mr Smith responded to members' questions and observations on the following issues:

- the Council's banking arrangements and the implications of the withdrawal of its current provider from the local authority market
- the net borrowing position of the General Fund
- investment returns expectations.

Resolved – (1) That the report be noted and that the Treasury Management

Strategy, Minimum Revenue Provision Policy and Prudential Indicators be recommended for approval by Full Council at its meeting on 24th February 2014.

(2) That the position with regard to the Council's bankers, the Co-Operative Bank, as detailed at Section 4 of the report, be noted.

45. Internal Audit report - Treasury Management

The Committee received a report of the Head of Internal Audit on the key findings of the Annual Internal Audit of the Council's Treasury Management process.

Resolved – That the report be noted.

46. Internal Audit reports identifying 'significant' risk or 'of concern': Highways Asset Management

The Committee received a report on the latest position in relation to the implementation of Internal Audit recommendations arising from the audit review "Highways Asset Management". It was noted that the overall risk assessment to the Council following the initial audit was considered "of concern".

Mr Gwillam Lloyd, the Council's Head of Highways and Transport, was in attendance to provide a current position statement in relation to the implementation of audit recommendations and to respond to members' questions on issues raised regarding identified risk areas, the management response to the audit conclusions and key recommendations, and progress in implementing the action plan.

Resolved – (1) That the report, and the management response to the audit review recommendations, be noted.

(2) That a report be submitted the Committee in September 2014, in advance of the commencement of the 2015/16 budget setting process, on the effectiveness of the reintegration of SCS Streetsmart Services Highway Maintenance Team into Highway and Transport Services as part of the SCS re-integration process.

47. External Audit - Update for Swindon Borough Council

Chris Hackett (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 27 January 2013, in respect of the delivery of their audit responsibilities. The report also included a summary of key emerging national issues and developments that might be of interest to the Committee.

Resolved – That the report be noted.

48. External Audit - Certification Report 2012/13

Chris Hackett (Grant Thornton) presented a report regarding the certification of claims and returns submitted by the Council. The report also provided a summary of the External Auditors' assessment of the Council's management arrangements in respect of the certification process and highlighted significant matters in relation to each of four claims and returns that were certified for the Financial Year 2012/13.

Resolved – That the report be noted.

49. Head of Internal Audit Update

The Committee received a report of the Head of Internal Audit summarising the

main issues arising from the Internal Audit reports finalised since the last Audit Committee meeting in November 2013 and progress made against the Annual Internal Audit Plan.

Resolved – (1) That the report be noted.

(2) That the Housing Capital Programme internal audit report, categorised as having an overall risk evaluation of “Of Concern”, be submitted to the next meeting of the Committee for consideration.

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**Internal Audit reports identifying ‘significant’ risk or ‘of concern’:
Highways Capital Programme**

Audit Committee

Date: 15th February 2014

Author:	Head of Internal Audit
Wards:	None
Locality Affected:	None
Parishes Affected:	None

1. Purpose and Reasons

- 1.1 Members requested that at least one individual audit report be presented to each meeting of the Committee. At the last meeting Members requested that the report on *Housing Capital Programme* be brought to the April meeting of the Committee.
- 1.2 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 effectively.

2. Recommendations

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

3. Detail

Background

- 3.1 The Council owns approximately 10,500 housing properties to rent within the Housing Revenue Account (HRA). These properties are maintained to standards that currently meet and exceed the government's Decent Homes Standard, but continuing investment is needed to ensure retention of these standards, particularly in properties of non-traditional construction (40% of all properties).
- 3.2 The value of the 2012/13 capital programme for housing repairs was £11.012 million. Swindon Commercial Services (SCS) delivered 85% of this work. In July 2013, Full Council agreed to transfer certain SCS services back to the Council in accordance with a high-level timetable.

Key Recommendations

- 3.3 As noted above a number of the recommendations made have been impacted by the reintegration of the SCS StreetSmart Services Highway Maintenance team in to the Council's Highway and Transport team.
- 3.4 The key recommendations made in the report are as follows:

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit reports identifying ‘significant’ risk or ‘of concern’:

Highways Capital Programme

Audit Committee

Date: 15th February 2014

- The Council’s Corporate Strategy should recognise the role that improvements to social housing make to achieving its priorities, reflecting the priorities in the draft Health and Wellbeing Strategy.
- The capital programme for housing repairs should also highlight the contribution that it makes to wider priorities within the Council and its partners, and should use it as a possible means of obtaining additional funding and as a determinant in allocating funding between projects within the programme.
- In recognising the interaction resulting from ‘self-financing’ between rent levels, repayment of debt, and future investment, the updated Housing Strategy should address the wider effects of investment in reducing fuel poverty, reducing crime, local employment, and health and wellbeing. In particular, it should highlight the contribution that these factors make to the priorities in the Health and Wellbeing Strategy, the Corporate Strategy, and One Swindon. As an example of good practice evaluate the principle set out the Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme.
- Housing Services should seek assurance from the Contract Manager at SCS, responsible for the Housing Capital Programme, that there is a robust performance and quality assurance process in place and operating for reporting, monitoring and managing delivery. Any emerging issues/risks that may arise from performance below contract requirements should be discussed and resolved through regular client/contractor meetings. These should be recorded in an issues log/risk register including an action plan which is subject to regular review to ensure actions are implemented satisfactorily.
- In evaluating tenders for capital works projects, it should be ensured that all known items and management fees are included in costing so as to minimise the possible levels of subsequent variations and identify any tenders that have been reduced in value by excluding items likely to be required at a later stage.
- Evaluate trialling a three month pilot project with the Contact Centre to help mitigate the cost of reactive repairs by bringing forward or reprioritising planned repairs. As part of the pilot provide a detailed copy of the 2013/14 Capital Programme of works to the Contact Centre so that staff can refer more significant reactive jobs to Housing Services for consideration of delivery under a relevant Capital Programme contract. Review the value of the pilot project after three months to see if there is benefit in continuing the arrangement.
- Housing Services should ensure that the timeliness of repairs is delivered in accordance with targets set out in the tenants’ handbook. To support this pilot, Housing Services should provide guidance and ensure that any queries are resolved on a timely basis by dedicated officers.

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit reports identifying 'significant' risk or 'of concern':

Highways Capital Programme

Audit Committee

Date: 15th February 2014

- A procurement strategy should be developed within the Council for property-related services that reflects:
 - Forthcoming tendering of the current SCS 'basket of works'
 - Re-tendering of the roofing contract, currently with Apollo Group
 - Resourcing of projects within future capital programmes that does not hold back works because of lengthy procurement cycles.

With the latter in mind, tendering for a range of trades and professions within a framework agreement should be considered.

- Housing Services and Property Services should benchmark with others, exchange of best practice, and being able to demonstrate value for money.

3.5 The Internal Audit report (issued on 28th October 2013) is attached as Appendix 1 to this report.

3.6 The Head of Housing Services and the Head of Housing Property have provided an update (see Appendix 2) on progress in implementing the recommendations from the report that also reflects the changes due to the reintegration of SCS services.

3.7 The Head of Housing Services and the Head of Housing Property will also be attending Audit Committee to answer any questions that Members may have.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

**Internal Audit reports identifying ‘significant’ risk or ‘of concern’:
Highways Capital Programme**

Audit Committee

Date: 15th February 2014

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the Council’s corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

- 5.5 Not Applicable

Risk Management

- 5.6 Not applicable

6. Consultees

- 6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Internal Audit report: *Housing Capital Programme* (Oct 2013)
- 8.2 Appendix 2 – Update provided by the Head of Housing Services and Head of Housing Property (April 2014)

Housing Repairs Capital Programme

28th October 2013

Final Report

Contents and Distribution

Contents	Page
Executive Summary	3
Context	6
Risk Areas Examined	7
Overall Opinion	10
Action Plan	11
Appendices:	
A – Standard Audit Opinion	
B – Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme	
C – Demonstration of Value for Money – Issues to be considered	
D – Management Response	
E – Acknowledgement of Officers Contributing to this review	

Report Distribution – Final Report issued 28th October 2013 to:

Bernie Brannan	Board Director Services Delivery and Interim Managing Director, Swindon Commercial Services
Stuart McKellar	Board Director of Resources
Paul Smith	Head of Finance, Housing, Treasury and Growth
Gerry O'Connor	Head of Housing Property
Brian Skeffington	Capital Repairs and Maintenance Programme Manager
Ian Burbidge	Finance Manager: Housing, Treasury and Growth
James Griffin	Supporting People and Housing Strategy Manager
Sue Mendham	Head of Commercial Services

Auditor:

Richard Havergal	Senior Auditor
Lorraine Sarson	Principal Auditor

Executive Summary

Background

This review has been carried out as part of the agreed Internal Audit Plan for 2012/2013 in order to provide assurance to the Board Member for Service Delivery, Board Member for Resources, Head of Housing Services and Commissioner: Growth and Regeneration that arrangements for managing the capital programme for housing repairs are robust and effective and can demonstrate value for money.

The Council owns 10,500 housing properties to rent within the Housing Revenue Account (HRA). These properties are maintained to standards that currently meet and exceed the government's Decent Homes Standard, but continuing investment is needed to ensure retention of these standards, particularly in properties of non-traditional construction (40% of all properties). This investment contributes to the following One Swindon priorities:

- Living independently, protected from harm, leading healthy lives, making a positive contribution
- We can all benefit from a growing economy and a better town centre
- I like where I live

The value of the 2012/2013 capital programme for housing repairs is £11.012 million. 85% of this is delivered by Swindon Commercial Services (SCS), and the remaining 15% - contracts for roofing and lifts – are delivered by companies that have won the work through competitive tendering. A further contract for welfare aids and adaptations has been put out to market tender.

In July 2013 Council agreed to transfer certain Swindon Commercial Services service ('the undertaking') back to the Council in accordance with a high-level timetable. In accordance with this timetable the Board Director, Service Delivery will carry out a detailed examination of the individual services provided currently by SCS to SBC, with a view to streamlining and integrating processes operating both within services and between client and contractor to further reduce costs. This examination will include Housing Repairs works including those delivered under the Capital Programme. The contract tender timeline the tender timeline for services provided by SCS, as previously agreed by Cabinet in June 2011 (Cabinet Minute 10, 2011/12 refers), will need to be reviewed and a report will be brought to Cabinet with a revised proposal later in the 2013/14 Municipal Year.

Audit Opinion

The impact and materiality of the capital programme is considered to be **high** and combined with the auditor's opinion that **significant improvements are required** to system controls, gives an overall risk to the Council of **concern**.

Key Messages

Risk: *Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy*

Although links can be established between the One Swindon priorities and the capital programme, the former are not taken into consideration in preparing the capital programme. The Corporate Strategy does not specifically refer to housing and housing improvements, even though the connection between the latter and health-related outcomes forms a priority in the draft health and wellbeing strategy. The Housing Strategy is currently being drafted and is intended to be presented to Cabinet for approval in December 2013. Once approved, it is intended that this will represent a Swindon Borough wide Housing strategy which is aligned with the Council's Medium Term Resources Plan and the property stock survey. It will incorporate the opportunities and options for housing provided through 'self-financing'. The housing performance indicators and risks relating to the strategy have yet to be identified.

Rand Associates carried out a stock condition survey of the Council's housing stock late in 2011 by property 'archetype'. Their findings were used to extrapolate the cost of improvements across all the stock i.e. £687m over 30 years with an average of £30m per year over the next 10 years. Total revenue and capital budgets for 2012/2013 is £19 million, identifying a shortfall.

The Principal Quantity Surveyor's stock condition database has been used to allocate and prioritise work within the capital programme, and also demonstrate where a shortfall exists and where properties do not meet the Decent Homes and enhanced 'Swindon Standards'. However, mapping of completed repair jobs to relevant properties on the data base is not in place from which to effectively monitor achievement of the Decent Homes Standard.

Risk: *Value for money in delivering the Housing Repairs Capital Programme*

It cannot be demonstrated that consistent value for money is being achieved in delivering the housing repairs capital programme. The majority of housing repairs work is delivered by Swindon Commercial Services Limited (SCS) and is subject to competitive tendering on an annual basis. However, their procurement processes have not reflected the standards and requirements of Housing Services. Consequently, Housing Services reviewed the electrical services contract before it was put to market by SCS; this was to ensure that the specification included the necessary requirements and quantities and demonstrated good practice. The Head of Housing Property has expressed concerns as to whether SCS has the necessary capacity to effectively manage contracts. Housing Services have contracted a few repairs contracts including the roofing contract, awarded to Apollo Group in 2009 and specialist lift work provided by Wessex Lifts. Major Aids and Adaptations work is currently being put out to tender. 5% of housing repairs work (revenue) has been subjected to competitive tendering since 2008 and this does not allow for a full value for money comparison of the work given to SCS. 10% of work within the Swindon Local Transport Plan 2012-2015 has been tendered to allow comparison with SCS's costs.

Housing Services has been proactive in reviewing the 'life cycle' costs relating to heating systems, bathrooms and kitchens. This is to ensure that a quality product is procured which maximise live expectancy, reliability and reduces the cost of reactive maintenance. The service has worked with tenants in agreeing these specifications.

A number of related developments highlight the need for a new procurement strategy for housing and property-related services:

- Housing property works with SCS are due to be retendered from January 2015.
- The roofing contract with Apollo Group expires in 2014.
- Property-related services within the Council, including Housing, have been merged with property assets the responsibility of the Board Member for Resources and property maintenance the responsibility of Board Director Delivery Services.

There is limited use of performance indicators relating to the capital programme among those used in the management of works delivered through the 'basket of works' agreed with SCS. There is also or recognition of risks and emerging issues that may prevent delivery of the capital programmed works to time. Due to a focus on delivery of the 2012/13 capital programme a quality assurance role was not put in place by SCS to ensure delivery of works achieved the required standard.

There has been limited benchmarking carried out with other local authorities and social housing providers. There are no ready means of comparison through established sources such as CIPFA statistics, Housemark and Housing Quality Network, save for buying into benchmarking exercises carried out by the last two. Regulatory inspections are no longer carried out by successor bodies to the Audit Commission. These decreased opportunities for benchmarking come at a time when options available through 'self-financing' present a greater need for comparison and exchange of good practice.

Risk: *Arrangements for delivering the capital programme*

Delivery of the 2012/2013 capital programme was delayed while SCS sought contractors to deliver projects. Housing reviewed the tenders received and required retendering on certain contracts. The bulk of this programme has been carried out since September 2012.

Inspections of work are carried out by Housing and contractors. These cover health and safety issues as well as quality of work. Full checks are carried out on gas, electrical, and boiler installations to ensure compliance with statutory standards.

The Housing Capital Programme underpins achievement of the Decent Home standard which is published as a public document. The programme is not used by the Contact Centre to alert Housing Property Section of reactive repairs that could be considered for delivery under the capital programme. This may be viable where substantial repairs are required i.e. to roofs, kitchen or bathrooms such that it may be more advantageous to by bringing forward capital programme improvement works and mitigate the cost of reactive repair maintenance.

Context

The Council's stock of social housing properties available to rent (10,500 houses, flats and maisonettes) are maintained to standards that currently meet and exceed the government's Decent Homes Standard. This improved 'Swindon Standard' is expected by tenants and Members of the Council.

