

Swindon Borough Council

Audit Committee

Tuesday, 3 March 2015

Committee Room 6, Civic Offices

At 6.00 p.m.

Conservative Councillors

Steve Weisinger
(Chair)
Oliver Donachie
Mark Edwards
Nick Martin

Labour Councillors

Steve Allsopp
Neil Heavens
Des Moffatt

Committee Officer: Steve Jones (01793 463602)

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(Telephone 01793 445500)

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 3 - 6)

To receive the minutes of the meeting held on 4th November 2014.

5. Internal Audit reports identifying 'significant' risk or 'of concern': Licensing: Private Hire and Taxis HIA (Pages 7 - 46)

6. **Risk Management - Prevention of Child Sexual Exploitation HIA** (Pages 47 - 68)
7. **External Audit Reports** (Pages 69 - 88)
 - a) Certification Annual Report
 - b) Audit Committee Update
8. **Head of Internal Audit Update HIA** (Pages 89 - 110)

Date of Despatch: 23 February 2015

Key:

Officers:

HIA - Head of Internal Audit

Public Question Time - Swindon Borough Council remains committed to increasing its accountability to the public and to promoting active citizenship. 15 minutes will be allowed at the start of all Council meetings for questions to the Chair from the public about the work of the Committee (except for confidential matters, and matters relating to planning and licensing applications). We will give priority to those who submit questions in writing at least two days before the meeting. Questions must be relevant, clear, and concise. You may not use Public Question Time as an opportunity to make speeches or statements.

Questions in writing should be sent to the Committee Officer whose contact details appear on the agenda above or to the Director of Law and Democratic Services, we will publish it, along with the answer, alongside the Minutes. The process associated with asking a public question is set out in the "Public Question Time at Council Meetings Protocol and Guidance" available on the Council's Website.

(<http://www5.swindon.gov.uk/moderngov/ecCatDisplay.aspx?sch=doc&cat=13338&path=0>) or from the Committee Officer named above.

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 NOVEMBER 2014

PRESENT:- Councillors Steve Weisinger (Chair), Steve Allsopp, Oliver Donachie, Mark Edwards, Neil Heavens, Des Moffatt and Michael Bray.

An apology for absence was received from Councillor Nick Martin.

25. Declarations of Interest

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

In accordance with the National Code of Local Government Conduct, Councillors Steve Allsopp and Neil Heavens made non-prejudicial declarations of interest in respect of the Committee's consideration of Agenda Item No. 6 ("Isambard School"), in their capacity of Local Education Authority appointed Governors of Oak Tree Primary and Liden Primary Schools, respectively. Councillors Mark Edwards and Oliver Donachie made non-prejudicial declarations in respect of the same agenda item, due to various familial relationships with Isambard School and associated campus.

26. Public Question Time

There were no public questions.

27. Minutes

Resolved - That the minutes of the meeting held on 16th September 2014 be confirmed and signed.

28. Corporate Risk Management Update

The Committee received the Annual Summary Report on Risk Management activity within the Council. The report included the latest Corporate Risk Register for the Committee's inspection and provided members with an update on progress in relation to the implementation of the framework for Corporate Risk Management and the embedding of the Risk Management Strategy across the Council.

Alex Bedford, the Council's Corporate Risk Manager, presented the report, which also provided members with details on the specific risk areas of insurance, business continuity management and civil protection (not currently reported to any other forum), and, with the Chief Executive, attending the meeting in his capacity as, effectively, the "owner" (with the Corporate Board) of the Corporate Risk Register, responded to members' specific questions on related issues.

Resolved – (1) That the report be noted and its conclusions around the effectiveness of the Council's Risk Management, Internal Control and overall assurance framework be endorsed.

(2) That the Chief Executive and the Corporate Risk Manager be thanked for

attending the meeting and for their full and open responses to members' questions and observations on the Council's Corporate Risk Strategy and specific aspects of the Corporate Risk Register.

**29. Internal Audit reports identifying 'significant' risk or 'of concern':
Isambard School**

The Committee received a report on the key findings of the Internal Audit recommendations arising from the audit review the financial procedures operating at Isambard Community School. It was noted that an audit opinion of "Fundamental weaknesses identified" had been given, based on the areas reviewed, and that the high materiality and impact of the systems, along with the opinion on the system controls, had resulted in an overall risk assessment to the Council as being "Significant".

Paddy Bradley, the Council's Head of Economy and Skills, Kevin Gray, the Chair of Governors for Isambard Community School, Sue Banks, the School's Acting Head, and Robert Shorter, the School's Business Manager, were in attendance to provide a current position statement in relation to the implementation of the internal audit recommendations and to respond to members' questions on issues raised regarding the key findings of the audit and identified risk areas, the management response to the audit conclusions and key recommendations, and progress in implementing the action plan to mitigate risks.

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

(2) That Kevin Gray, the Chair of Governors for Isambard Community School, Sue Banks, the School's Acting Head, and Robert Shorter, the School's Business Manager, be thanked for attending the meeting and for their full and open responses to members' questions and observations on the issues raised.

(3) That a follow-up audit be carried out in six months' time (from the date of this meeting) and a further report submitted to the Committee on the implementation of the action plan and the effectiveness of the management responses in mitigating the identified risk areas.

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

Further to Minute 46 (2013/14), the Committee received a report on the Internal Audit Highways Asset Management Follow-Up review and providing an update on the implementation of the various audit recommendations. It was noted that, since the issue of the original Internal Audit report, a decision had been made to reintegrate the majority of services provided by Swindon Commercial Services (SCS) back into the Council, and that these included the services provided by the SCS Highways Team that are now managed by the Head of Highways and Transport. It was noted that the reintegration had had an impact on the nature of some of the recommendations made in the original audit report and on the timescales for implementation agreed at that time.

Resolved – (1) That the report and the effectiveness of actions taken in response to the findings in the initial audit be noted.

(2) That the impact of the reintegration of SCS on progress in relation to the

implementation of the audit review recommendations, and the consequent need to revise some action plan target dates, be also noted.