A stock condition survey was carried out by Rand Associates late in 2011, prior to the tenants' vote on future management of the housing service. The survey included 1,000 properties of different types, ages and locations, and the results were extrapolated across the remaining properties to identify an improvement programme requiring investment of £687 million over 30 years. The identified annual programme for each of the next 10 years is an average of £30 million. The investment programme for 2012/2013 is only £19.2 million (revenue £8.2 million; capital £11million). Improvements therefore cannot be fully carried out and need to be prioritised, having regard to sustainability of different types of homes, future strategic developments and future housing needs.

This investment contributes to the following One Swindon priorities:

- Living independently, protected from harm, leading healthy lives, making a positive contribution
- We can all benefit from a growing economy and a better town centre
- I like where I live

It also contributes to the following priorities within the Corporate Strategy:

- Work with residents to create well cared-for neighbourhoods
- Together, find new ways to reduce vulnerability and improve health for all

Swindon's draft Health and Wellbeing Strategy 2012-2016 recognises the connection between maintaining homes to a decent standard and improving health outcomes. Priority 21 is to: 'Ensure that housing and development strategies for new and existing communities identify the health and wellbeing impacts for residents in the long and short term'.

Housing repairs and capital works are currently carried out by Swindon Commercial Services (SCS), following successful competitive tendering in 2008. SCS re-tender capital works on an annual basis. A paper to Housing Advisory Forum on 7 March 2012 concerning the 2012/2013 programme noted that SCS will be sub-letting packages of the work as medium term contracts.

The Council has recently reorganised and brought together property-related services within Commissioning, Service Delivery (including Housing), Resources, and Capital.

Risk Areas Examined and Findings

In accordance with best practice, a risk-based approach was adopted that identified the key risks to the business objectives and those mitigating actions/controls that should be in place. The auditor then assessed the effectiveness of the mitigating controls through examination of relevant documents, procedures and detailed testing. Sample capital works have been examined within the kitchen, roofing and gas central heating contracts. Reference has been made to research carried out jointly by Nottingham Trent University and Nottingham City Homes Housing Association concerning the wider social and economic impacts of the latter's Safe, Warm, Modern improvement programme. A diagnostic has been completed regarding demonstration of value for money through the capital programme, and the balance between cost, performance and satisfaction. This is set out in Appendix C.

The key risks to the achievement of the business objectives were discussed and agreed with the Head of Housing Property, Capital Programme Manager, Finance Manager: Housing, Treasury and Growth, and the Supporting People and Housing Strategy Manager before the commencement of the audit. The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of controls in place for each area of risk examined:

<i>Risk Area Examined and Findings</i>	<i>Audit Conclusion</i>
<p>Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy.</p> <ul style="list-style-type: none"> • The capital programme is prepared on the basis of the stock condition survey carried out by Rand Associates, which provides an objective basis for determining work required and allocation of budgets. • The Principal Quantity Surveyor maintains a database of all properties and their meeting the Decent Home standard. This allows prioritisation of properties to be included in the capital programme and recognition of backlogs. However, completed property repair works are not mapped to the data base to enable monitoring of performance against the Standard. • The Corporate Strategy does not specifically refer to housing and housing investment, even though they contribute to the priorities concerning well cared for neighbourhoods and reducing vulnerabilities, improving health for all (AP1.1). • The draft Joint Health and Wellbeing Strategy 2012-2016 identifies the connection between decent housing and improved health outcomes, but this is not recognised in the capital programme, nor used as a driver for determining the latter's funding and allocation to projects (AP1.2). • The Housing Strategy is currently being updated to recognise the changed circumstances for Housing under 'self-financing'. The draft is due to be produced by August 2013 and the final version to be presented to Cabinet in December 2013. (AP1.3) 	<p>Significant improvements required</p>

<i>Risk Area Examined and Findings (continued)</i>	<i>Audit Conclusion</i>
<p>Risk: Delivery of the capital programme</p> <ul style="list-style-type: none"> The standard format for monitoring progress and delivery of capital projects and reporting to operational meetings is not being effectively used by Property Surveyors. (AP 2.2) Capital work is recorded through the Open Housing System, but works are not always charged to the correct accounting codes, thereby reducing its effectiveness for budgetary control. Commitment accounting is carried out through the Open Housing System (OHS) (AP2.6). Delivery of the 2011/2012 programme continued into 2012/2013 (AP3.1). The slow pace of delivery of the 2012/13 capital programme is attributed to delays by SCS letting new contracts and demonstrating that theses reflected the standard and requirements of Housing Services. While project surveyors may set up jobs and payments in OHS, they can only be authorised and released by the Capital Programme Manager or the Head of Housing Property. A full audit trail is maintained for variation orders on OHS. They must be agreed by project surveyors before payment can be made. Costs of variations are unclear where jobs are not paid for and inflate project costs (AP2.1). Inspections of work and health and safety arrangements are carried out by project surveyors and contractors. Full checks are carried out on electrical, gas and boiler installations. 	<p>Satisfactory</p>
<p>Risk: Value for Money.</p> <ul style="list-style-type: none"> Housing Services have been proactive in reviewing the 'life cycle' costs relating to heating systems, bathrooms and kitchens. This is to ensure that a quality product is procured which maximise live expectancy, reliability and reduces the cost of reactive maintenance. The service has worked with tenants in agreeing these specifications. The Housing repair services within the 'basket of works' provided by SCS are to be retendered from 2015. The roofing contract was awarded to Apollo Group in 2009 following competitive tendering and adherence to the Council's procurement guidelines. Major Aids and Adaptations are currently being put out to tender. SCS tender individual packages of work, but there is no value for money comparison with other organisations. (AP3.1 and AP3.2). SCS sub-contract significant values of the Housing Repairs work however SCS's procurement processes do not reflect the standards and requirements of Housing Services. Housing Services reviewed the procurement process relating to the Electrical Contract to ensure that the standard and requirements required are achieved and to share good practice. There is only limited use of performance indicators relating to the capital programme. Overall performance is reported to LPAR on a quarterly basis. (AP2.2). There are limited opportunities for benchmarking the capital programme and comparing best practice AP3.2). 	<p>Significant improvements required</p>

Overall Opinion

Materiality and impact: High. The value of the 2012/2013 capital programme for housing repairs is £11.012 million. Materiality is therefore **high**. The capital programme brings improvements to 10,500 homes within the Borough on a cyclical basis and makes a clear contribution to the One Swindon priorities and Corporate Strategy. Impact is therefore **high**.

Opinion on system controls: Significant improvements required (see Appendix A) i.e. the Auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

Overall assessment of risk: the combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Moderate	Minimal	Minimal
2	Satisfactory	Moderate	Moderate	Minimal
3	Significant improvements required	Of Concern	Moderate	Moderate
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of the capital programme for housing repairs, together with the recommendations to mitigate risks. Management responses to the recommendations and timescale for implementation are co-ordinated in Appendix 'A'. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

1 Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy

Findings:

The Council's Corporate Strategy does not specifically mention housing and housing investment, but certain priorities relate to these areas:

- Work with residents to create well cared for neighbourhoods i.e., well maintained homes are an essential part of well cared for neighbourhoods
- Reduce vulnerability and improve health for all i.e., decent homes contribute to improved health, reduced burglaries, and people needing care able to stay at home. This is based on research by Nottingham Trent University and Nottingham City Homes, and is demonstrated in the diagram in Appendix B

The draft Joint Health and Wellbeing Strategy recognises this connection. Priority 19 is: 'Ensure that housing and development strategies for new and existing communities identify the health and wellbeing impacts for residents in the short and long term'.¹

Although links can be established between One Swindon priorities and the capital programme (living independently; better town centre; I like where I live), the former are not taken into account in preparation of the capital programme and allocation of the available funds. Without this clear connection to the One Swindon priorities, there is a risk that housing repairs and improvements will have a lower priority among the Council and its partners, and allocated resources may be reduced.

An updated Housing Strategy is currently being compiled by the Supporting People and Housing Strategy Manager within Commissioning. This is intended to recognise the changed circumstances for Housing as a result of 'self-financing'.

HRA Self-financing has been reviewed separately by Internal Audit, and is not considered further in this review.

The Strategy provides the opportunity to strike a balance between rent levels, repayment of debt, and further investment in social housing.

There is a risk that the full contribution of housing improvements to wider priorities may not be recognised as outcomes. A good example to demonstrate such links and relationships are set out in Appendix B: Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme.

Recommendations:

- 1.1 The Council's Corporate Strategy should recognise the role that improvements to social housing make to achieving its priorities, reflecting the priorities in the draft Health and Wellbeing Strategy.
- 1.2 The capital programme for housing repairs should also highlight the contribution that it makes to wider priorities within the Council and its partners, and should use it as a possible means of obtaining additional funding and as a determinant in allocating funding between projects within the programme.
- 1.3 In recognising the interaction resulting from 'self-financing' between rent levels, repayment of debt, and future investment, the updated Housing Strategy should address the wider effects of investment in reducing fuel poverty, reducing crime, local employment, and health and wellbeing. In particular, it should highlight the contribution that these factors make to the priorities in the Health and Wellbeing Strategy, the Corporate Strategy, and One Swindon. As an example of good practice evaluate the principle set out the Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme (see Appendix B).

Priority: High**Responsible officers:**

Head of Housing Services in conjunction with the Board Director of Service Delivery, Board Director for Resources, and Supporting People and Housing Strategy Manager.

2 Risk: Delivery of the capital programme

Findings:

The pace and quality of Housing capital repairs works delivered by SCS were not consistently performed to the required level across 2012/13. The Head of Housing Services expressed concerns regarding the contracting capacity of SCS. Housing Services conducted a review of the tender specification and process for electrical works being put to market by SCS and supported the company in ensuring that good practice and value for money was demonstrable in sub-contracting these 'basket of works'.

On the gas central heating contract where no payments have yet been made, there is no difference between original and actual job costs.

On the kitchens contract, work completed to January 2013 had an original value of £597,930 and actual cost of £668,630 representing an increase of £70,700 (12%). Of this, £27,070 is attributable to work at Mervyn Webb Place supported living scheme where the 12% management fee had been accidentally omitted (28 properties). A further analysis of 20 other kitchen installations with cost variations showed reductions at all properties in the cost of asbestos surveys, but the same additional items required at a majority of properties, for example, 13 of the 20 properties required carbon monoxide detectors charged at £77.83 each.

The detailed Capital Programme of works is not used by the Contact Centre to alert Housing Property Section of reactive repairs that could be considered for delivery under the capital programme. This may be viable where substantial repairs are required i.e. to roofs, kitchen or bathrooms such that it may be more advantageous to by bringing forward capital programme improvement works and mitigate the cost of reactive repair maintenance.

Mapping of completed repair jobs to relevant properties on the Open Housing data base is not in place from which to effectively monitor achievement of the Decent Homes Standard.

Recommendations:

- 2.1 Housing Services should seek assurance from the Contract Manager at SCS, responsible for the Housing Capital Programme, that there is a robust performance and quality assurance process in place and operating for reporting, monitoring and managing delivery. Any emerging issues/risks that may arise from performance below contract requirements should be discussed and resolved through regular client/contractor meetings. These should be recorded in an issues log/risk register including an action plan which is subject to regular review to ensure actions are implemented satisfactorily.
- 2.2 In evaluating tenders for capital works projects, it should be ensured that all known items and management fees are included in costing so as to minimise the possible levels of subsequent variations and identify any tenders that have been reduced in value by excluding items likely to be required at a later stage.
- 2.3 Evaluate trialling a three month pilot project with the Contact Centre to help mitigate the cost of reactive repairs by bringing forward or reprioritising planned repairs. As part of the pilot provide a detailed copy of the 2013/14 Capital Programme of works to the Contact Centre so that staff can refer more significant reactive jobs to Housing Services for consideration of delivery under a relevant Capital Programme contract.
- 2.4 Housing Services should ensure that the timeliness of repairs are delivered in accordance with targets set out in the tenants handbook. To support this pilot, Housing Services should provide guidance and ensure that any queries are resolved on a timely basis by dedicated officers.
- 2.5 Review the value of the pilot project after three months to see if there is benefit in continuing the arrangement.
- 2.6 Completed capital programme repair jobs should be mapped to relevant properties on the Open Housing data base and used to effectively monitor achievement of the Decent Homes Standard.

Priority: High**Responsible officers:****Head of Housing Property in conjunction with the Capital Repairs and Maintenance Programme Manager**

3 Risk: Value for money

Findings:

Of the total cost of the 2012/2013 capital programme (£11 million), 15% was provided by contractors awarded the work through competitive tendering. The largest contract was for roofing works (Apollo Group: £1.041 million). The rest is provided by SCS as part of the 'basket of works', which are tendered on an annual basis. Major Aids and Adaptations work has also been subject to competitive tendering.

The Strategic Commissioning Review approved by Cabinet in June 2011 agreed that work could continue to be placed with SCS without competitive tendering until such time as the 'basket of works' is retendered. A condition was that Value for Money should be demonstrated, which is achieved through tendering individual packages of work on an annual basis. In the implementation Plan for Swindon's Local Transport Plan 2012-2015 10% of the work that might have been given to SCS has been put out to tender in order to benchmark SCS's costs. The 10% has latterly been raised to 30%.

Even though work has been tendered on an annual basis it is not possible to demonstrate value for money without benchmarking. Work on certain 2012/2013 capital programme contracts did not start until late in the year.

A reason for this is that SCS were sub-letting new contracts for this work. These tenders were shared with Housing Property and in the case of the electrical upgrades contract, were considered unsatisfactory, leading to re-tendering. This means that the bulk of the capital programme is being delivered during the latter part of the current year, and into 2013/2 014.

Housing Property are now merged with other property-related business units across the Council and the timeline for commencement of market activity for the SCS 'basket of works' is approaching in 2015.

The contract for roofing awarded to Apollo Group originally ran from 2009 to 2012 and is being extended to 2014, as permitted by the contract.

All these circumstances highlight that there is currently no procurement strategy for property related services. There is a risk that future tendering for these services may be undertaken in a piecemeal fashion, leading to late delivery of future capital programmes and best value not being obtained from the contracting process.

The Capital Programme Manager has attempted limited benchmarking on certain contracts with other local authorities and social housing providers. This has largely been done through a former member of the Housing property team who has been able to provide the information. It is at an early stage and has yet to be reported.

Wider benchmarking of the capital programme is not possible through CIPFA Statistics, and Housemark and Housing Quality Network only offer benchmarking services for a fee (£5,000).

In a previous audit relating to housing repairs it was possible to carry out benchmarking using analyses of inspection reports carried out by the Audit Commission. Inspections are no longer undertaken within the regulatory framework now established by the Homes and Community Agency. The latter have a Value for Money standard for non-local authority housing providers as part of economic regulation.

Options for benchmarking delivery of the capital programme are therefore limited at a time when 'self-financing' is offering wider opportunities for housing

investment by local authorities.

As part of this review a value for money diagnostic has been completed and is included as Appendix C.

Recommendations:

3.1 A procurement strategy should be developed within the Council for property-related services that reflects:

- Forthcoming tendering of the current SCS 'basket of works'
- Re-tendering of the roofing contract, currently with Apollo Group
- Resourcing of projects within future capital programmes that does not hold back works because of lengthy procurement cycles.

With the latter in mind, tendering for a range of trades and professions within a framework agreement should be considered.