31. External Audit - Annual Audit Letter

The Committee received the External Auditors' Annual Audit letter, summarising the key findings arising from their work at the Council for the year ended 31 March 2014. Liz Cave, the External Auditors' Engagement Lead for the Council, introduced the report. It was noted that it was the intention that the Letter should communicate key messages not only to the Council but also to external stakeholders, including members of the public. Ms Cave briefly outlined the detailed findings from their audit work with the Council, which had been reported in detail to the last meeting of the Audit Committee, in the Audit Findings report, and the following, most significant, recommendations identified during the 2013/14 audit:

- Financial Resilience - Members need to continue to show strong leadership in decision making to ensure the Council remains financially resilient.
- Wichelstowe – The Council should ensure it has sufficient representation on the joint venture board
- Service Transformation - The Council should review its plans for economic growth to ensure that assumptions remain valid.

Resolved – That the report be noted.

32. External Audit - Update

Liz Cave (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 4th November 2014, 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 and supporting papers be noted.

33. 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 September 2014, progress made against the Annual Internal Audit Plan 2014/15 and Internal Audit staffing and resource issues.

Resolved – (1) That the report be noted.

(2) That the recently completed "Licensing" internal audit report be submitted for consideration at the meeting of the Committee to be held in January 2015.

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

Licensing: Private Hire and Taxis

Audit Committee

Date: 3rd March 2015

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 meeting in November 2014 Members requested that the Internal Audit report on *Licensing: Private Hire and Taxis* be brought to the next 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 licensing function within the Council is governed by a number of pieces of legislation, but primarily, the Local Government (Miscellaneous Provisions) Act 1976 for Private Hire Vehicles, and the Town Police Clauses Act 1847 for Hackney Carriages (more commonly known as taxis). Taxi licensing became a responsibility of the Licensing Manager from April 2014 within the wider responsibilities of the Head of Planning.
- 3.2 Licensing contributes to a number of the Council's corporate objectives. Local transport has a significant impact in delivering "the right skills, right jobs, in the right places". The Licensing Business plan is geared towards making the service more efficient thereby "making the best use of resources inside and outside of the Council". However, key is the need to provide a safe taxi service for local residents, ensuring that the "Safer and Stronger Communities" vision in Stronger Together is achieved.

Key Findings

- 3.3 The Head of Planning requested that an Internal Audit review be carried out of Licensing: Private Hire and Taxis as he had only recently inherited the service.

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

Licensing: Private Hire and Taxis

Audit Committee

Date: 3rd March 2015

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- 3.4 The Internal Audit review found that many aspects of the Licensing system were working effectively, for example the enforcement of licences, the regular inspection of vehicles and the appeals process. However, some fundamental internal controls that should ensure public safety, income is not misappropriated, legislation is complied with and Council objectives are achieved were missing.
- | |
|---|
| 3.5 The auditor therefore concluded that there were fundamental weaknesses in the internal control arrangements leading to a ‘significant’ risk to the Council. |
|---|
- 3.6 Taxi Licences are currently reviewed annually and limited to reviews of DVLA licences, plates and badges and confirmation of addresses. Disclosure and Barring Service checks have only been conducted during the first application for a licence, contrary to best practice guidance from the Department of Transport who recommend three yearly checks. Consequently, many drivers, responsible for transporting children and adults around Swindon have not had any CRB or DBS checks undertaken on them for many years. Moving to a three year licence renewal regime as approximately 50% of local authorities already use, could provide an opportunity to align other checks on criminal records, medical fitness and driving licences to a three yearly timescale and reduce the administrative burden on the team.
- 3.7 All income received is allocated to the same income code despite there being up to fourteen different types of charge. No reconciliation between records of income due, collected, banked and recorded on the general ledger is carried out. There is a lack of segregation between the person recording expected income and accepting the cash payments. Since most of the £240,000 income received is in the form of cash, there is a risk that any errors/misappropriated income would not be identified. The various income types should be allocated their own income code and reconciliations should take place at least weekly and the Council should look to encourage taxi/PHV drivers to use alternative methods of payment.
- 3.8 The current licensing fees are not based on the actual cost of delivering each element of the licensing service, but have been uplifted on an ad-hoc basis over a number of years. Whilst the service breaks even overall, it is unclear if the fees for the licences and services provided actually reflect the cost of providing those services. This would make it difficult to justify the fee levels if challenged by one of the licence payers. No formal benchmarking is undertaken to determine if the fees currently charged are reasonable and enable the identification and adoption of best practice from other local authorities.
- 3.9 Some staff stated that they were unaware of procedure guides during the course of the audit. However, in the audit report clearance process, procedures were provided albeit these were last reviewed in 2009. Although staff fully understood their respective roles and responsibilities, the procedural guides should be
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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’:

Licensing: Private Hire and Taxis

Audit Committee

Date: 3rd March 2015

maintained and made available to all staff and supported by training to ensure consistent practice between staff members.

- 3.10 An issue was also found regarding the identification of taxi drivers who had paid the Council for permission to drive in Bus Lanes. A number of recommendations are suggested to the way drivers are charged for this permission and the way this is recorded on the car to avoid recent issues with fines being issued incorrectly to valid taxi drivers. During the review it was found that records to support taxi drivers who had paid to use bus lanes were not complete. Identifying those that could and could not use the lanes was not possible.
- 3.11 Document retention and data access arrangements require a number of improvements to ensure the Council do not have a breach of data security. Hardcopy records must be filed securely for the appropriate retention periods and electronic access to the Licensing system must require password updates in line with the Council's Information Security Policy to ensure confidential data is not released and that legislation is complied with.
- 3.12 Licence applications should also include a fair processing notice. This is to ensure drivers are made aware that their data could be used for the purposes of detecting and preventing fraud to ensure such data can be used in such a way going forward. This is to ensure the Council can fully comply with the Audit Commission's National Fraud Initiative (a legal requirement) and would be necessary for any internal data matching exercises.

Update

- 3.13 An updated Management Response has been provided by the Licensing Manager and is attached as Appendix 2. The updated status has not been verified by internal Audit. However, a follow-up audit is scheduled for inclusion in the 2015/16 Audit plan.
- 3.14 The Head of Planning and the Licensing Manager will be attending Audit Committee to provide an update on the progress of implementing agreed recommendations and answer any questions that Members may have.

4. Alternative Options

- 4.1 Not Applicable

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

Licensing: Private Hire and Taxis

Audit Committee

Date: 3rd March 2015

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 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.