3.2 Housing Services and Property Services should benchmark with others, exchange of best practice, and being able to demonstrate value for money. Options are:

- Voluntary adoption of the Value for Money standard within the HCA economic regulation framework (this would still require benchmarking with other housing providers including any local authorities who have also voluntarily adopted the standard).
- Formation of a benchmarking club with other local authorities and housing providers
- Payment for benchmarking through HQN, Housemark, or other consultancies.

Priority: High

Responsible officers:

Head of Housing Property in conjunction with the Board Director of Resources, Head of Commercial Services and the Capital Repairs and Maintenance Programme Manager

Standard Audit Opinions

The audit opinion is based on two different criteria the first is the materiality of the system and its impact on the Council if there was a system failure. This has been spilt into High, Medium or Low.

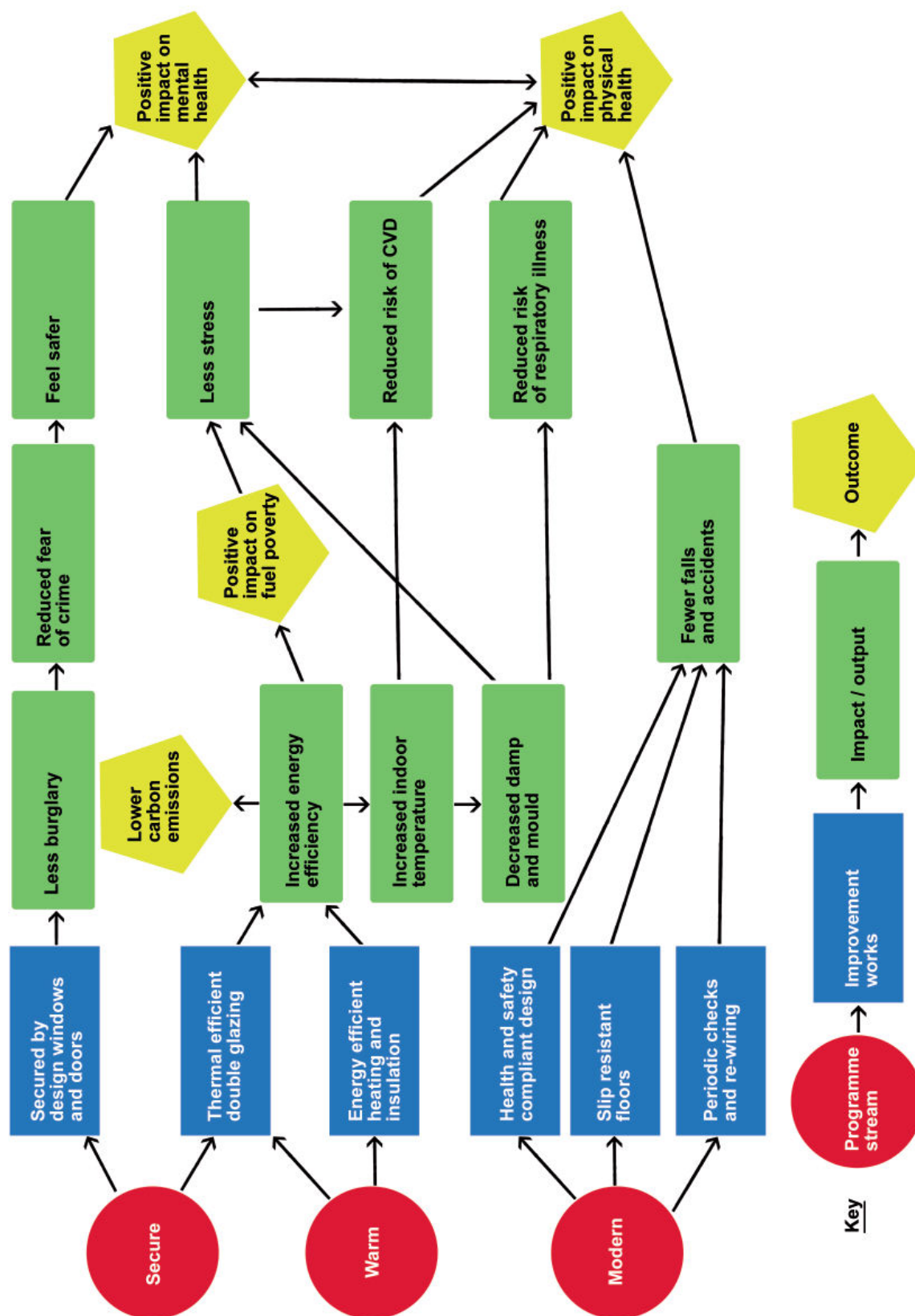
The second criteria, is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and, fundamental weakness. Each of these categories has a standard opinion (see below).

The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see Overall Opinion section in the main report).

Standard Audit Opinions on System Control
<p>Audit Opinion 1. High standard</p> <p>The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.</p>
<p>Audit Opinion 2. Satisfactory standard</p> <p>The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.</p>
<p>Audit Opinion 3. Significant improvements required</p> <p>The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.</p>
<p>Audit Opinion 4. Fundamental weaknesses identified</p> <p>The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.</p>

APPENDIX B

Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme
(from joint research with Nottingham Trent University)



APPENDIX C

Demonstration of Value for Money – Issues to be considered

This analysis is based on a model developed by Manchester City Council that identifies issues to be considered in determining whether a service is providing value for money. It is based on three elements – low cost (=economy); high performance (=efficiency); and effectiveness (=high satisfaction). The elements are assessed on a red/amber/green basis and cross-referenced to the action plan (AP) in this report.

Elements of Value for Money				
Low Cost		High Performance		High Satisfaction
Meets One Swindon priorities/ Corporate Strategy	Links exists but need to be made explicit (Amber – AP1.1 & 1.2)	Meets One Swindon priorities/ Corporate Strategy	Links exists but need to be made explicit (Red – AP1.1 & 1.2)	Links exists but need to be made explicit (Amber – AP1.1 & 1.2)
Right people involved – partners, communities	Close liaison with SCS as main provider, other contractors and tenants (Green)	Right people involved – partners, communities	Close liaison with SCS as main provider, other contractors and tenants (Green)	Post work inspections carried out (Green)
Champions/ promoters	Project Surveyors, Tenant Liaison Officers (Green)	Champions/ promoters	Project Surveyors, Tenant Liaison Officers (Green)	Tenant feedback sought through user groups and feedback forms – response and engagement could be greater (Amber AP2.2)
Vision and values	Housing Strategy and implications for investment being updated in the light of 'self-financing' (Amber AP1.3)	Vision and values	Housing Strategy and implications for investment being updated in the light of 'self-financing' (Amber AP1.3)	These no longer take place under HCA regulatory framework (Red AP3.3)

Elements of Value for Money				
Low Cost	High Performance		High Satisfaction	
Feasibility	On time	2012/2013 programme being delivered late (Red AP3.2)	Long term objectives achieved	Stock condition surveys show work needed to meet Decent Homes and higher standards. (Green)
Carried out for external contracts but not for SCS 'basket of works' (Amber AP3.1)				
Delivers solution to meet outcome	On budget	2012/2013 programme is within budget but cannot be demonstrated through commitment accounting (Amber AP2.5)	Benchmarking	Being developed but not yet reported. (Red AP3.3)
Capital programme based on Decent Homes and Swindon Standard. (Green)				
Planning	Quality delivered	Post work inspections carried out (Green)	Performance reviews	Post work inspections carried out (Green)
Programme is based on stock condition surveys and budget allocated on this basis rather than wider considerations (Amber AP1.3)				
Benefits agreed/ calculated	Performance reviews	Post work inspections carried out (Green)		
Agreed in tender documents and evaluation where work has been subject to competitive tendering ie roofing (Amber AP3.1)				

Low Cost		Elements of Value for Money		
		High Performance	High Satisfaction	
Procurement consulted	Award of roofing contract to Apollo followed procurement guidelines. Also consulted on current welfare adaptations contract (Amber AP3.1)			
Quotes required	Tenders required for roofing contract.			
Tenders required	Required by SCS for their work put out to tender. (Amber AP3.1)			
OJEU compliance	Roofing contract advertised in OJEU (Green)			
Planning	Project plans developed with contractors by surveyors (Green)			
Price/budget	Budgets agreed with SCS for 'basket of works'. Roofing contract has prices agreed with Apollo. (Green)			
Quality	Post work inspections carried out. (Green)			

Elements of Value for Money				
Low Cost	High Performance			High Satisfaction
Innovation	Expected in roofing contract with Apollo but achievement unclear (Amber AP3.1; 3.3)			
Setting, Monitoring and achieving KPI's/ targets/ benefits/ outcomes	The KPI's used to manage the Council's contract with SCS are not adequate to demonstrate effective and efficient delivery of the capital programme (Red AP2.4; 2.6).			
	Performance measures and benchmarking with other local authorities and social housing providers are being developed by the Capital Programme Manager, but are at an early stage and have not been reported other than to tenant representatives. (Red AP3.3)			

Management Response Form

I have read a copy of the draft report by Internal Audit on the Housing Repairs, Capital Programme and can confirm that for those recommendations that you have been stated as the responsible officer:

1. Findings and Recommendations

I am happy with the accuracy of the report's finding and the practicality of the recommendations made.

YES

2. Responsible Officers and Timescales

I confirm that stated responsible officers and timescales are appropriate and agreed.

YES

3. Actions

I confirm that appropriate actions will be taken to implement the recommendations made.

YES

4. Any Other Comments

Please add any other comments you may have:

Improved links with Decent Home Standard works to be established with One Swindon and Corporate Strategy in line with available resources. Housing Strategy to identify strategic priorities for surplus funding to deliver non-core works and regeneration. The tender timeline is to be reviewed following the SCS integration and a procurement strategy is to be developed with the option to include framework agreements to improve value for money and focus for delivery.

Confirmed by: Gerry O'Connor, Head of Housing Property

Date: 26th September 2013.

Acknowledgement

Internal Audit would like to acknowledge and thank the following officers who contributed to this review

Name	Job Title
Gerry O'Connor	Head of Housing Property
Brian Skeffington	Capital Programme Manager
Jon Black	Project Surveyor
Paul Hewer	Project Surveyor
Noel Bearcroft	Project Surveyor
Marcus Szczepanek	Principal Quantity Surveyor
Ian Burbage	Finance Manager – Housing, Treasury and Growth
James Graham	Supporting People and Housing Strategy Manager
Rachel Ind	Strategic Commissioner – Major Suppliers

INTERNAL AUDIT FOLLOW UP FORM – HOUSING CAPITAL REPAIR PROGRAMME

AUDIT	Lorraine Sarson	DATE	27 th March 2014
REPORT DATED	28 th October 2013	PAGE	Page 1 of 7

The following combined management response was received from the Head of Housing Property to the Housing Capital Programme Audit recommendations:

Improved links with DHS works to be established with One Swindon and Corporate Strategy in line with available resources. Housing Strategy to identify strategic priorities for surplus funding to deliver non-core works and regeneration. The tender timeline is to be reviewed following the SCS integration and a procurement strategy is to be developed with the option to include framework agreements to improve value for money and focus for delivery.

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	Status (1,2,3,4,5)	COMMENTS/ACTIONS BY DEPARTMENT
1	Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy			
1.1	The Council's Housing Strategy should recognise the role that improvements to social housing make to achieving its priorities, reflecting the priorities in the draft Health and Wellbeing Strategy.	Head of Housing Services	3	Following a Council wide restructure the Housing Strategy will be presented to Cabinet in July 2014.

Status: 1=Implemented, 2=Being Implemented, 3=Not Implemented, 4=Superseded, 5=Other

INTERNAL AUDIT FOLLOW UP FORM – HOUSING CAPITAL REPAIR PROGRAMME

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	Status (1,2,3,4,5)	COMMENTS/ACTIONS BY DEPARTMENT
1	Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy			
1.2	The capital programme for housing repairs should also highlight the contribution that it makes to wider priorities within the Council and its partners, and should use it as a possible means of obtaining additional funding and as a determinant in allocating funding between projects within the programme.	Head of Housing Property	2	<p>Capital Repairs and Improvement Programme supports One Swindon Objective: Living independently, protected from harm, leading healthy lives and making a positive contribution.</p> <p><u>HRA Business Plan linked to One Swindon Objectives:</u></p> <ul style="list-style-type: none"> The community is more involved in caring for their environment - new Environmental Improvement Programme, which allows residents to be involved with training and volunteering opportunities. The availability of jobs/ quality of job opportunities in Swindon improves – increase awareness for local contractors and suppliers on tendering opportunities for HRA repairs and improvement works through a 'South West' web based portal. Swindon is a business friendly environment for existing and new businesses – hold local contractor and supplier workshops to advise on programmes of work and proposed specifications with the aim to provide innovation, partnering arrangements, reduce risks and enhance relationships. Housing , development , and transport support sustainable environments to support communities' health & wellbeing – to provide homes that are affordable to heat by bringing the SAP rating for all homes up to a minimum standard, maintaining homes to the Decent Homes Standard, ensuring it is a safe and healthy environment to live in, undertaking structural appraisal of our non-traditional housing stock to assess its long-term viability and develop a repairs programme for different types of construction and commence an extensive structural repairs and thermal improvement programme of work and access Energy Company Obligation (ECO) grant funding from utilities. Review and benchmark results from STATUS survey – includes tenant satisfaction with repairs service. Improve the quality of the environment of some of our most deprived neighbourhood centres – The Circle and Sussex Square. The programmes of work are currently prioritised to ensure that homes are safe to live in and maintained to meet the Government's Decent Homes Standard to ensure compliance with the Homes and Communities Agency (HCA) regulatory framework for social housing in England. Future programmes of work will be aligned to the Council's wider priorities in line the Housing Strategy.

INTERNAL AUDIT FOLLOW UP FORM – HOUSING CAPITAL REPAIR PROGRAMME

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	Status (1,2,3,4,5)	COMMENTS/ACTIONS BY DEPARTMENT
1	Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy			
1.3	In recognising the interaction resulting from 'self-financing' between rent levels, repayment of debt, and future investment, the updated Housing Strategy should address the wider effects of investment in reducing fuel poverty, reducing crime, local employment, and health and wellbeing. In particular, it should highlight the contribution that these factors make to the priorities in the Health and Wellbeing Strategy, the Corporate Strategy, and One Swindon. As an example of good practice evaluate the principle set out the Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme (see Appendix B).	Head of Housing Services	3	The Draft Housing Strategy is on track to be reported to Cabinet in July 2014 alongside the Health and Well Being Strategy.

INTERNAL AUDIT FOLLOW UP FORM – HOUSING CAPITAL REPAIR PROGRAMME

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	Status (1,2,3,4,5)	COMMENTS/ACTIONS BY DEPARTMENT
2	Risk: Delivery of the capital programme			
2.1	Housing Services should seek assurance from the Contract Manager at SCS, responsible for the Housing Capital Programme, that there is a robust performance and quality assurance process in place and operating for reporting, monitoring and managing delivery. Any emerging issues/risks that may arise from performance below contract requirements should be discussed and resolved through regular client/contractor meetings. These should be recorded in an issues log/risk register including an action plan which is subject to regular review to ensure actions are implemented satisfactorily.	Head of Housing Property	2	Weekly monitoring meetings have been taking place since the re-integration of SCS to identify issues or blockages for delivery of programmes of work. Number of homes benefiting from Decent Homes improvement work monitored on a quarterly basis through Local Performance Action Review (LPAR) meetings. On target for delivery of Decent Homes programme of work. New control measures to be put in place as part of the new Property Maintenance Restructure.
2.2	In evaluating tenders for capital works projects, it should be ensured that all known items and management fees are included in costing so as to minimise the possible levels of subsequent variations and identify any tenders that have been reduced in value by excluding items likely to be required at a later stage.	Head of Housing Property	1	Tenders include separate costs for management fee. Management fee not required on Housing Capital Repairs and Improvement Programme for 2014/15.