- 6.2 The following Officers were consulted during the course of the Internal Audit review:

Board Director: Service Delivery

Head of Planning

Licensing manager

Taxi Licensing and Contracts Team Leader

Head of Finance: General Services

Senior Accounting Technician

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’:

Licensing: Private Hire and Taxis

Audit Committee

Date: 3rd March 2015

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1 – Internal Audit report: *Licensing: Private Hire and Taxis* (December 2014)

8.2 Appendix 2 – Updated Management Response (February 2015)

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Licensing Private Hire and Taxis December 2014 (Final Report)

Contents and Distribution

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Appendices:

- A - Possible Performance Indicators proposed by Derby City Council
- B - Benchmarking Swindon against statistical neighbours
- C - Extract from Swindon's Information Security Policy
- D - Standard Audit Opinion
- E - Acknowledgements

Report Distribution – Final Report issued on 15th December 2014 to:

Board Director: Service Delivery
 Board Director: Resources
 Head of Planning
 Licensing Manager
 Taxi Licensing and Contracts Team Leader
 Head of Finance: General Services
 Senior Accounting Technician

Auditor:

Senior Auditor

Executive Summary

Background

The aim of local authority licensing of the taxi and Private Hire Vehicle (PHV) trades is to protect the public. This safeguarding aspect of the public must however be taken in context with the need to provide reasonable access to taxi and PHV services, because of the part they play in local transport services.

The licensing function within the Council is governed by a number of pieces of legislation, but primarily, the Local Government (Miscellaneous Provisions) Act 1976 for Private Hire Vehicles, and the Town Police Clauses Act 1847 for Hackney Carriages (more commonly known as taxis). Taxi licensing became a responsibility of the Licensing Manager from April 2014 within the wider responsibilities of the Head of Planning.

Licensing contributes to a number of the Council's corporate objectives. Local transport has a significant impact in delivering "the right skills, right jobs, in the right places". The Licensing Business plan is geared towards making the service more efficient thereby "making the best use of resources inside and outside of the Council". However, key is the need to provide a safe taxi service for local residents, ensuring that the "Safer and Stronger Communities" vision in Stronger Together is achieved.

Audit Opinion

Income from the 1,900 plus private hire, taxi driver and vehicle licences issued each year is approximately £240,000. However, the operation of a fit-for-purpose taxi service in the town contributes significantly to the Council's corporate objectives. There is also a significant risk of harm to the public if the service is not managed effectively in terms of the necessary checks being undertaken on both the cars and drivers. The impact and materiality of the Taxi and PHV licensing is considered to be **high**. This combined with the Auditor's opinion that '**fundamental weaknesses have been identified**' in system controls, gives an overall risk to the Council of **significant**.

Key Messages

This review found that the Licensing system was complying with the primary legislation relating to Taxi's and Private Hire Vehicles. Many aspects of the system were working effectively, for example the enforcement of licences, the regular inspection of vehicles and the appeals process. However, some fundamental internal controls that should ensure income is not misappropriated, public safety is not jeopardised, legislation is complied with and Council objectives are achieved were missing.



Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Taxi Licences are currently reviewed annually and limited to reviews of DVLA licences, plates and badges and confirmation of addresses. Disclosure and Barring Service checks have only been conducted during the first application for a licence, contrary to best practice guidance from the Department of Transport who recommend three yearly checks. Consequently, many drivers, responsible for transporting children and adults around Swindon have not had any CRB or DBS checks undertaken on them for many years. Moving to a three year licence renewal regime as approximately 50% of local authorities already use, could provide an opportunity to align other checks on criminal records, medical fitness and driving licences to a three yearly timescale and reduce the administrative burden on the team.

All income received is allocated to the same income code despite there being up to fourteen different types of charge. No reconciliation between records of income due, collected, banked and recorded on the general ledger is carried out. There is a lack of segregation between the person recording expected income and accepting the cash payments. Since most of the £240,000 income received is in the form of cash, there is a risk that any errors/misappropriated income would not be identified. The various income types should be allocated their own income code and reconciliations should take place at least weekly and the Council should look to encourage taxi/PHV drivers to use alternative methods of payment.

The current licensing fees are not based on the actual cost of delivering each element of the licensing service, but have been uplifted on an ad-hoc basis over a number of years. Whilst the service breaks even overall, it is unclear if the fees for the licences and services provided actually reflect the cost of providing those services. This would make it difficult to justify the fee levels if challenged by one of the licence payers. No formal benchmarking is undertaken to determine if the fees currently charged are reasonable and enable the identification and adoption of best practice from other local authorities.

Some staff stated that they were unaware of procedure guides during the course of the audit. However, in the audit report clearance process, procedures were provided albeit these were last reviewed in 2009. Although staff fully understood their respective roles and responsibilities, the procedural guides should be maintained and made available to all staff and supported by training to ensure consistent practice between staff members.

An issue was also found regarding the identification of taxi drivers who had paid the Council for permission to drive in Bus Lanes. A number of recommendations are suggested to the way drivers are charged for this permission and the way this is recorded on the car to avoid recent issues with fines being issued incorrectly to valid taxi drivers. During the review it was found that records to support taxi drivers who had paid to use bus lanes were not complete. Identifying those that could and could not use the lanes was not possible.

Document retention and data access arrangements require a number of improvements to ensure the Council does not have a breach of data security. Hardcopy records must be filed securely for the appropriate retention periods and electronic access to the Licensing system must require password updates in line with the Council's Information Security Policy to ensure confidential data is not released and that legislation is complied with.

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Licence applications should also include a fair processing notice. This is to ensure drivers are made aware that their data could be used for the purposes of detecting and preventing fraud to ensure such data can be used in such a way going forward. This is to ensure the Council can fully comply with the Audit Commission's National Fraud Initiative (a legal requirement) and would be necessary for any internal data matching exercises.

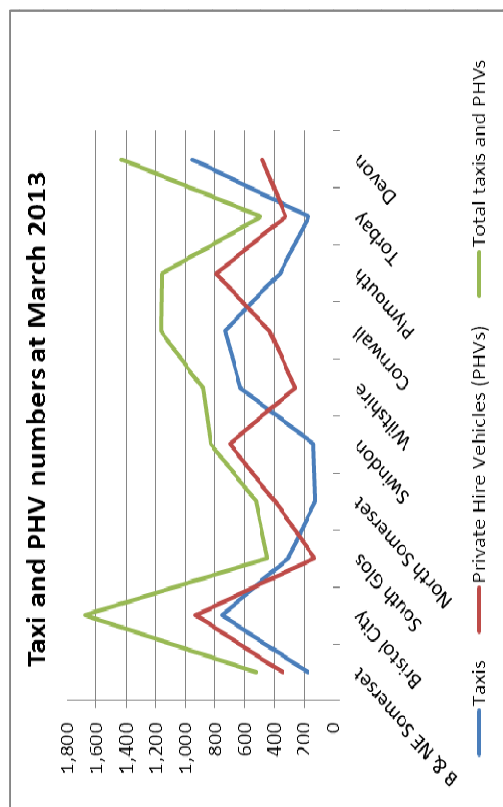
Context

This audit review was requested by the Head of Planning and Regulatory Services following the transfer of responsibility for taxi licensing to his service area from 1st April 2014. The objective of the audit was to review the systems of internal control in the taxi licensing function to determine whether these mitigated the risks, primarily to the public using taxis, whilst ensuring the service was fit for purpose.