INTERNAL AUDIT FOLLOW UP FORM – HOUSING CAPITAL REPAIR PROGRAMME

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	Status (1,2,3,4,5)	COMMENTS/ACTIONS BY DEPARTMENT
2	Risk: Delivery of the capital programme			
2.3	Evaluate trialling a three month pilot project with the Contact Centre to help mitigate the cost of reactive repairs by bringing forward or reprioritising planned repairs. As part of the pilot provide a detailed copy of the 2013/14 Capital Programme of works to the Contact Centre so that staff can refer more significant reactive jobs to Housing Services for consideration of delivery under a relevant Capital Programme contract.	Head of Housing Property	2	Reprioritising of works taking place, for example, roof renewal works brought forward to reduce repairs. Tenants involved with programming of work – properties benefiting from improvement work are to be highlighted on IBS Open Housing system during start of new financial year, 2014/15. Stronger relationships being developed with Contact Centre and Capital Contract/Delivery teams.
2.4	Housing Services should ensure that the timeliness of repairs are delivered in accordance with targets set out in the tenants handbook. To support this pilot, Housing Services should provide guidance and ensure that any queries are resolved on a timely basis by dedicated officers.	Head of Housing Property	2	All repair work allocated a priority in accordance with our service standards. Monitoring undertaken to assess performance - currently attend 96% of emergency repairs within 2 hours, 83% of urgent repairs within 1 working day and 84.2% for routine repairs. Business Process Re-engineering process being carried out as part of the SCS integration for day to day repairs.

Status: 1=Implemented, 2=Being Implemented, 3=Not Implemented, 4=Superseded, 5=Other

INTERNAL AUDIT FOLLOW UP FORM – HOUSING CAPITAL REPAIR PROGRAMME

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	Status (1,2,3,4,5)	COMMENTS/ACTIONS BY DEPARTMENT
2	Risk: Delivery of the capital programme			
2.5	Review the value of the pilot project after three months to see if there is benefit in continuing the arrangement.	Head of Housing Property	2	New re-structure to help with planning of works. Aim to focus effort on reducing external works, where homes on external planned maintenance.
2.6	Completed capital programme repair jobs should be mapped to relevant properties on the Open Housing data base and used to effectively monitor achievement of the Decent Homes Standard.	Head of Housing Property	1	IBS Open Housing system implemented for monitoring compliance for Decent Homes Standard Contracts being set up so that components are updated from programmes of work
3	Risk: Value for money			
3.1	<p>A procurement strategy should be developed within the Council for property-related services that reflects:</p> <ul style="list-style-type: none"> Forthcoming tendering of the current SCS 'basket of works' Re-tendering of the roofing contract, currently with Apollo Group Resourcing of projects within future capital programmes that does not hold back works because of lengthy procurement cycles. <p>With the latter in mind, tendering for a range of trades and professions within a framework agreement should be considered.</p>	Head of Housing Property	2	<p>3-year investment programme reported to Housing Advisory Forum (HAF) on 12th March 2014.</p> <p>Budget Management report to Cabinet 19th March 2014 set out the proposal to extend existing contracts, where this is an option let new short term contracts to ensure delivery of HRA works.</p> <p>Tenants and Council Members of HAF to be invited to Asset Management Working Group meetings to develop long-term procurement strategy.</p>

Status: 1=Implemented, 2=Being Implemented, 3=Not Implemented, 4=Superseded, 5=Other

INTERNAL AUDIT FOLLOW UP FORM – HOUSING CAPITAL REPAIR PROGRAMME

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	Status (1,2,3,4,5)	COMMENTS/ACTIONS BY DEPARTMENT
3	Risk: Value for money			
3.2	<p>Housing Services and Property Services should benchmark with others, exchange of best practice, and being able to demonstrate value for money. Options are:</p> <ul style="list-style-type: none"> • Voluntary adoption of the Value for Money standard within the HCA economic regulation framework (this would still require benchmarking with other housing providers including any local authorities who have also voluntarily adopted the standard). • Formation of a benchmarking club with other local authorities and housing providers • Payment for benchmarking through HQN, Housemark, or other consultancies. 	Head of Housing Property	3	<ul style="list-style-type: none"> • Benchmarking to be carried out to aid assessment of strategy to procure significant programmes of work. • Post contract evaluations to be carried out to assess whether vfm obtained for Decent Homes programmes of work.

Status: 1=Implemented, 2=Being Implemented, 3=Not Implemented, 4=Superseded, 5=Other

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Annual Statement of Accounts 2013/14

Committee: Audit Committee

Date: 15th April 2014

Author: Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report provides an update on the progress towards the completion of the 2013/14 Statement of Accounts
- 1.2 The audit committee is the designated body for approval of the Council's final accounts.

2. Recommendations

The Committee is recommended to:

- 2.1 Note the content of this report.

3. Detail

Update on the 2013/14 Statement of Accounts

- 3.1 Under statutory requirements the draft annual accounts require authorisation by the Council's Section 151 Officer (Board Director, Resources) by the end of June. The position of the draft accounts is normally reported to the Audit Committee at its June meeting for information, but is not a requirement for the Committee to approve them.
- 3.2 There are no significant changes to the accounting Code of practice for 2013/14. The accounting policies remain as per the 2012/13 statement of accounts.
- 3.3 Although there are no significant changes to the Code that impact on the Authority's accounting policies, a number of changes are being made that will require changes to figures or disclosures. The key areas this relates to are for:
 - 3.3.1 Post-employment benefits – changes to International Accounting Standard 19 have now been incorporated within the Code. It will require revised disclosure and restatement of prior period revenue figures for the last financial year. Changes are reversed out as part of the accounting process and will not impact on the General Fund.
 - 3.3.2 Business rates – changes to the way in which business rates are accounted for within the Collection Fund to reflect agency arrangements (meaning the Authority only shows amounts that relate to its share of balances, excluding proportions that relate to preceptors) are being

Further information on the subject of this report can be obtained from Darren Stevens, Direct Dial 07769 281659, dstevens@swindon.gov.uk.

Annual Statement of Accounts 2013/14

Committee: Audit Committee

Date: 15th April 2014

implemented. This required change is covered under current policy for Council Tax elements of the Collection Fund and changes are expected to be brought prospectively, without changes to opening balances.

- 3.3.3 Service analysis – there have been a number of small changes to the service reporting code, with the main change being the inclusion of a new line for Public Health services.
- 3.4 In addition to the impact of changes to the accounting Code, the Authority has local areas that are being reviewed in closing the 2013/14 accounts:
- 3.4.1 Wichelstowe – the relevant value from assets under construction will be transferred into operational assets and accounted for under relevant accounting policy for infrastructure assets.
- 3.4.2 Private Finance Initiative (PFI) – in the final accounts for 12/13 the PFI balance sheet liability was lower than the liability modelled by the external auditor. This continues to be reviewed, and upon conclusion may result in a prior period adjusted to update the balance sheet position.
- 3.4.3 Swindon Commercial Services – staff transferred over to the Authority on 1st November 2013 and many of the services previously provided by the subsidiary company are now 'in-house' and being provided as direct services of the Council. This results in reduced transactions within the group accounting boundary. The full impact on transactions won't be seen until 2014/15, due to the part-year integration in 2013/14.
- 3.4.4 Timing of the Audit Committee for approval – in previous years the formal approval of the accounts has tended to be the last Tuesday of September to give as long as possible for the audit which started in August. Grant Thornton are now resourced to start the audit of the accounts through July. This should remove the later completion to the audit seen in prior years, so the September audit committee date is scheduled for a week earlier this year.
- 3.4.5 Format of the accounts – The Chartered Institute of Public Finance and Accountancy (CIPFA) and external auditors have tried to provide examples or suggestion on how an Authority's statement of accounts may be made more user friendly. This will be looked at as the accounts are produced this year and could be through:
- Removing non-statutory notes that aren't material, or
 - Excluding policy information for non-material transaction/processes or
 - Greater inclusion of graphical figures rather than tables of numbers.

Further information on the subject of this report can be obtained from Darren Stevens, Direct Dial 07769 281659, dstevens@swindon.gov.uk.

Annual Statement of Accounts 2013/14

Committee: Audit Committee

Date: 15th April 2014

4. Alternative Options

- 4.1 None – the annual Statement of Accounts is a statutory process.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 These have been reflected in the body of the report.

Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would have a detrimental impact on services.

6. Consultees

- 6.1 The Board Director Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 None

Further information on the subject of this report can be obtained from Darren Stevens, Direct Dial 07769 281659, dstevens@swindon.gov.uk.

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Internal Audit Plan: 2014/15

Audit Committee

Date: 15th April 2014

Author: Head of Internal Audit
Wards: None
Locality Affected: None
Parishes Affected: None

1. Purpose and Reasons

- 1.1 To present the draft Internal Audit Annual Plan (2014/15) for approval by the Audit Committee.
- 1.2 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.
- 1.3 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 against the annual plan along with the implementation of agreed recommendations by Client departments.

2. Recommendations

The Committee is recommended to:

- 2.1 Approve the draft Internal Audit Plan for 2014/15.

3. Detail

Legal Framework

- 3.1 Internal Audit is a statutory requirement for local government under the Accounts and Audit Regulations 2011.
 - (a) Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. Internal Audit supports the role of the Section 151 Officer by assessing the financial controls of the Council, in particular in relation to the main financial systems and provides assurance to the External Auditor regarding the reliance that can be placed upon these.
 - (b) Section 6 of the Accounts and Audit Regulations 2011 states that 'a relevant body shall maintain an adequate and effective system of internal control in accordance with proper internal audit practices'. These regulations emphasise the much wider role for Internal Audit and the need to consider all internal control arrangements, not just financial, and places

Internal Audit Plan: 2014/15

Audit Committee

Date: 15th April 2014

more emphasis on the risk management arrangements and the need to consider the key risks to the Council's objectives.

Annual Internal Audit plan 2014/15

- 3.2 The Head of Internal Audit has put together a draft risk-based Internal audit plan for 2014/15 (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 Regulations 2011.
 - 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/Heads of Service priorities.
 - Priorities identified by Internal Audit.
 - Additional Corporate Governance issues including anti-fraud and corruption work.
 - Certification work including the Carbon Reduction Commitment Scheme, Highways Grant audits etc.
 - A contingency has also been allowed for investigation work, follow-up work and advice and consultancy.
- 3.3 Meetings with the Chief Executive, all Board Directors and tier two officers were held in order to identify their priorities for Internal Audit over the coming financial year. All senior management teams were also consulted.
- 3.4 Attached as Appendix 1 is the draft plan, split along service areas.
- 3.5 The initial resource required to meet all of the audits listed exceeds the resources available i.e. the number of audit days available are 1,246. This is after allowing time for advice, assistance a contingency for investigations etc. The 1,246 days is 54 days less than what would be required if all the must do's and high priority audits were to be completed and 386 days short if all the medium priority audits were to be completed during 2013/14.

Internal Audit Plan: 2014/15

Audit Committee

Date: 15th April 2014

Category	No. of days in category	Cumulative days
Must do's/Critical	319	319
High	981	1,300
Medium / Low	332	1,632

- 3.6 As the difference between the days needed for the high and critical audits and those available is only 54 days it is recommended that these audits form the basis of the audit plan which, as in previous years, will be reviewed quarterly with senior management teams to ensure that audits planned for the forthcoming quarter are still a priority.
- 3.7 Due to the on-going OFSTED inspection it has not been possible to finalise the priorities of audits within the Commissioning pillar. These will be agreed at the Commissioning Leadership team on 19th April. Any significant changes to the plan will be reported to Audit Committee at the June meeting.
- 3.8 Audit Committee are therefore requested to agree the audit plan and that those rated as medium or low are left out of the audit plan unless priorities or resources change (Appendix 2 provides details of these audits).
- 3.9 The plan and priorities have been agreed by Corporate Board.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report.

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

Internal Audit Plan: 2014/15

Audit Committee

Date: 15th April 2014

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the objectives set out in One Swindon are achieved.

Diversity Impact Assessment

- 5.5 None

Risk Management

- 5.6 Not applicable

6. Consultees

- 6.1 The Board Director Finance, Revenues, Benefits and Property (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- 6.2 The Chief Executive, Corporate Board and all tier one and two officers and Heads of Finance have been consulted when putting the internal audit plan together.

7. Background Papers

- 7.1 None

8. Appendices

Appendix 1 – Draft Internal Audit Plan 2014/15

Appendix 2 – Audits left out of the 2014/15 plan

INTERNAL AUDIT PLAN - 2014/15

Chief Executive / Corporate

Annual Governance Statement - compilation of 2013/14 statement
 Annual Governance Statement - review of actions
 Growing Economy
 Transformation Hub / Public Sector Transformation/Change Programmes
 Anti-Fraud & Corruption work inc. directed testing (inc. procurement cards, duplicate payments),
 Internal data matching
 Value for Money strategy: follow-up
 Audit Commission: NFI data matching

Commissioning

Ofsted issues
 Embedding Commissioning

 Troubled Families - grant certifications
 Adult Safeguarding (carry over from 2013/14)
 Troubled Families: follow-up
 Children Centres
 Better Care Fund
 Commissioning: Voluntary sector organisations
 Reablement
 Personal budgets - anti-fraud checks

 Compliance check of HR data i.e. training, CRB/DBS checks etc.
 Offer of Early Help
 Free school meals (policy change)
 ICS network

Schools: Information governance
 School (1)
 School (2)
 School (3)
 School (4)
 Special Resource Provision - funding high need students
 Home to School transport
 Chiseldon School (carry over from 2013/14)
 EOTAS
 LEP, City Deal, Skills and Employment Board
 Community engagement - delivering differently

Delivery

Property Review

Open Housing system: system control and integrity
 Housing Rents - focus on arrears and impact of Welfare Reform Act
 Sheltered accommodation - vulnerable adults/cash handling
 Emergency accommodation (Inc. bed and breakfast, Children's, YOT)
 HRA self-financing / supporting the delivery of the Housing Strategy

Pinch Point and other grant certification
 Car Park Income
 Highways Asset Management: follow-up
 Shaw Tip - consultancy review
 Concessionary travel
 Pot Holes

Carbon Reduction Commitment - grant certification
Housing Repairs
Statutory compliance for corporate buildings
Housing Voids: follow-up

Confidentiality audits
SWIFT upgrade
Records Management: follow-up
UK Broadband: follow-up (carry over 2013/14)
Health and Safety compliance
Mobile devices
Performance Management
Business Continuity

Library Strategy - consultancy

StreetSmart - contract management - consultancy
RIPA compliance
Municipal burials/crematorium: follow-up

Licensing

Resources

Debtors
Housing Benefits
Council Tax
NNDR
HB, CTAX and NNDR: system control and integrity
Risk Management

Procurement review
 Discounts, disregards etc.
 Voids: Council Tax, NNDR (carry over from 2013/14)
 Debtors: Write-offs (carry over from 2013/14)

 Oracle: system control and integrity
 Treasury Management
 Creditors
 Asset Management - financial year closedown
 Money Laundering
 Payment Card Industry Standard
 Rating Capital Programme - carry forward from 2013/14
 Wichelstowe - joint venture
 Emergency out of hours (carried over from 2013/14)

 Payroll
 Payroll: Starters and leavers
 Payroll: I-Trent
 Workforce engagement (carry over from 2013/14)
 Employment of Consultants: follow-up

 PSN - input to submission
 NHS IT toolkit
 ICT strategy, plans and integration
 ICT asset management
 ICT governance arrangements
 ICT Protective monitoring
 Protective marking
 Information Security policy refresh
 Cloud Provision
 Network, infrastructure and domain security
 TASK/Oracle closedown

Consultation Process

Localities

Use of Community assets: follow-up

Localities: defining cohorts, resources and capability and impact measures

External

Wiltshire and Swindon Fire Authority - external contact

Ridgeway School (carry over from 2013/14)

SCS - audit consultancy provision

Total days required

Total days available

Shortfall (to cover just critical and high priority audits)

Shortfall (to cover all critical, high and medium priorities)

AUDITS NOT IN THE INTERNAL AUDIT PLAN 2014/15

MEDIUM/LOW PRIORITIES

Chief Executive / Corporate

Registry Office

Commissioning

Provision of under 16 custody
Quality assurance

Community Health - IT knowledge, access and use
Signs of Safety
Pupil Premium

Forward Swindon
School (5)
School (6)
Nursery checks

Localities

Localities - Member involvement/training - best practice

Delivery	
Closer fit between Delivery and Social Care - corporate parenting	
SCS Reintegration - key controls	
Managing the Council's delivery of its asset infrastructure	
Tenancy, RTB etc. Fraud	
Garage stock	
Swindon and Wiltshire Local Transport Body	
Non-traditional housing structural appraisals	
Capita - management	
Complaints	
STEAM procurement: follow-up	
Green Waste	
Resources	
Purchasing Cards	
Duplicate Payments	
Monitoring of Capital Programme	
Sickness monitoring: follow-up	
Non GCSX secure email arrangements	
Impact of revisions to EU Directive on Data Protection (if it happens)	
Impact of European Cyber Security Directive/Central Government Security Policy framework	
New website	

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Internal Audit review: Strategic Fraud Update

Audit Committee

Date: 15th April 2014

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and 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 pro-active and investigative work of Internal Audit contributes to this assurance framework.

2. Recommendations

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

3. Detail

Background

- 3.1 The Audit Commission's publication *Protecting the Public Purse 2013* states that fraud against public sector organisations costs more than £20.6 billion, with fraud against local government costing more than £2 billion a year. Other research estimates that the economic cost of fraud to organisations across the world averages at 5.7% of their budget with 70% of organisations globally losing 3% of their budget (source: PKF Forensic Services).
- 3.2 In a time of austerity, preventing fraud becomes even more important. Every pound lost through fraud cannot be spent on providing services. It is vital that the Council has strong counter-fraud cultures and effective counter-fraud arrangements.
- 3.3 The purpose of this report is to provide assurance on the effectiveness of the counter fraud work completed across the Council.

Fighting Fraud Locally

- 3.4 Through the introduction of a Cabinet Office Counter Fraud Task Force and the National Fraud Agency's (NFA) national cross sector strategy, *Fighting Fraud Locally*, to reduce fraud affecting the country and its economy, the Government has indicated a step change in how seriously it considers the issue of fraud in the public sector.

Further information on the subject of this report can be obtained from Nick Hobbs, Head of Internal Audit, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit review: Strategic Fraud Update

Audit Committee

Date: 15th April 2014

- 3.5 *Fighting Fraud Locally* was the first national strategy developed by local government to tackle fraud against local government. The report focussed on non-benefit fraud areas, in particular, housing tenancy, council tax discounts, procurement, grants, employees, schools and personal budgets. The report highlights councils' performance in tackling these fraud risks. The strategy also highlights good practice and provides practical examples of successful counter-fraud measures.
- 3.6 A link to the full report is below:
- <http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/>
- 3.7 As part of the government's reforms to policing the fight against fraud the Home Secretary has announced that the NFA will close and its responsibilities will be realigned to reflect the creation of the National Crime Agency.
- Audit Commission
- (a) Report: Protecting the Public Purse 2013 – Fighting fraud against local government
- 3.8 This Audit Commission national report sets out their most recent findings resulting from their National Fraud Initiative (NFI) Data Matching exercise and Annual Survey on fraud. The Commission acknowledge that local government bodies are targeting resources more efficiently and effectively.
- 3.9 The report highlights areas where high levels of fraud have been identified in their survey, these include:
- Housing and council tax benefit
 - Housing tenancy
 - Council tax discount
 - Business rates
 - Direct payments/ Personal budgets
 - False insurance claims
 - Disabled parking concessions
 - Procurement
 - Schools
 - Internal fraud
- 3.10 The report also provides a checklist for those responsible for governance. An updated assessment against the checklist will be brought back to a later meeting of the committee.
-

Further information on the subject of this report can be obtained from Nick Hobbs, Head of Internal Audit, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit review: Strategic Fraud Update

Audit Committee

Date: 15th April 2014

3.11 A link to the full Audit Commission report is below:

<http://www.audit-commission.gov.uk/2013/11/protecting-the-public-purse-2013/>

(b) Report: Protecting the Public Purse 2013 – Fraud Briefing

3.12 This briefing, produced by the Audit Commission, takes the findings from their annual fraud survey and uses them to compare Swindon's performance against other southern unitary authorities. It compares detected fraud in areas such as housing benefit and council tax benefit; council tax discount; social housing (recovered properties); right to buy and disabled parking (blue badges).

National Fraud Initiative

3.13 The Council, via Internal Audit, has again participated in the Audit Commission's National Fraud Initiative (NFI) as part of the statutory external audit requirements. The NFI brings together data from across the public sector including local authorities, NHS, the Home Office/ other government departments and other agencies to detect 'matches' i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.

3.14 Since its launch in 1996, the NFI is reported to have identified fraud, overpayments and error totally in excess of £450 million, nationally.

3.15 The Council submitted data for the latest exercise from the following data sets:

- Payroll
- Pensions
- Trade creditors' payment history and Trade creditors' standing data
- Housing
- Housing benefits
- Council tax
- Electoral register
- Private supported care home residents
- Transport passes and permits (including residents' parking, blue badges and concessionary travel)
- Insurance claimants
- Licences - Market trader/operator, Taxi driver and Personal licences to supply alcohol

3.16 The results from the data matching provided 9,886 hits for Swindon of which 2,001 were recommended matched i.e. where the quality of the hits was

Further information on the subject of this report can be obtained from Nick Hobbs, Head of Internal Audit, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit review: Strategic Fraud Update

Audit Committee

Date: 15th April 2014

sufficient to warrant further investigation. A summary of the findings to date is set out below:

- *Creditors:* The NFI duplicate payment matches were superseded by work carried out by Internal Audit, using their own processes to identify duplicate payments over a three year period. This work has identified £27,000 of previously unrecovered duplicable payments, which are now in the process of being reclaimed from suppliers.
- *Housing Benefits:* Numerous matches were received from the Audit Commission. Matches are currently under investigation by the Housing Benefit Fraud Team. Two frauds have been proven from investigations carried out so far, to the value of £2,500.
- *Blue Badges to Deceased Persons:* Work with the service area identified 33 deceased current blue badge holders. As a result these badges have now been cancelled. Eight records for further investigation have been identified and notified to the section. The Council was able to cancel one additional blue badge as a result of the exercise, as it was found that a non-deceased badge holder had current passes in both Wiltshire and Swindon.
- *Concessionary Travel to Deceased Persons:* Work with the department identified 149 deceased current badge holders for cancellation, which will prevent future renewal. A further 74 records for investigation have been identified and notified to the section. A further 24 records with out-of-date addresses were also identified from the exercise.
- *VAT:* A number of potentially incorrect payments of VAT against supplier invoices were investigated, but were found to have been paid at the correct amount when review. No further action was required.
- *Insurance:* Two cases of potential serial insurance claims were reported to the Council. These were found to be legitimate claims in both cases. No further action was required.
- *Immigration cases:* Several potential cases of housing tenants not having the correct immigration status were identified through the NFI exercise. Internal Audit worked with the UK Borders Agency to review these cases. All queries in relation to the cases raised have been resolved to their satisfaction and one case has been handed over to the Borders Agency for pastoral assistance in relation to their immigration status.

- 3.17 There are still on-going investigations in relation to the above (and other) NFI reports. Results from data matching Council Tax Single Person discounts to the Electoral Register have recently been received and will be prioritised and investigated during 2014/15.

Further information on the subject of this report can be obtained from Nick Hobbs, Head of Internal Audit, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit review: Strategic Fraud Update

Audit Committee

Date: 15th April 2014

CIPFA

- 3.18 Further details were set recently on where the Audit Commission's functions will transfer. CIPFA has been asked by ministers to take over counter-fraud areas including the publication of the annual *Protecting the Public Purse* report.
- 3.19 The aim of the new centre will be to work with partners from across the public sector to become a global authority on counter-fraud for public services. This will also include publication of a counter-fraud manual, accredited training and the sharing of good practice when the centre opens in June 2014.

Internal Audit response

- 3.20 Internal Audit continually reviews its approach to fraud work. Resources have been allocated within the plan to carry out proactive work and a contingency is also included to carry out reactive work such as fraud investigations.
- 3.21 Areas identified within the Audit Commission report *Protecting the Public Purse 2013* i.e. housing tenancy, procurement, council tax discounts and housing and council tax benefits, were also reviewed and informed the planning for 2014/15.
- 3.22 The Council's Anti-Fraud and Bribery Strategy is reviewed annually to ensure that it sets out best practice and complies with relevant legislation. A review against other relevant Council policies i.e. the Council's Code of Conduct, Disciplinary Policy, Whistleblowing Policy and Fraud Response Plan is currently being finalised and will be reported to the Council's Monitoring Officer and Head of People and Change as well as the Section 151 Officer.
- 3.23 The NFA's *Fighting Fraud Locally* also informs the Fraud work carried out by Internal Audit. This is also an area of focus for the West of England Chief Internal Auditor's Fraud Sub Group (which consists of all the county and unitary authorities in the West of England and which the Head of Internal Audit is currently Chair).
- 3.24 The Sub-Group also carry out benchmarking exercises amongst themselves. The most recent exercise benchmarked Council's arrangements for Whistleblowing and helped inform the review mentioned above. The sub-group also identify areas of good practice and exchange experiences on recent frauds within their authorities.
- 3.25 The NFA have also issued a fraud awareness CD that has recently been put on to the Learning Zone webpage. Publicity regarding this training package will be issued shortly.
- 3.26 The Internal Audit section also produces a Fraud Bulletin which highlights recent frauds that have occurred throughout the country and asks the question 'are our

Further information on the subject of this report can be obtained from Nick Hobbs, Head of Internal Audit, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit review: Strategic Fraud Update

Audit Committee

Date: 15th April 2014

system controls sufficient to prevent these frauds happening in Swindon?' A copy of the latest bulletin is available in the Members Room and will be circulated at the Audit Committee meeting.

3.27 Fraud Alerts are also issued by Internal Audit when they become aware of scams/frauds that need to be alerted to relevant staff i.e. recent fraudulent attempts to change suppliers' bank account details.

3.28 Data Matching: As mentioned above, £27,000 worth of duplicate payments were identified by Internal Audit through our own data matching. This proved to be more effective than the NFI data matching and is something that we will look to undertake quarterly. The section is also looking to increase their current data matching to identify further potential fraud or error.

3.29 The following table provides a brief summary of the levels of investigations undertaken by Internal Audit over the past few years:

	2010/11	2011/12	2012/13	2013/14
Whistleblowing cases	4	5	6	9
Other Investigations	9	11	13	8
Total	13	16	19	17

3.30 The outcomes of all Whistleblowing cases are reported to the Standards Committee.

3.31 Internal Audit keep abreast of local and national developments both through the West of England sub-group mentioned above, through regular liaison with other authorities and through the National Anti-Fraud Network (NAFN) of which the Head of Internal Audit is a member of the Executive Board.

3.32 Internal Audit is also looking to build closer working relationships with the Benefit Fraud Team Leader to explore joint working and the possibility of a corporate fraud team.

4. Alternative Options

4.1 Not Applicable

Further information on the subject of this report can be obtained from Nick Hobbs, Head of Internal Audit, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Internal Audit review: Strategic Fraud Update

Audit Committee

Date: 15th April 2014

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the objectives set out One Swindon are achieved.

Diversity Impact Assessment

- 5.5 Not Applicable

Risk Management

- 5.6 Not applicable

6. Consultees

- 6.1 The Board Director Finance, Revenues, Benefits and Property (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 None

Further information on the subject of this report can be obtained from Nick Hobbs, Head of Internal Audit, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

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Grant certification work plan for Swindon Borough Council

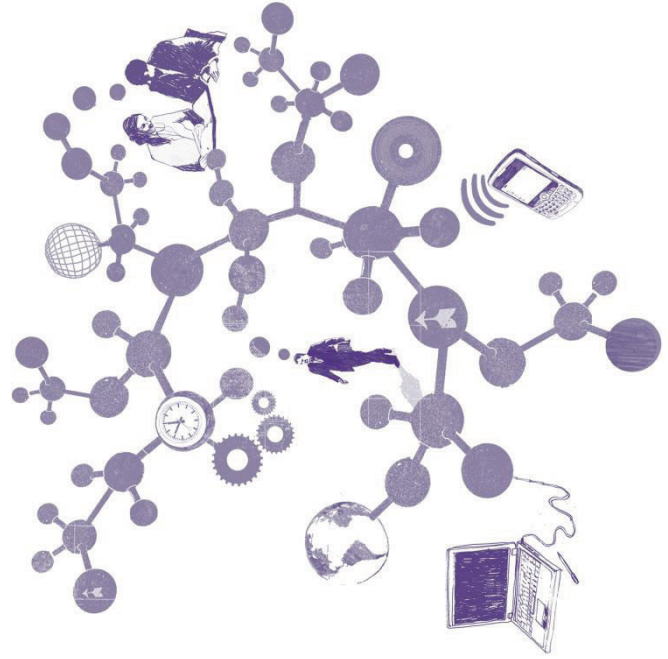
Year ended 31 March 2014

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Contents

Section	Page
1. Our approach to grant certification work	3
Appendix A Summary of expected claims and returns for the year ended 31 March 2014	7

Our approach to grant certification work

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013/14 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role is set out in more detail below:

- the Council is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Director of Resources or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- national non-domestic rates return
- teachers' pensions return
- pooled housing capital receipts

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefit claim)
- national non-domestic rates return

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council is £16,700. This fee may be subject to revision by the Audit Commission as certification of council tax benefit is no longer required as part of the Housing Benefit Subsidy scheme. The fee may also require a revision as we are required to undertake full certification procedures on the Teachers Pensions Return in 2013/14, compared to the basic audit work required in 2011/12. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Chris Hackett at the following address:

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14	Yes	Claim qualified and minor amendment
Pooling of housing capital receipts (CFB06)	28/06/14	27/09/14	Yes	Minor amendments to the claim
Teachers' pensions return (PEN05)	30/06/14	29/11/14	Yes	No qualification or amendment