The Council issues approximately 1,900 Private Hire Vehicle (PHV), Hackney Carriage Vehicle and Taxi Driver licences each year. The graph opposite shows how the number of Taxis and PHVs compares with our regional neighbours. Both Hackney Carriages (also known as taxis) and PHV's (also known as mini-cabs) must be licensed by the Council. Taxis are available for immediate hire and can be hailed in the street. PHV's must be pre-booked and cannot use local Taxi ranks to ply for trade.

Both Vehicles and Drivers are subject to annual licence renewals and are regularly inspected through an enforcement programme to provide a consistent and high level of service across Swindon. They generate approximately £240,000 income each year, used to offset the direct and indirect costs of the service at £150,000 and £90,000 respectively.

Taxis and PHVs have played an increasing part of local transport policy across the country with the numbers steadily increasing over the last 20-30 years. Numbers have however recently steadied nationally as a result of the economic downturn. Nevertheless, the Department of Transport estimate that the average person still makes eleven trips in a taxi or PHV each year. The public therefore place a significant reliance on the provision of such services and depend on their regulation to maintain high standards of safety.



Swindon Internal Audit Services: Licensing – Private Hire and Taxis

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. The key risks to the achievement of the business objectives were discussed and agreed with the Head of Planning and the Licensing 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: Policies and Procedures</p> <ul style="list-style-type: none"> Some staff were unaware of procedure guides during the review. However, these were subsequently provided at report clearance stage. It is noted these were last reviewed in 2009. AP1.1 The current documentation retention policy does not allow for documents that should be retained for the duration of a licence i.e. records of medical examinations. Older documents were found to be stored at Hillmead which were beyond the current retention period and confidential information on Taxi Drivers was also found to be stored insecurely in cardboard boxes on the floor in Wat Tyler House in contravention of the Data Protection Act. AP1.2 Licensing documentation including that for Taxi Licences does not include the required information in terms of the Council's use of personal data for the prevention and detection of fraud to comply with the Data Protection Act. AP1.4 	<p>Significant improvements required</p>
<p>Risk: Applications and Renewals</p> <ul style="list-style-type: none"> Currently, licence renewals are conducted annually to ensure up-to-date driving licence information can be obtained from each driver. This places a significant administrative burden on licensing staff when such checks could be undertaken using a simple DVLA check. The Council issues approximately 1,900 Private Hire Vehicle, Hackney Carriage Vehicle and, Taxi Driver licenses each year. AP2.1 Disclosure and Barring Service checks are only conducted on an initial application for a licence. The results at that time may go unchecked for many years unless a licence period lapses. The Department of Transport recommend that DBS checks are undertaken every three years. AP2.2 During the review it was found that records to support taxi drivers who had paid to use bus lanes were not complete. Identifying those that could and could not use the lanes was not possible and a viable solution to avoid fining drivers unnecessarily was being sought. AP2.3 	<p>Fundamental weaknesses</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

<p>Risk: Appeals</p> <ul style="list-style-type: none"> A clear and documented process is in place for appeals and is being effectively applied. There have been only two appeals during 2014 with none progressing to the Court in recent years. 	Satisfactory
<p>Risk: Register of Licences</p> <ul style="list-style-type: none"> The Licensing system complies with legislation and can produce a register of licensed drivers for the public to inspect. However, the Auditor found that the system could not provide some basic management information necessary to run an effective service i.e. drivers eligible to drive in Bus Lanes and the dates of DBS checks on two files AP3.1 Access to the Licensing system is satisfactorily controlled using User ID's and individual passwords. The user list reviewed reflected the current complement of staff in the team. However, there is no requirement to regularly change passwords in contravention of the Council's own Information Security Policy. AP3.2 	Significant improvements required
<p>Risk: Fees and Cost Analysis</p> <ul style="list-style-type: none"> The current licensing fees are not based on actual cost information but have been uplifted by inflation each year. Whilst the service breaks even overall, it is unclear if the fees for the licences and services provided actually reflect the cost of providing those services. This would make it difficult to justify the fee levels if challenged by one of the licence payers. No formal benchmarking is undertaken to determine if the fees currently charged are reasonable and enable the identification and adoption of best practice from other local authorities. AP4.1 All income received is allocated to the same income code despite there being up to fourteen different types of charge. No reconciliation between records of income due, collected, banked and recorded on the general ledger is carried out. There is a lack of segregation between the person recording expected income and accepting the cash payments. Since most of the £240,000 income received is in the form of cash, there is a risk that any errors/misappropriated income would not be identified. The various income types should be allocated their own code, reconciliations should take place at least weekly and the Council should look to encourage taxi/PHV drivers to use alternative methods of payment. AP4.2 The published licensing fees on the Council's website are out-of-date and do not reflect those currently being charged to taxi drivers / operators. AP4.3 	Fundamental weaknesses

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Overall Opinion

Materiality and Impact: High. Income from the 1,900 plus private hire, taxi and driver licences issued is approximately £240,000. Although materiality is therefore low there is a significant risk of harm to the public and reputational cost to the Council if the service is not managed effectively in terms of the necessary checks being undertaken on both the cars and drivers. Impact is therefore **high**.

Opinion on system controls: Fundamental weaknesses identified (see Appendix D) i.e. 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.