* No certification of council tax benefit is required in 2013/14

** Indicative deadlines only – final deadlines to be confirmed by the Audit Commission



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The Audit Plan for Swindon Borough Council

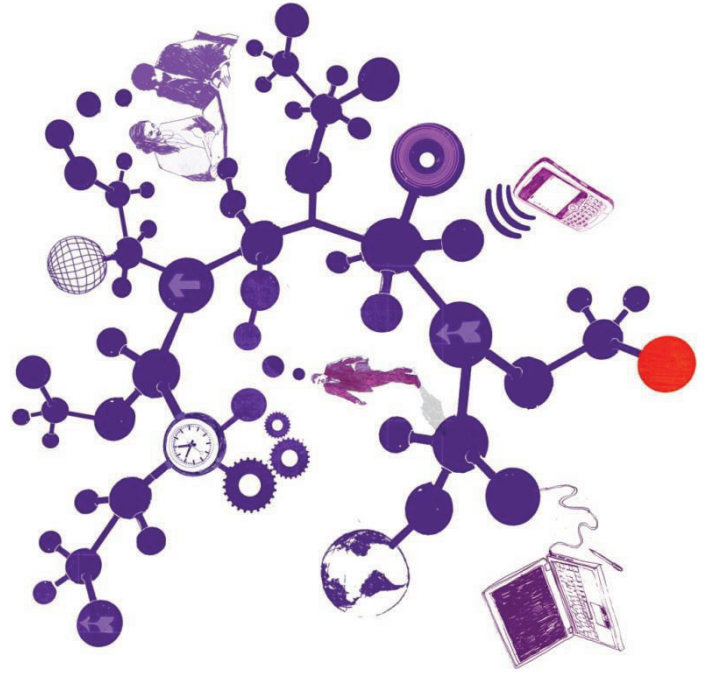
Year ended 31 March 2014

31st March 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

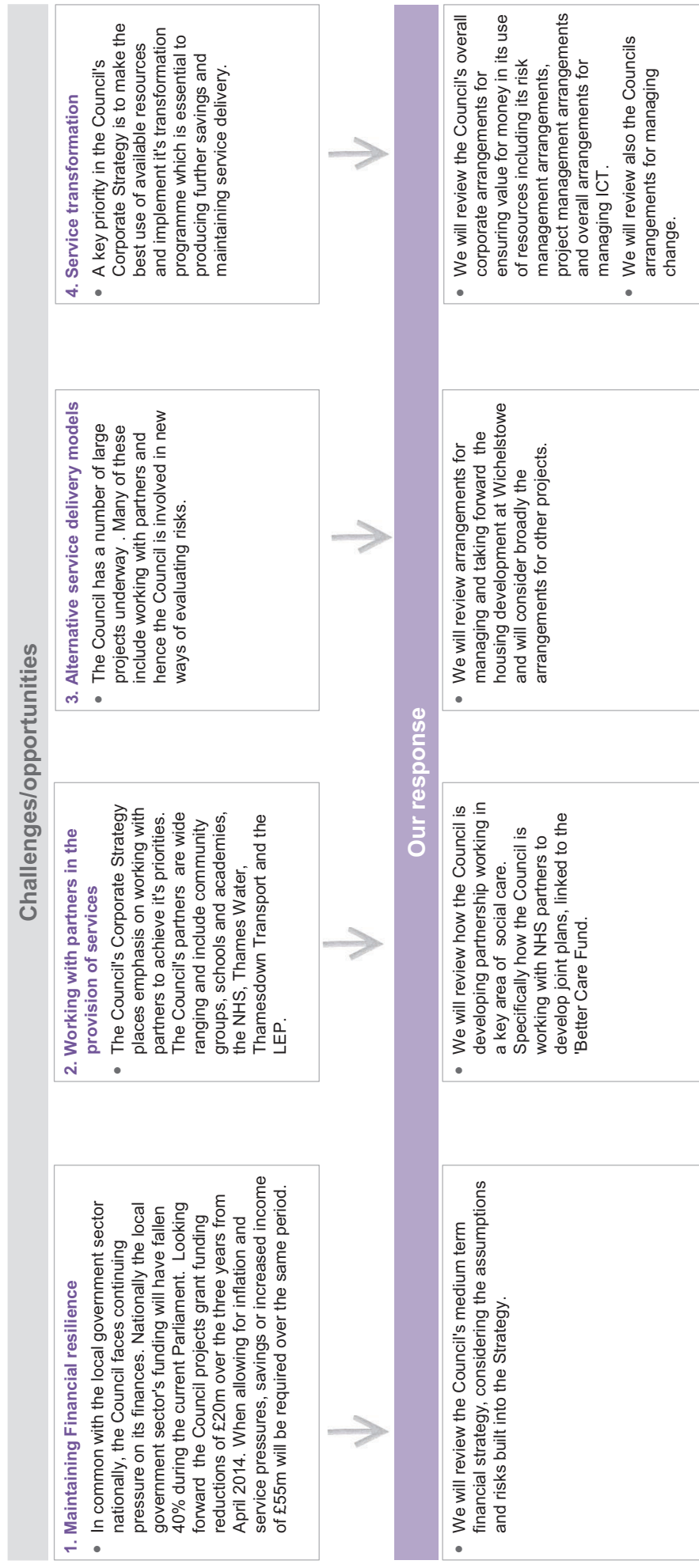
Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

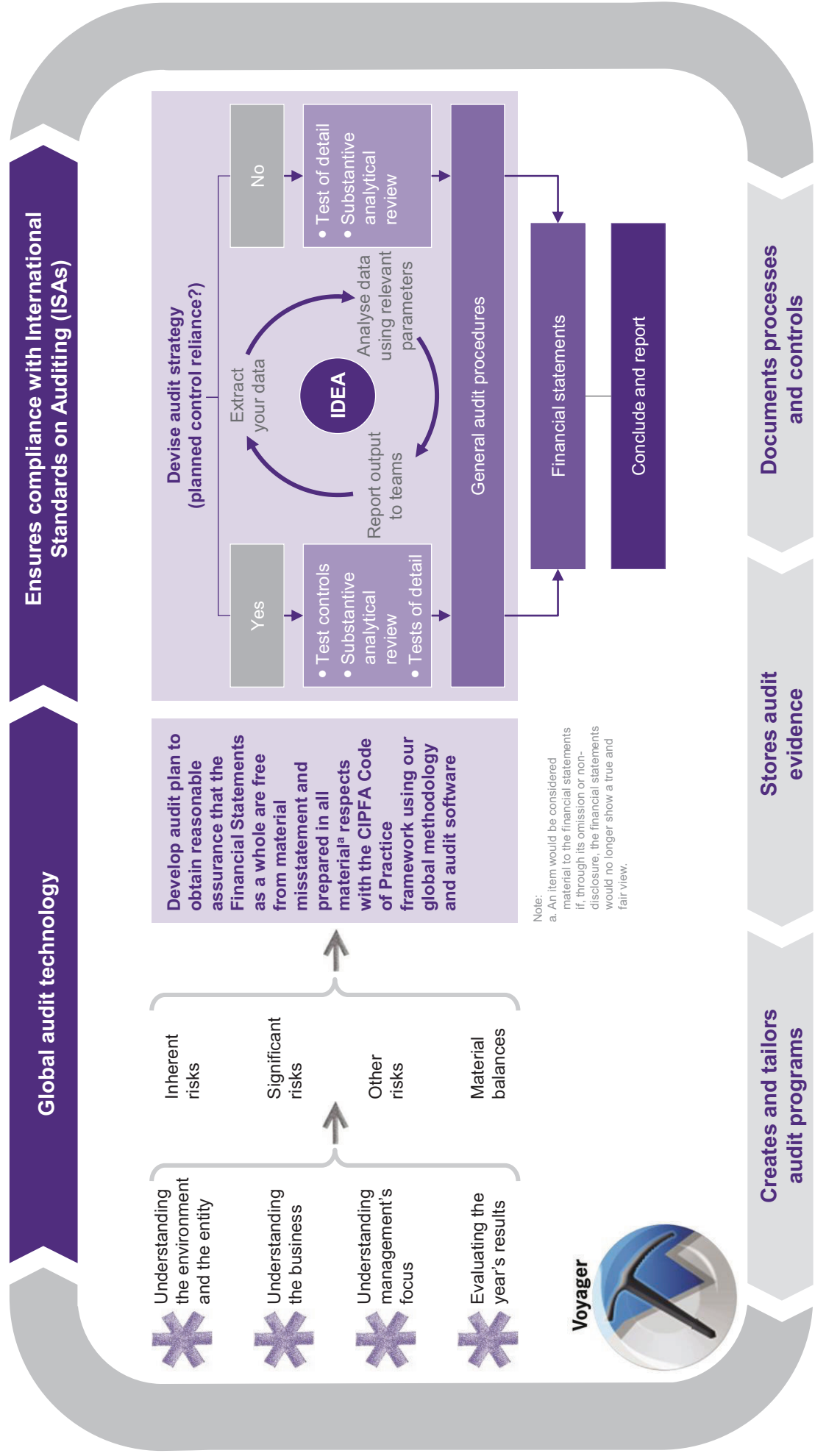


Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements				
1. Financial reporting <ul style="list-style-type: none"> Changes to the CIPFA Code of Practice Clarification of Code requirements around PPE valuations Changes to NDR accounting and provisions for business rate appeals Specifically at Swindon the Council is reclassifying a large portion of its assets under construction re-designating them operational assets 	2. Legislation <ul style="list-style-type: none"> Local Government Finance settlement Welfare reform Act 2012 		3. Corporate governance <ul style="list-style-type: none"> Annual Governance Statement (AGS) Explanatory foreword 	4. Financial Pressures <ul style="list-style-type: none"> Managing service provision with less resource Progress against savings plans
			5. Other requirements <ul style="list-style-type: none"> The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion The Council completes grant claims and returns on which audit certification is required 	
Our response				
We will ensure that <ul style="list-style-type: none"> the Council complies with the CIPFA Code of Practice and changes to accounting requirements in respect of NDR and PPE through discussions with management and our substantive testing assets under construction where they are reclassified as operational are accounted for correctly 	We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate	We will review the arrangements the Council has in place for the production of the AGS <ul style="list-style-type: none"> We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan <ul style="list-style-type: none"> We will undertake a review of Financial Resilience as part of our VFM conclusion 	We will carry out work on the WGA pack in accordance with requirements <ul style="list-style-type: none"> We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There include two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Testing of accounts receivable invoices <p>Further work planned:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Testing of journal entries up to month nine (31st December 2013) <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Completed walkthrough of system and associated controls 	<ul style="list-style-type: none"> Review of unrecorded liabilities and post year end payments to ensure all liabilities identified.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> Completed walkthrough of system and associated controls 	<ul style="list-style-type: none"> Trend analysis of payroll expenditure by month to identify any significant variances. Review of post year end payments to ensure all payroll expenditure included.
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Completed walkthrough of system and associated controls System parameters confirmed to DWP information. 	<ul style="list-style-type: none"> Housing Benefit (HB) COUNT certification work to cover the following: <ul style="list-style-type: none"> Confirmation that correct software has been used during the year. HB Analytical review sample testing on material benefit types
Housing Rent Revenue Account	Rental revenue transactions not recorded	<ul style="list-style-type: none"> Completed walkthrough of system and associated controls 	<ul style="list-style-type: none"> Predictive analytical review of total housing rent income For a sample of HRA properties, confirming income has been received in 2013/14
Property, Plant & Equipment	PPE activity not valid Assets under construction (AUC) not correctly classified	<ul style="list-style-type: none"> Completed walkthrough of system and associated controls 	<ul style="list-style-type: none"> Substantive testing of PPE additions and disposals Comparison of actual spend against the capital programme Review of the Capital Financing Requirement calculation Review the accounting entries of any reclassification from AUC to Operational Assets for reasonableness.
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Completed walkthrough of system and associated controls 	<ul style="list-style-type: none"> Assessing the work of the professional valuer Reviewing the accounting entries for revaluations

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Swindon Commercial Services	Yes	Comprehensive	Significant risks in relation to revenue recognition and management override of controls	Liaison with component auditors to ensure adequate work in relation to significant risks
Thamesdown Transport	No	Analytical	None	Analytical review of results and explain any significant variances
Forward Swindon	No	Analytical	None	Analytical review of results and explain any significant variances

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken an initial risk assessment to identify areas of risk to our VfM conclusion. We will continue to review the following areas in more detail during the year prior to giving our VfM conclusion:

- medium term financial planning;
- financial governance and control;
- arrangements for improving efficiency such as understanding costs and managing savings plans;
- arrangements for the Wichelstowe Joint Venture Partnership;
- progress on the transformation programme;
- progress in establishing the better care fund plan with the CCG; and
- arrangements for prioritising resources including leadership and challenge, consulting with stakeholders.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. Where appropriate we will issue a separate report in respect of VfM after discussing our findings with officers.

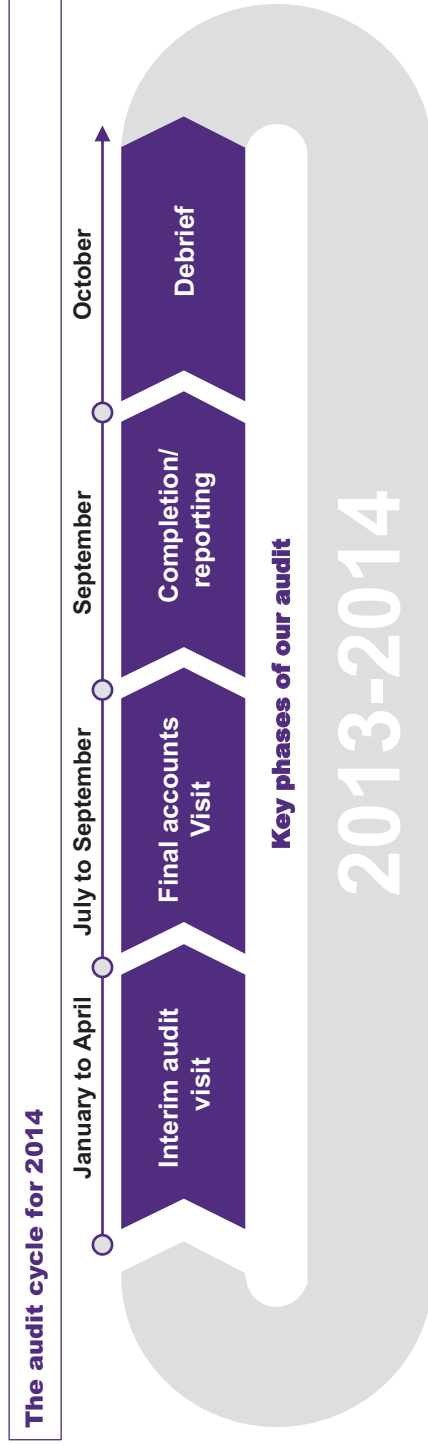
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	We reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Walkthrough testing	We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.	Our work has not identified any weaknesses which impact on our audit approach.
Review of information technology controls	Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

	Work performed	Conclusion
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We also have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review.	No issues have been identified that we wish to highlight for your attention.
Early substantive testing	<ul style="list-style-type: none"> Property Plant and Equipment – confirmation of the existence of a sample of land and buildings Other Revenues – completion of attribute testing on the occurrence and valuation of a sample of accounts receivable invoices raised in periods one to nine. Operating Expenses - completion of attribute testing on the occurrence and valuation of a sample of operating expense payments made in periods one to nine. Employee Remuneration - completion of attribute testing on the occurrence and valuation of a sample of payroll transactions raised in periods one to nine. 	No errors identified at this stage. Further testing is required to ensure coverage of the whole financial year.
Value for money	We have reviewed arrangements for joint working with the NHS and commenced our work reviewing project management arrangements.	We have no matters to report currently.

Key dates



Date	Activity
December 2013	Planning
January to April 2014	Interim site visit
April 2014	Presentation of audit plan to Audit Committee
July to September 2014	Year end fieldwork
September 2014	Audit findings clearance meeting with Director of Finance
September 2014	Report audit findings to those charged with governance Audit Committee
September 2014	Sign financial statements opinion and VfM conclusion

Fees and independence

Fees

	£
Council audit	170,100
Grant certification	16,700
Total fees (excluding VAT)	186,800

Fees for other services

Service	Fees £
At present there is nothing to report.	nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Audit Committee Update for Swindon Borough Council

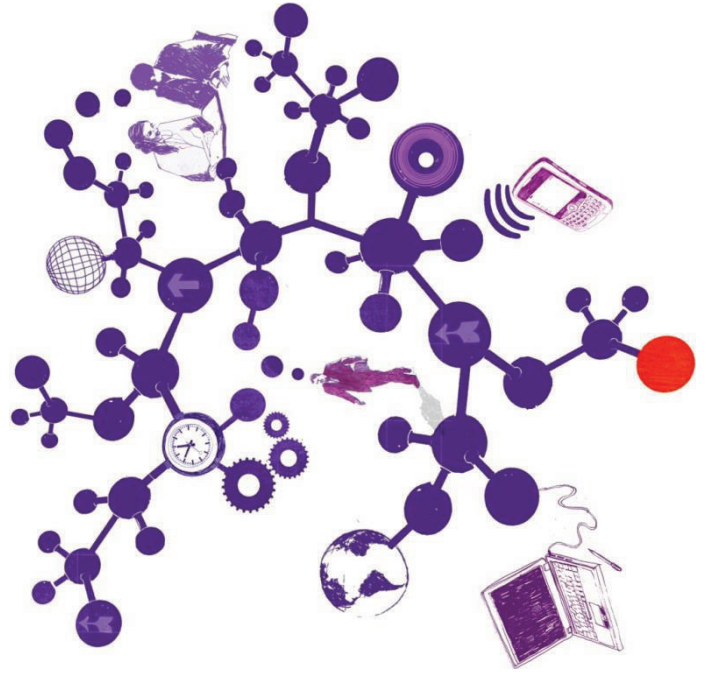
Year ended 31st March 2014

2nd April 2014

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Contents

Section	Page
Introduction	4
Progress at 2 nd April 2014	5
Emerging issues and developments	
Local government guidance	7
Grant Thornton	9
Accounting and audit issues	12

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Borough Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Local Government Governance Review 2014
- Towards a tipping point?
- The migration of public services
- The developing internal audit agenda
- Reaping the benefits: local government welfare reform
- Surviving the storm: how resilient are local authorities?
- Alternative delivery models

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 2nd April 2014

Work	Planned date	Complete?	Comments
2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the <i>Council's</i> 2013-14 financial statements.	30 th April 2014	Yes	Included in the agenda for April meeting
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Initial work on the proposed Value for Money conclusion. 	January to April 2014		We have completed our interim work including updating our assessment of the Council's control environment, walk through of controls, discussion of emerging issues and early testing.
2013-14 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2013		

Progress at 2nd April 2014

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises: <ul style="list-style-type: none"> • An initial risk assessment; • A detailed review of arrangements against criteria specific by the Audit Commission; • Reviewing key documents; and • Discussions with officers. 	September 2014		We have completed our initial risk assessment and completed some of our for example in relation to the better care fund.
Other areas of work <ul style="list-style-type: none"> • Certification of claims and returns including the Housing Benefits claim. 	November 2014		
Other activity undertaken We have been liaising with officers to discuss issues affecting the year end accounts.	On-going		

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider:

- Has the Council assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching a tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Issues to consider:

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks.
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control.

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Issues to consider:

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models.
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model.

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, http://www.grant-thornton.co.uk/Global/Publication_pdf/Reaping-the-benefits-LG-Welfare-Reform.pdf focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?



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Our Ref SWINDON BC

Councillor Steve Weisinger
Chair of the Audit Committee
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28 January 2014

Dear Councillor Weisinger

Swindon Borough Council Financial Statements for the year ending 31 March 2014

Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, we need to establish an understanding of how the Audit Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as member of the Council and Audit Committee Chair with your responses to the following questions:

- 1 How does the Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds within the Council? If so, please provide details.
- 3 Do you have knowledge of any actual, suspected or alleged frauds within the Council's subsidiary companies - Swindon Commercial Services, Forward Swindon and Thamesdown Transport? If so, please provide details. Do you have any views on the risks of fraud within the subsidiaries?
- 4 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 5 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

Chartered Accountants

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These can be answered by responding to the detailed questions which are included on the attached appendix to this letter. I would be grateful if you could complete this schedule and return it to me by 30 April 2014.

For information, we are also required to make enquiries of management and we recently sent a letter and schedule of questions to the S151 Officer, Stuart McKellar.

We suggest that it would be useful to co-ordinate both the Audit Committee and management responses in time for discussion at the audit committee meeting on 15th April 2014.

As always, please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Your sincerely,

A handwritten signature in cursive script that reads "Elizabeth Cave".

Elizabeth Cave
Director
For Grant Thornton UK LLP

T 0117 305 7885
E liz.a.cave@uk.gt.com

APPENDIX

Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the Council have in place to identify and respond to risks of fraud?	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Audit Committee?	
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	
How does the Audit Committee encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2013? Are you aware of any instances of actual, suspected or alleged fraud at the Council's subsidiaries since 1 April 2013?	

Do you have any views on the risks of fraud at the Council's subsidiaries?	
--	--

Law and regulation

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013?	
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	



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28 January 2014

Dear Stuart

Swindon Borough Council Financial Statements for the year end 31 March 2014

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of both management and the 'those charged with governance' (the Audit Committee) as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements. This applies to both the Council and to the Council's subsidiary companies.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached appendix. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.

In addition to our request to management, we also will need to gain an understanding of how the Audit Committee maintains oversight of the above processes. Therefore, I have also made a similar request for information to the Chair of the Audit Committee.

In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

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I would be grateful for a response by 30 April 2014. We suggest that it would be useful to co-ordinate both the Governing Body and management responses in time for discussion at the next Audit Committee meeting on 15 April 2014.

As always, please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Elizabeth Cave'.

Elizabeth Cave
Director
For Grant Thornton UK LLP

T 0117 305 7885
E liz.a.cave@uk.gt.com

APPENDIX

Responses from Management:

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2013/14?	
Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	
Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	
How would you assess the quality of the Council's internal control processes?	
How would you assess the process for reviewing the effectiveness of internal control?	
How do the Council's risk management processes link to financial reporting?	
How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	
What has been the outcome of these arrangements so far this year?	
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	
Have any reports been made under the Bribery Act?	
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	

What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	
Is there any use of financial instruments, including derivatives?	
Are you aware of any significant transaction outside the normal course of business?	
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	
Are you aware of any guarantee contracts?	
Are you aware of allegations of fraud, errors, or other irregularities during the period?	
Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?	
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	
Management is required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the	

financial statements are approved?	
Can you provide details of those solicitors utilised by the Council's during the year. Please indicate where they are working on open litigation or contingencies from prior years?	
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	
Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	
CONSIDERATION OF THE COUNCIL'S SUBSIDIARIES - Swindon Commercial Services, Thamesdown Transport and Forward Swindon.	
What is your view on the control environment in place and the process of reviewing the effectiveness of the system of internal controls?	
How do the subsidiaries risk assessment processes relate to their financial reporting?	
Have there been any matters or events which have occurred at subsidiaries which could impact on our audit approach or on the Council's group financial statements?	
Are the group accounting policies appropriate? Are there any changes in the group's activities which require them to be updated?	
How do subsidiaries identify and respond to the risk of fraud?	
How do the Audit Committee monitor group management's processes for identifying and responding to risks of fraud?	
What do you see as the fraud risks within the subsidiaries?	
How do subsidiaries communicate business risks to the Council's Audit Committee?	
Are you aware of any events or changes in circumstance which would cause an impairment of non-current assets?	
Have there been any instances or allegations of fraud, errors or other irregularities at subsidiaries during 2013/14?	
Are there any transactions, events or conditions which may lead to recognition or disclosure of significant	

accounting estimates that require significant judgement?	
--	--

Head of Internal Audit Update

Audit Committee

Date: 15th April 2014

Author: Head of Internal Audit
Wards: None
Locality Affected: None
Parishes Affected: None

1. Purpose and Reasons

- 1.1 To present Members with a summary of the main issues arising from the Internal Audit reports finalised since the Audit Committee meeting in February 2014, to update Members with regard to progress against the annual internal audit plan and other key issues.
- 1.2 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.
- 1.3 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 against the annual plan along with the implementation of agreed recommendations by Client departments.

2. Recommendations

The Committee is recommended to:

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

3. Detail

Reports Issued

- 3.1 Details of Internal Audit reports finalised since the February 2014 Audit Committee are set out in Appendix 1. The appendix sets out the key audit recommendations made along with the overall risk assessment to the Council.

Progress on completion of Internal Audit Plan 2013/14

- 3.2 The progress made against the 2013/14 audit plan is set out in Appendix 2. A full report on the performance of the section will be included in the Head of Audit's Annual Report which will be presented to the June committee meeting.
 - 3.3 95% of the number of audits in the Annual Internal Audit plan has been completed against a target of 94%.
 - 3.4 The results of our Customer Feedback forms to date shown that 94.44% of customers rating the audit service as good or excellent with the remaining 5.56% scoring good to average.
-

Further information on the subject of this report can be obtained from Nick Hobbs,
Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

Head of Internal Audit Update

Audit Committee

Date: 15th April 2014

Internal Audit Plan 2014/15

- 3.5 The audit plan for 2014/15 has been drafted and is a separate paper on this meeting's agenda.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report.

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Internal Audit's remit is to examine the adequacy of the Council's governance, risk management and internal controls. Effective systems of governance, risk management and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

Diversity Impact Assessment

- 5.5 None

Risk Management

- 5.6 Potential risks to the Council are identified in the individual audit reports summarised in Appendices 1 and 2.

6. Consultees

- 6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

Head of Internal Audit Update

Audit Committee

Date: 15th April 2014

6.2 All service managers, Directors, Group Directors and Members who have contributed to individual audits during the course of 2013/14.

7. Background Papers

7.1 None

8. Appendices

Appendix 1 – Internal Audit Reports finalised since the February 2014 Audit Committee.

Appendix 2 – Progress against the Internal Audit plan 2013/14

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Audits finalised since the last Audit Committee meeting: 4th February 2014

Audit Title:	Treasury Management			Date of Report:		January 2014
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	1	Previous Audit Opinion:	1	Overall Evaluation (Risk):
Moderate						
<u>Key Recommendations</u> No key recommendations were made as a result of the review.						

Audit Title:	Uplands School			Date of Report:		January 2014
Number of 'High Priority' Recommendations:	4	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk):
Moderate						
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> • In accordance with Financial Regulations for Schools, all purchases with the exception of emergencies, utilities and reimbursements should have an official purchase order raised. These should be raised prior to payment, at the point of order, to ensure commitments on the system and the School's financial monitoring position is up to date. • In accordance with the Financial Regulations for Schools three written quotes should be obtained for all purchases of £5,000 and above. The School should complete a Form C as provided in the Schools Finance Manual; to record details of the quotes, the outcome of the procurement process and Governor approval, in line with the School's Scheme of Delegation. • A new method to record School meals income should be established and implemented to enable regular reconciliations of income received and income banked to be performed. The total weekly income received for school meals should be banked intact. • Following the Internal Audit Review, the School should revisit their SFVS self-assessment and update it to reflect the audit findings, where necessary. An SFVS action plan to address any areas requiring attention should be prepared to resolve such issues. Both the SFVS and the action plan should be approved by the Governing Body. 						

Audit Title:	Department of Transport Highways Grants			Date of Report:		March 2014
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk): N/A
<p><u>Key Recommendations</u></p> <p>This review was undertaken to provide assurance to the Head of Highways and Transport that work currently undertaken on schemes part funded by the Department for Transport is in compliance with that Department's grant conditions. By undertaking an interim review during the grants' lifecycle, any issues in terms of meeting these grant conditions could be identified and rectified going forward to ensure that the Chief Executive and the Head of Internal Audit can have assurance when they sign off the grant declaration at the end of the grant process.</p> <p>The review covered works on three separate grant funds which were awarded to Swindon following successful bidding processes and contribute in varying degrees to the funding of large capital and revenue schemes. A number of recommendations were made that were relevant to all three grants to varying degrees. However, only one high priority recommendation was made as shown below:</p> <ul style="list-style-type: none"> Quarterly expenditure claims completed by Highways and Transport staff and sent to the Department for Transport should be reconciled to the Oracle Financial system and be reviewed and by the appropriate Finance Manager before submission. 						

Audit Title:	Welfare Reform Act 2012			Date of Report:		March 2014
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	2	Previous Audit Opinion:	n/a	Overall Evaluation (Risk): Moderate
<p><u>Key Recommendations</u></p> <p>There are no key recommendations made as a result of the review.</p>						

Audit Title:	Inv. 13/14 - 2			Date of Report:		March 2014
Number of 'High Priority' Recommendations:	n/a	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk): Moderate
<p><u>Key Recommendations</u></p> <p>There are no key recommendations made as a result of the review.</p>						

Audit Title:	Corporate Manslaughter Follow-up 2013/14				Date of Report:		February 2014
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	2	Previous Audit Opinion:	3	Overall Evaluation (Risk):	Moderate
<p>Key Recommendations</p> <p>Progress has been made providing what the Health and Safety Team call 'A Single View of Safety'. There is now a single Health and Safety Team with strong links to the rest of the organisation and its partners. There is an established governance structure, with improved risk management and a broader training offer to address issues in health and safety. Corporate Board now receive regular updates on Health and Safety issues with regular one-to-ones with Board Directors providing opportunities for two-way feedback on health and safety issues.</p> <p>Only two high priority recommendations were made following the review as summarised below:</p> <ul style="list-style-type: none"> • Work should continue to encourage significant partners to join the Health and Safety Practitioner Group meetings and minutes from these meetings should be shared with the member organisations to encourage their contribution and the sharing of important health and safety information and best practice. This will also assist in ensuring, as client, the Council have a clear line of sight on what actions our partners are taking to mitigate health and safety issues. • The decision to transfer back a large proportion of SCS to Council control brings with it a significantly higher risk profile. During the transition period, the Council had no oversight on Health and Safety arrangements at SCS. The Health and Safety Team are now undertaking a schedule of Health and Safety compliance audits across Council establishments. These are based on a pilot project undertaken on Leisure Services which at the time presented a significant health and safety risk. A summary of the results from these compliance audits are fed back to the Managers of those establishments to provide them with a list of actions to mitigate health and safety risks. On a quarterly basis, Corporate Board should receive a Health and Safety Enterprise Risk Management (ERM) Dash Board for monitoring and managing these risks. 							