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 **significant**:

		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	

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of the Private Hire and Taxi Licensing, together with the recommendations to mitigate risks, the manager's response to the recommendations, along with the officer responsible and timescale for implementation. 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.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Policies and Procedures</i>			
1.1	<p>Some staff were unaware of procedure guides during the review. However, these were subsequently provided at report clearance stage. It is noted these were last reviewed in 2009.</p> <p>Staff have an extensive knowledge of the processes. However, on-going compliance with Statutory requirements, Financial Regulations and Best Practice is not demonstrated in the absence of periodic reviews.</p> <p>Any lack of consistency in the approach to dealing with drivers could put taxi customers at risk of harm.</p> <p>There is also a risk of error, fraud and corruption.</p>	<p>The procedural guides for the key processes undertaken by the taxi licensing team should be reviewed and updated to ensure that they still reflect current practices. These procedures should clearly explain the processes and documents used in the issue of new taxi applications, renewals etc. and should be version controlled to ensure that they can be updated as and when amendments to the procedure are made.</p> <p>These procedures should be made available to all staff in the section and should be supported with training where required to enhance awareness.</p> <p>Priority: Medium</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed. Staff have previously been made aware of the procedures which are stored on the shared drive.</p> <p>As a result of this issue where some staff indicated they were not aware, an email has been sent to all the team to clarify where the procedures are stored and the importance of familiarising themselves with the detail. The Team Leader has checked that this has been actioned.</p> <p>Procedures will be reviewed and amended as necessary.</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Risk: Policies and Procedures			
1.2	<p>The Taxi Licensing Team currently retains documents to support licence applications / renewals for two years. Consequently, documentation that may only be asked for at the initial application stage may be destroyed i.e. evidence of proof to work in the UK.</p> <p>Previous practice has also resulted in some older documentation being stored both at the Council's Hillmead Storage Facility but more seriously, in unsecure boxes on the office floor by the Licensing Team. This could include personal documentation including passport, banking and driving licence information. This is in contravention of the Data Protection Act 1998 that states:</p> <p><i>“Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes”</i></p> <p>There is a risk that if any of this personal information was misappropriated, the Council would have little justification for retaining it for such a long period and could be prosecuted for a breach of the Act.</p>	<p>A review should be conducted to establish how much licensing information is retained for all drivers.</p> <p>Arrangements should be made to review and dispose of any unnecessary documentation in a secure way and to avoid any data security breaches. Personal documents should not be stored insecurely on the office floor. Only documents that meet the requirements of the Data Protection Act (Principal 5) should be retained i.e. those that are still relevant for the duration of a licence.</p> <p>Documentation retention requirements for licensing paperwork should be increased from two years to reflect the need to store some documents for a longer period. Where relevant, shorter documentation retention periods should be used for documents that become out-of-date and irrelevant.</p> <p>The practicalities of storing documentation electronically should be explored to facilitate the above process.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>January 2015</p> <p>On-going</p>	<p>Agreed. All necessary information as part of the application process will be retained.</p> <p>A review of documentation at Hillmead is being undertaken and all boxes stored within the department were to be transferred to Hillmead or indeed archived at Wat Tyler House.</p> <p>Only documentation which is required to be kept will be on licensed files. This includes the latest copy of the applicants' driving licence, any medical information, NI number and ID copies produced at first licensing and replaced at each renewal.</p> <p>The taxi and private hire database, currently on LalPac (the licensing management information system), will be transferred over to Uniform which is the database that the rest of Regulatory Services utilise. As part of this a document management system will be utilised to store necessary electronic records and documentation.</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Risk: Policies and Procedures			
1.3	<p>There are currently no Key Performance Indicators or performance measures set for taxi licensing against which to monitor performance. Although the business plan includes an objective to monitor and review other elements of the licensing function, no targets are yet in place to achieve this with the current overarching objective being to deliver the service within the constraints of the current budget.</p> <p>Without any performance measures, the impact of any future changes to the service cannot be monitored and there is risk that the approval of any changes will be difficult to justify as part of any business cases.</p>	<p>Performance of the Licensing Service should be monitored against locally determined performance indicators in order that any progress and improvement in service delivery can be effectively monitored.</p> <p>Performance indicators such as those used by Derby City Council at Appendix A should be evaluated as a means of measuring taxi licensing performance.</p> <p>Priority: Medium</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed. There are no statutory KPI's for taxis and private hire and currently none reported locally. It is noted that the report includes some examples of KPI's from Derby.</p> <p>Whilst we do not currently report any, the system holds all information and can produce reports as required.</p> <p>KPI's will be considered and where appropriate will be introduced.</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	<i>Risk: Policies and Procedures</i>			
1.4	<p>The Council is required by law to take part in the Audit Commission's National Fraud Initiative. Data is submitted from several Council systems, for the purposes of preventing and detecting fraud and error. Councils are required to submit data from Private Hire and Taxi licences.</p> <p>To take part in the exercise, Council's must ensure fair processing statements are included on relevant application forms, to advise applicants what their information might be used for and who it might be shared with.</p> <p>However, one of the forms available on the Council's website has reverted back to a form that does not have the fair processing statement included. To remain compliant with the Data Protection Act, these forms must be updated.</p> <p>In addition, the required wording has been amended on the Hackney Carriage Licence form and the form no longer states which departments / other organisations the information provided by an applicant might be shared with.</p>	<p>Taxi and Private Hire Licences should be updated to include the required National Fraud Initiative fair processing notice, which can be obtained from Internal Audit if necessary.</p> <p>Due to the next National Fraud Initiative exercise starting in October 2014, this would need to be rolled out to all licences mentioned as they are renewed during the course of the next year from this September.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>From October 2014</p>	<p>Agreed and implemented</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	<i>Risk: Applications and Renewals</i>			
2.1	<p>The Licensing Team conduct annual licence renewals for approximately 1,000 drivers in a similar way to approximately 51% of local authorities as identified in the National Taxi / Private Hire Statistics of 2013. The only advantage of such regular checks is the opportunity it provides to inspect a drivers DVLA driving licence. This places a significant administrative burden on at least three staff members who are involved in this process.</p> <p>The Licensing Manager has already conducted work to identify the benefits of using a private company to conduct DVLA checks on drivers who would also monitor for changes in any driving licences and report these to the Council as soon as they are made aware of them.</p> <p>Research by the Auditor identified that some licensing authorities offer three year licence renewals. This approach, combined with the DVLA checks mentioned above, would require significantly less administration and could allow resources to be reprioritised and possibly reduced.</p>	<p>The Council should investigate and quantify the potential benefits of moving to a three year licence renewal regime to reduce the administrative burden on the licensing team. DVLA checks should be conducted as part of this process to ensure that the driving licence status of each driver is monitored for the years between the three year renewals.</p> <p>Other checks such as DBS checks and medicals for drivers in the relevant age band should also then be aligned with a three year renewal process.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>December 2014 and on-going following licence renewal</p>	<p>Agreed. Consideration has been given to offering 3 yearly licences and also dual licences. However there would be a requirement to continue with the option of annual licences to applicants firstly from a cost implication to the individual and also because many drivers enter this occupation but do not continue beyond the first year.</p> <p>Online DBS checks will be conducted via an online service for future arrangements.</p> <p>DBS checks will be conducted every 3 years in accordance with the DBS code of practice. DVLA mandate checks will be required annually regardless of whether a 3 year licence is offered.</p> <p>Medicals are required at intervals in accordance with DVLA guidelines which is not 3 yearly. Only changes to drivers medical history/new conditions require more frequent medicals.</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	<i>Risk: Applications and Renewals</i>			
2.2	<p>The Licensing Section confirmed that Disclosure and Barring System (DBS) checks are only sought on drivers for their first Taxi licence application. These are enhanced disclosures, a record of which is recorded on the driver's records and on a separate spreadsheet noting the date and numbers of the check. Where a taxi driver renews their licence before the previous licence expires, no further checks on criminal convictions are conducted and any new convictions would not be identified. If their licence should lapse for any reason, they are treated as a new applicant and another disclosure is sought. As a consequence of this process, drivers who have had a licence continually for many years will not have had their status in terms of criminal convictions updated and the Local Authority may be unaware of any convictions.</p> <p>This is contrary to Department of Transport Best Practice guidance for licensing authorities where they recommend that such checks should be undertaken every three years. Under the 'Notifiable Occupations' legislation, the Police should inform the Council of any convictions but this relies on drivers revealing their occupation as a taxi driver. If this does not happen, there is a risk that changes to the criminal status of a driver may not be identified by the Council if checks are not undertaken on a regular basis, putting members of the public at risk of harm.</p>	<p>DBS checks of drivers should be routinely undertaken at least every three years in accordance with Department of Transport guidance. A Key Performance Indicator should put in place to ensure these are performed on a timely basis.</p> <p>If the renewal period for licences was extended to three years, the DBS check could be renewed at the same time, ensuring that the DBS information was retained for the duration of the licence.</p> <p>The date of the DBS check should be recorded on the LALPAC system (taxi licensing data base) so that drivers are sent automatic letters requesting new DBS checks when the duration of the last check has expired i.e. every three years. However, a record is maintained on a spreadsheet.</p> <p>Priority: High</p>	Licensing Manager January 2014	<p>Agreed. Prior to May 2014 the DBS/PNC check was only conducted at first licensing. However, from February 2015, a three yearly renewal programme will be implemented using an external provider, who will be checking each renewal from to confirm their DBS status regardless of whether a decision to offer a three year licence is taken.,.</p> <p>All drivers must apply to renew their licence prior to their existing one expiring otherwise there would be a break in the process where they wouldn't be authorised as a licensed driver. The service allows renewals a month in advance of expiry of the licence and this has no impact on a DBS being conducted.</p> <p>Audit Comment: the three yearly review of DBS checks should be started as soon as possible.</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	Risk: Applications and Renewals			
2.3	<p>During the audit review, an issue in relation to taxi drivers using bus lanes was raised. Drivers who had paid to use these lanes could not be readily identified by the Licensing staff or recognised by cameras monitoring bus lanes restricting the Council's ability to regulate bus lane use and apply enforcement where necessary.</p> <p>The changes required to resolve these issues for a relatively small number of drivers would considerably outweigh any payment made by drivers for the use of bus lane stickers they use on their car. Since the stickers required by drivers cost £10, the maximum income received would be around £8,000 if all drivers took them up, and many in fact do not.</p> <p>There is a risk that focussing on resolving this problem could divert resources away from more important checks on drivers that could pose a more significant risk to the public. There is also considerable enforcement cost in resolving appeals by taxi drivers who are eligible to use the bus lanes.</p>	<p>The process for allowing taxi drivers to use bus lanes should be simplified and applied consistently to all taxi drivers.</p> <p>As part of the process of setting taxi licensing fees for the next financial year, the fees for vehicles should include the right to drive in bus lanes for all licenced vehicles. This would negate the need to issue special stickers to drivers and would wrap up all Swindon registered taxi's into the scheme.</p> <p>If taxi licence plates were used on the front and back of vehicles as in some other local authorities, taxis would also be easy to recognise through the bus lane cameras and the Licensing team would easily be able to extract a list of vehicles allocated taxi licence plates.</p> <p>Should any administrative cost be identified as a result of this process change, these could be incorporated into the vehicle licence fee which could be raised accordingly when new licence rates are approved at the beginning of the next financial year in April 2015.</p> <p>Priority: High</p>	<p>Licensing Manager in conjunction with the Parking Services Manager</p> <p>January 2015</p>	Agreed and completed

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	<i>Risk: Licence Register</i>			
3.1	<p>During the review, there were two occasions identified where the Licensing system, LalPac, was unable to provide information necessary for licensing i.e. date of the last DBS checks carried out on drivers and also a list of drivers eligible to drive in the Council's bus lanes.</p> <p>There is a risk that if the appropriate management information cannot be provided from the current system, the service could be compromised, potentially endangering the public and depriving the Council of income for licences.</p>	<p>The Management Information requirements from the Licensing system, LalPac, should be reviewed to determine the extent to which the current system meets those needs. Where the information cannot currently be provided, a cost benefit analysis should be undertaken to determine whether amendments to the existing system or consideration of a new system would best address management information needs.</p> <p>Priority: Medium</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed and implemented.</p> <p>This was discussed with the auditor following receipt of the draft report.</p> <p>It appears this was down to an officer error in failing to input the date of DBS disclosure. This has now been rectified.</p> <p>There is no accurate information in respect of bus lanes but this is now resolved as indicated in 2.3 above. All licensed drivers are authorised to use bus lanes.</p>
3.2	<p>Password access to the LalPac system is limited to the appropriate staff with user ID and password restrictions. However, passwords are only changed when the user wants, and not (as a minimum), every 60 days as stated in the Council's Information Security Policy at Appendix C. This could result in a breach of data security and potential penalties from the Information Commissioner.</p>	<p>Password access to the LalPac system should be updated in line with the requirements of the Council's Information Security Policy i.e. every 60 days at a minimum but ideally every month. If this process cannot be set to be done automatically on the system, it should be prompted by the system administrator.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
4	<i>Risk: Fees and Charges</i>			
4.1	<p>A review of the current fees charged for licensing identified that they were not based on detailed costing information, having been gradually increased by inflation each year without a full review on the cost of providing the service.</p> <p>Taking the budget for 2014/15 with central support costs, the Taxi Licensing service will be in a breakeven position this year. However, without detailed fee setting based on the costs of providing each element of the service, the Council cannot justify the levels charged for the services and licences it provides if challenged by a fee payer.</p> <p>Benchmarking research by the Auditor identified a wide range of different fees and approaches for charging for Licences as shown in Appendix B. Generally, the fees charged by Swindon were lower than those of our statistical neighbours. No formal benchmarking has been conducted by Licensing to confirm that the Swindon approach to charging and setting fees is reasonable.</p>	<p>In conjunction with the Finance Section, a detailed fee setting exercise should be conducted to accurately determine the cost of provision of the various licences and services provided by the Licensing Section.</p> <p>Fees charged for the licensing service should be proportionate to the costs of providing the service allowing for the time taken to process licence applications and the expected number of applications. They should also include an allowance for any planned future investment in the service. This exercise should be completed in time to set the fees for 2015/16.</p> <p>Periodic benchmarking should be conducted to identify potential best practice. Benchmarking should provide some assurance that the Council's approach to setting the taxi licensing fees is reasonable.</p> <p>Priority: High</p>	<p>Licensing Manager in conjunction with Finance</p> <p>March 2015</p>	<p>Agreed. There will be a detailed review by the Licensing Manager and Finance over the next couple of months.</p> <p>This is a high priority for the Service as there have been several challenges in many Authorities recently by the District Auditor.</p> <p>There will be a full review, including benchmarking and will also consider the appropriateness of the central support costs.</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
4	Risk: Fees and Charges			
4.2	<p>Income for Licensing is allocated to one cost centre with no analysis of the different fee types received. This information would be needed to determine the cost of issuing each licence type as part of a comprehensive costing system.</p> <p>Taxi Licensing are expected to receive approximately £240,000 in income in 2014/15. The majority of this income will be cash received by one of the taxi licensing team in the one stop shop. There was no independent reconciliation conducted between the numbers of licences issued each week to the income received. A list of appointments to issue licences is made by the same officer receiving the payments. Without segregation and reconciliation, error, misappropriation or fraud in cash handling may not be identified and would go unchallenged.</p> <p>The Auditor confirmed for licences issued in one week that a payment had been received in respect of these licences, but due to payments being for more than just a licence, it was not possible to determine whether the income received reflected the actual services provided.</p> <p>Segregation of duties and reconciliation of income is a fundamental control to ensure that all income received is banked correctly and necessary to identify any potential coding errors, misappropriation, fraud or corruption.</p>	<p>The receipt of cash income in respect of licence fees should be phased out over the coming year in line with the Council's wider income collection policy. Payments should be made via cheque or using debit/credit cards to minimise cash handling. This is an approach used by other authorities including South Glos and Charnwood BC.</p> <p>Income for the various fees and charges should be coded to unique further analysis codes to ensure the amount collected in respect of each fee can be readily identified. Information relating to the payment including the Licence holder and their full licence number should be entered against each payment.</p> <p>Each week, a report from the LalPac system of services provided to Licence holders should be reconciled to income recorded on Oracle. This should be undertaken by someone independent of the person collecting the payments to ensure all income received is accounted for correctly in compliance with the Council's Financial Regulations.</p> <p>Priority: High</p>	<p>Licensing Manager in conjunction with relevant Head of Finance</p> <p>October 2014</p> <p>End January 2015</p>	<p>Agreed. The coding of income will be addressed as part of the review as indicated in 4.1 above</p> <p>Not Agreed. The option of phasing out cash payments is not an option for the taxi and private hire service. The majority of the customers opt to pay cash and it is considered a far lower risk than the potential of returned cheques.</p> <p>Applications cannot be deemed valid unless payment is received and it is considered refusing to accept cash will cause unnecessary delay in waiting for cheques to clear.</p> <p>Agreed. Review process</p> <p>Audit Comment: As part of the above mentioned review, it is critical that segregation of duties is established between the recording, receipting and reconciliation of licence fees to minimise the risk of error/fraud or corruption.</p> <p>As mentioned, other authorities have successfully introduced non-cash payments for licences.</p>