Audit Title:	Car Parking Income Audit (Anti-Fraud and Corruption)				Date of Report:		November 2013
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	3	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Of Concern
<p>Key Recommendations</p> <p>The key recommendations made as a result of the review are:</p> <ul style="list-style-type: none"> • Reconcile all YESpay (debit/credit card) and Verrus (PayByPhone) transactions to income on a timely basis. • A report from the respective management systems should be initiated and produced as required to facilitate the reconciliation process. • The reporting of these reconciliations and any variations should be made to the Head of Parking Services promptly. 							

Audit Title:	VFM review of the LIFE Programme			Date of Report:		March 2014
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk): n/a
<u>Key Recommendations</u> The key recommendation made as a result of the review is: <ul style="list-style-type: none"> The need to implement the key recommendations from the Social Return On Investment report produced on the LIFE Programme in the Troubled Families programme. Note: there was a more generic high priority recommendation made in this report (and in the Oasis VFM report) and this has been transferred to the Corporate VFM report for reporting as the recipients of the LIFE/Oasis reports could not implement it on a standalone basis.						

Audit Title:	Council Tax 2013-14			Date of Audit:		January 2014
Number of High Priority Recommendations:	0	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk): Moderate
<u>Key Findings and Recommendations</u> This audit review was conducted as part of the joint working between Swindon Internal Audit Services and the Grant Thornton to ensure that reliance can be placed on the internal control procedures within the Council Tax system. IT controls are subject to a separate audit. In Swindon, at the beginning of 2013/14 there were 91,809 domestic properties in the Borough with a net Council Tax liability of just under £91 million. Council Tax is one of the Council's main sources of income. It therefore underpins all its activities and achievement of the One Swindon priorities. The introduction of the local Council Tax Benefits scheme for 2013/14 is in line with the 'Local and Lasting' One Swindon principle and will contribute to the priorities concerning a growing economy and 'living independently, making a positive contribution'. Since the last review, the one of the two previous recommendations has been implemented. However, three recommendations were made in this years' report including one carried over from the previous year, although these were medium to low priority. One of these has been agreed and the Head of Revenues and Benefits has agreed to bear the risk relating to the other two which related to: <ul style="list-style-type: none"> Writing off bad debts only once at the end of each year Rolling over surpluses on Council Tax Accounts to offset against any shortfall in payments in later years. The Auditor was pleased to make no high priority recommendations as a result of this year's review and the Council Tax system was assessed as operating to a Satisfactory standard.						

Audit Title:	Community Use of Assets			Date of Report:		March 2014
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk): n/a
<p><u>Key Recommendations</u></p> <p>A consultancy review was carried out on the Council's approach to the community use of assets:</p> <p>The key recommendation made as a result of the review is:</p> <ul style="list-style-type: none"> A strategy for community centres should be devised. This should include details of the Council's approach to working with the organisations managing the assets, any contribution by the centres to the Council's corporate aims and objectives and that centres are well run and safe. 						

Audit Title:	National Non-Domestic Rates 2013-14			Date of Audit:		January 2014
Number of High Priority Recommendations:	1	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk): Moderate
<p><u>Key Findings and Recommendations</u></p> <p>Management and collection of NNDR is currently administered by Capita, with the day to day amendments and queries being resolved in Blackburn and more local issues being dealt with by a small team in Swindon.</p> <p>The last NNDR Audit conducted in 2012-13 identified six recommendations all of which have been implemented apart from one for which the Council, as client, was prepared to bear the risk. From this review, the Auditor was pleased to make only one high priority recommendation which was:</p> <ul style="list-style-type: none"> The exercise to identify any businesses in Swindon using the GIS system that are not being charged non-domestic rates should be completed and the results measured in terms of the benefits gained. It is understood that this exercise has identified 167 businesses that require further investigation. <p>Overall, the NNDR system was found to be operating to a Satisfactory standard with the collection rate as at October 2013 slightly above the target figure of 70% and expected to achieve the year-end target of 98%.</p>						

Audit Title:	Reduction in Energy Usage				Date of Report:		March 2014
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	3	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):	Of concern

Key Recommendations

The Chief Executive asked Internal Audit to review the current arrangements for the on-going management of the Council's carbon emissions to determine how this met corporate objectives, the Stronger Together Change Programme objective of 'A Low Carbon Swindon' and previous Council commitments to meet longer term national carbon reduction targets. The key recommendations from the review on current arrangements to reduce energy usage are:

- At a strategic level, a Carbon Management Strategy should be implemented to clearly define the Council's objectives and on-going commitment to carbon reduction. The strategy should state the broad objective of the Council in terms of the level of reduction in carbon emissions within the context of the changing nature of Council services. This should be set within an agreed timescale that complies with any nationally agreed commitments and be linked to a clearly measurable baseline such as that set in the CRC Grant Claim. The strategy should be endorsed by Members and published to demonstrate the Council's commitment to carbon reduction.
- Once targets for carbon reduction and management have been agreed as part of the Carbon Management Strategy, progress in delivering these targets against any action plans should be regularly monitored at Head of Service level. The production of performance data to each cost centre manager on their energy consumption would give them some accountability for their energy usage and encourage action to reduce emission levels. This should enable further action to be taken to address slippage in specific areas of the Council and increase accountability

Audit Title:		Tenancy Engagement		Date of Audit:		January 2014	
Number of High Priority Recommendations:		5	Current Audit Opinion:	3	Previous Audit Opinion:	N/a	Overall Evaluation (Risk):
<p>Of concern</p> <p>Key Findings and Recommendations</p> <p>Swindon currently is landlord to approximately 10,000 homes in the Swindon area. Following a recent restructure in the Housing Service, a Participation Team was established whose purpose is to increase the level of tenant participation, encouraging tenants and the Council as landlord to share information, ideas and power and improve the standard of housing conditions and services. The team comprises five posts with a net budget of £231k, including running costs. The key high priority findings from the audit review were:</p> <ul style="list-style-type: none"> • There is no formal tenant engagement strategy setting out service objectives and targets. Without clear and agreed objectives, evaluating value for money and the extent to which the current participation methods contribute to the corporate objectives is complex. • Discussions with staff demonstrated that objectives set out in the HCA Regulatory Standard were understood and were being worked towards in the absence of a formal written strategy. Broad principles for participation have been discussed with tenants but these needed to be more clearly defined and captured in the final participation strategy. • The review confirmed that the current participation methods only capture the views of a minority of the current tenant population. Work has started to develop the existing participation methods and introduce new ones such as Street Reps and the Housing Sounding Board to increase levels of participation. This is essential since the principles of co-regulation and greater service user involvement will form an important element of consumer protection for the foreseeable future. • Data held on the make-up of the tenant population has not been used to focus engagement activities on under-represented groups, including young, disabled and BME tenants. Through research conducted during the audit, the Auditor identified that this is an area that has been addressed by other social landlords to increase their overall participation rates. • Research into approaches used by other social landlords determined that they were not using methods significantly different to those in Swindon. However, these approaches were more established and embedded and as a result, they achieved higher levels of tenant engagement with tenants having an enhanced role to support landlords to deliver the right services and develop a value for money approach. 							

Audit Title:	Payroll: Main System 2013/14				Date of Report:		March 2014
Number of 'High Priority' Recommendations:	4	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<p><u>Key Recommendations</u></p> <ul style="list-style-type: none"> • Payments should not be paid without receipt of appropriately authorised supporting documentation. Up to date contracts for employees should be signed by the employee and retained on their personnel file, including where relevant, any supporting set up and amendment documentation. Supporting documents should be retained on file to support additional payments / deductions made to employees. Clarifications regarding mistakes or corrections to payroll forms should be recorded on the forms and signed by the Administrator, along with any further correspondence regarding the matter in dispute. • Payments should not be paid without receipt of appropriately authorised supporting documentation. Where necessary, this should include an employee's authorisation for deductions to be made from their salaries. Evidence of authorisation should be retained on an employee's personnel file. Where deductions are arranged between the employee and another SBC department, evidence of authorisation should be held by that department, or forwarded to Payroll. Spot checks to reduce the level of non-compliance for correct authorisation of Human Resources and Payroll forms should continue. Consideration should also be given to expanding the scope of sample checks, to include payments not currently reviewed (for example, honorarium / higher duty payments, employee authorisation of deductions, including overpayments). • The contractual terms of post number 1442458 should be reviewed to establish the employees correct terms and conditions. Discrepancies between the contract on file, the information on Trent and the basis for the original arrears calculation should be amended as necessary and the amount of arrears reviewed to ensure the payment made was accurate. If appropriate, any difference in money owed and paid should be reclaimed from the employee, in consultation with the Additional Provision and Reintegration Manager (the Line Manager for this post). • The monthly bank detail changes report should be run on a monthly basis and checked prior to the payroll run. 							

Audit Title:	Payroll: Starters and Leavers 2013/14				Date of Report:		March 2014
Number of 'High Priority' Recommendations:	4	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<p><u>Key Recommendations</u></p> <ul style="list-style-type: none"> • Staff completing employment forms should be reminded that authorisation is required at all levels set out on the form. Where this authorisation is incomplete, the form should be returned to the recruiting Manager. When received, authorisation should be retained in the employee's file. • The Line Manager of the employee (1127393) should be contacted and a decision made whether to re-claim the overpayment of redundancy from the employee (£690.27). • The former Line Manager of the employee (1440196) should be notified of the underpayment of leave and arrangements made to repay the employee the balance of their leave entitlement (£350.37). • Where necessary, managers should be reminded of their responsibilities as part of the recruitment process and signposted to the guidance available on the Council's intranet. In particular: <ul style="list-style-type: none"> ○ DBS clearance should be received in advance of an employee commencing in post, wherever required. Where this is not possible, and an exception is required, authorisation should be obtained prior to start date and evidence retained on employee files. ○ Where still relevant, in accordance with the CRB Code of Practice, the CRB disclosure certificate, copies of, or details of, should not be stored in an employee's personal file and should not be retained for any longer than necessary (generally six months after the recruitment decision has been made). Evidence should be limited to the date the clearance was obtained and the certificate number. ○ Medical clearance should be received prior to an employee's start date. ○ At least two employment references should be obtained prior to employment to comply with the requirements of the Council's Insurance Policy. ○ Evidence of an applicant's qualifications relevant to the role should be obtained and held on the employee's file. ○ Right to work declarations should be completed for applicants and supporting proof should be signed and dated by the recruiting manager to evidence that these documents have been checked. 							

Audit Title:	Engagement of Consultants			Date of Report:		March 2013
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	3	Previous Audit Opinion:	4	Overall Evaluation (Risk):
<p>Of Concern</p> <p>Key Recommendations</p> <p>There were no new key recommendations made as a result of this follow up review. However, of the seven high priority recommendations made in the initial report four remaining outstanding or partially implemented, they are:</p> <ul style="list-style-type: none"> Professional property-related services (Design, Quantity Surveying, Clerk of Works) should be subject to competitive tendering at an early stage to avoid further breach of European Union procurement regulations. An evaluation should be made of the merits of seeking a framework agreement covering property-related services for all commissioners and service units across the Council on the basis of call off when services are required. This would reflect changing demand for such services in the light of reductions in the Council's capital programme, and changes in means of service delivery. Not implemented The evaluation of a framework agreement, see bullet point above, should consider whether programme management services should also be obtained through the agreement rather than through Pertemps. Not implemented. All consultancy work commissioned within the Council should include a written and agreed statement of work to be carried out, the timescale, and to whom the consultancy is responsible for deliverables within the Council. This requirement should be incorporated in the updated policy. Being implemented. It should be a condition in the future engagement of consultants that their invoices provide a clear statement of work carried out which can be related to project stages or items in the agreed specification. Where consultancies are continuing, payments made to date should be reviewed to ensure that they adequately reflect work carried out and outcomes achieved. Not implemented. 						

	April	May	June	July	August	September	October	November	December	January	February	March
Managed Audits Completed (total 11)									Treasury Management	Council Tax		Debtors
										NNDR		Creditors
										Payroll		Housing Rents
										Risk Management		Housing Benefits
										Cash Collection		Asset Management
Managed Month Total	0	0	0	0	0	0	0	0	1	5	0	5
Managed Cumulative Total	0	0	0	0	0	0	0	0	1	6	6	11
Managed Target %	0	0	0	0	0	2	3	4	5	7	9	11
Managed Achieved %	0%	0%	0%	0%	0%	0%	0%	0%	9%	55%	55%	100%

Total Non Managed Audits Completed - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Other Audits Issued	Oasis Transfer	Financial Reg's	Annual Governance Statement	Employment of Consultants	St Luke's School	Security Breach Policy	Inv 13/14-3	Review of HB Fraud Policies	Community Use of Assets	Payroll: Starters and Leavers	Welfare Reform	Inv 13/14-2
Target: 86	Highways Project Management	Common Assessment Framework	Compliance with CIPFA Statement on role of s.151	Troubled Families	Shaw Ridge School	Change Programme Governance	Inv 13/14-1	Uplands School	Tenancy Engagement	Records Management: Hillhead	Governance over delivery of corporate objectives	Treasury Management: IT
	Stronger Together	Bishopstone School	WB 13/14-1	Chiseldon School	PSN: Code of Connection	Corporate VFM	Inv 13/14-5	Inv 13/14-4	Corporate Manslaughter follow-up	WB 13/14-8	Highways Grants	Oracle: system control
	Nova Hreod		WB 12/13-3	Inv 13/14-1	Car Park Income	VFM - Life	WB 12/13-6		Dorcan SCITT	WB 13/14-9	WB 13/14-3	Internet and email usage
	One Swindon		Change Programme: Adults	Contract Carers	Carbon Reduction: Plans for future reductions	VFM - Oasis	Housing Capital Programme			Open Housing: system control	Engagement of Consultants	iTrent
	SCS 24/7 working			SCS Housing Voids	NFI: HB: Taxis	W/Blowing and Disciplinary Policy Review	Information Governance					Adult Safeguarding
	SCS Licence Agreement			Highways Asset Management	NFI: Concessionary travel: Deceased	Golf Facilities	Reduction in Energy Use					SEN Transitions
				Inv 12/13-3	NFI: HB Payroll	Social Care Transport	Cash Handling, Vulnerable adults follow-up					RDF Plant and Weighbridge
				Payroll System Control & Integrity: follow up	Protective Monitoring Strategy	StreetSmart Contract Arrangements	Museum Storage follow-up					SCS: Policies and Procedures
				WB 13/14-2	GPG13 Compliance (ICT Security)		NFI: Overpaid VAT					Housing Tenancy
				Duplicate Payments Creditors	NFI: Blue Badges: Deceased		NFI: Insurance					Inv 13/14-8
				Carbon Reduction Commitment			Public Health and Emergency Planning integration					NHS Toolkit
												Ridgeway
Non-managed total for month	7	3	5	12	11	9	12	3	4	5	5	13
Cummulative non managed audits	7	10	15	27	38	47	59	62	66	71	76	89

	April	May	June	July	August	September	October	November	December	January	February	March
Overall Month Total Audits	7	3	5	12	11	9	12	3	5	10	5	18
Overall Total Audits	7	10	15	27	38	47	59	62	67	77	82	100
Target Completion of Plan %	5	10	19	28	36	43	54	62	71	79	86	94
Audit Plan Achievement %	7%	10%	14%	26%	36%	45%	56%	59%	64%	73%	78%	95%

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