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
4	<i>Risk: Fees and Charges</i>			
4.3	<p>Staff in the Licensing Team have a list of the current fee levels that they can provide to Licence payers. However, information that the public are referred to on the Council's website is out-of-date reflecting older and lower fee levels.</p> <p>This could clearly cause confusion for anyone responsible for paying a licence, who could argue that they should only be paying the published fee rates.</p>	<p>The fees set at the beginning of each year should be reflected on the Council's own website. These should be checked and signed off once they have been updated to ensure that drivers are given the correct information and that the Council has grounds to charge the appropriate fees.</p> <p>Priority: Medium</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed and Implemented October 2014.</p> <p>Updated website. All fees now correct</p>

Examples of Performance Indicators monitored by Derby City Council on the Taxi Licensing Service

- a) Current numbers of licences:**
 - Hackney carriages
 - Hackney carriage drivers
 - Private hire vehicles
 - Private hire vehicle drivers
 - Private hire operators
- b) Number of requests for service received (other than licence applications)**
- c) Number of licenced vehicles subject to kerbside inspection**
 - Number of licenced vehicles subject to kerbside inspections found to be satisfactory
 - Number of licenced vehicle proprietors given verbal advice
 - Number of vehicle licences suspended
- d) Number of routine visits to operators' bases**
 - Number of operators' bases where contraventions identified
- e) Number of complaints about drivers/vehicles received**
 - Number of complaints responded to within 3 working days
- f) Number of licensed drivers interviewed about possible contraventions**

Swindon Internal Audit Services: Licensing – Private Hire and Taxis

APPENDIX B

TAXI LICENSING BENCHMARKING														
Ref	Statistical Neighbour	Register available on-line	Licence Duration	Hackney Carriage Driver New Application	Hackney Carriage Driver Renewal	PHV Driver New Application	PHV Driver Renewal	Hackney Carriage Vehicle Licence New Application	PHV Vehicle Licence New Application	Operators Licence	DVLA Driver's History Check	Plate Production	CRB	Knowledge Test
2	Bury	Yes	1 yr	£81.90	£81.90	£81.90	£81.90	£450	£257.50	1-2 Vehicles £253 3+ Vehicles £352	-	Included with vehicle licence	-	£28.40
4	Darlington	No	1 yr	£70	£70	£70	£70	£410	£375	£35 per vehicle	-	Front £10 Rear £15	£44	£110
5	Derby	No	1 yr	£151	£151	£151	£151	£134	£109	£23 per vehicle	-	Included with vehicle licence	£44	£65
9	Milton Keynes	No	3 yrs	£184	£184	£136	£136	£172 *	£154 *	£272	-	Included with vehicle licence	£64	Induction £354 Re-test £119
11	Stockport	No	1-3 yrs	Applic'n £66 1 yr £66 3 yr £155	1 yr £66 3 yr £156	Applic'n £66 1 yr £76 3 yr £167	1 yr £76 3 yr £168	£269	£286	1 Vehicle £217 Each additional £13	-	Included with vehicle licence	£44	-
13	Swindon	No	1 yr	£73	£44	£73	£44	£156	£156	1-9 Vehides £206 10-19 Vehicles £258 20+ Vehicles £309	-	£20	£44	£30
16	Warrington	No	1 yr	£100	Yr 1 £72 Yr 2 £124 Yr 3 £174	£220	£200	£260	£220	1 Vehicle £100 2-5 Vehicles £175 6-30 Vehicles £200 31-100 Vehciles £300 101+ Vehicles £500	New App £5 Renewal £10	£20	£44	£25
17	Bath & North Somerset	No	1 yr	£120	£80	£120	£80	£304	£273	New £134 Renewal £102		Included with vehicle licence		£38
18	South Gloucestershire	No	1-3 yrs	1 yr £159.20 3 yr £382.08	1 yr £114.90 3 yr £275.76	1 yr £159.20 3 yr £382.08	1 yr £114.90 3 yr £275.76	£114.00	£306.80	1-5 Vehicles £288 6-10 Vehicles £454.45 11+ Vehciles £681.90		£14.50		£42
19	Bristol City	No	1 yr	£73.50	£54.00	£73.50	£54.00	#	£187	£165	£9	Included with vehicle licence	£50	£53
20	Wiltshire	No	1 yr	£91	£71	£91	£71	£180	£180	£86		Included with vehicle licence	£44	
* These are for no longer than 6 months														

Extract from Swindon's Information Security Policy

9.3 User Responsibilities

Control Objective: To prevent unauthorised user access.

9.3.1 Password Use

See also 9.2.1 and 9.5.4.

Users will be advised to follow good security practices in the selection and use of passwords.

Passwords are the principal means of validating a user's authority to access a computer service. All users must adopt the following guidelines for allocating and managing their passwords:

- Allocate individual passwords to maintain accountability;
- Keep passwords confidential;
- Avoid keeping a paper record of passwords, unless this can be stored securely;
- Change passwords whenever there is any indication of possible system or password compromise;
- Select passwords with a minimum length of six characters.
- Avoid basing passwords on any of the following:
 - Months of the year, days of the week or any other aspect of the date;
 - Family names, initials or car registration numbers;
 - Directors names, identifiers or references;
 - Telephone numbers (or similar all-numeric groups);
 - User-ID, username, group-ID or other system identifier;
- More than two consecutive identical characters;
- All numeric or all alphabetic characters.
- Change passwords at regular intervals (60 days minimum) and avoid re-using old passwords;
- Change passwords for privileged facilities (such as those which access certain system utilities) more frequently;
- Change temporary passwords the first time a user logs on;
- Passwords must not be included in any automated logon process (such as stored in macro or function key).
- Passwords must not be disclosed to anyone, including other members of staff;
- Databases, spreadsheets and word-processed documents must be protected from unauthorised access by using password protection facilities;
- Colleague's user-id/password must not be used, except in a genuine emergency. If a password is forgotten, the IT help desk or the system administrator must be consulted to arrange for a new one to be allocated.

Swindon IT will undertake quarterly review of password strength and will highlight to managers where users have poor password strength. Accounts will be suspended at the Head of IT's discretion.

Standard Audit Opinions

The audit opinion is based on two different criteria the first is materiality of the system and its impact on the Council if there was a system failure. This has been split 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 weaknesses identified. 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 Opinion System Control	
Audit Opinion 1. High standard	The auditor completing the review concluded the significant controls are in place and operating effectively and only minor recommendations have been made
Audit Opinion 2. Satisfactory standard	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.
Audit Opinion 3. Significant improvements required	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.
Audit Opinion 4. Fundamental weaknesses identified	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.

APPENDIX E

Acknowledgements

Internal Audit would like to acknowledge and thank the following Officers who contributed to the review:

Job Title

Head of Planning and Regulatory Services

Licensing Manager

Taxi licensing Team Leader

Transport Assistant

Transport Assistant

Transport Assistant

Senior Accounting Technician

Finance Manager – General Services

UPDATED MANAGEMENT RESPONSE

AUDIT		Licensing	PREPARED BY		DATE
Please note: The updated management responses have been provided by Kathryn Ashton, Licensing Manager. Internal Audit have not carried out any further testing at this stage so cannot provide assurance over the latest position regarding the implementation of recommendations. A follow-up audit will be included in the 2015/16 Internal Audit plan.					
NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES	
1	Risk: Policies and Procedures				
1.1	The procedural guides for the key processes undertaken by the taxi licensing team should be reviewed and updated to ensure that they still reflect current practices. These procedures should clearly explain the processes and documents used in the issue of new taxi applications, renewals etc. and should be version controlled to ensure that they can be updated as and when amendments to the procedure are made. These procedures should be made available to all staff in the section and should be supported with training where required to enhance awareness. Priority: Medium	Licensing Manager January 2015	Agreed. Staff have previously been made aware of the procedures which are stored on the shared drive. As a result of this issue where some staff indicated they were not aware, an email has been sent to all the team to clarify where the procedures are stored and the importance of familiarising themselves with the detail. The Team Leader has checked that this has been actioned. Procedures will be reviewed and amended as necessary.	Email confirmation has been received from all team members confirming they are familiar with current procedures. The procedures reflect current practices but will be reviewed and amended as and when changes are made to the service.	

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NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
1.2	<p>A review should be conducted to establish how much licensing information is retained for all drivers.</p> <p>Arrangements should be made to review and dispose of any unnecessary documentation in a secure way and to avoid any data security breaches. Personal documents should not be stored insecurely on the office floor. Only documents that meet the requirements of the Data Protection Act (Principal 5) should be retained i.e. those that are still relevant for the duration of a licence.</p> <p>Documentation retention requirements for licensing paperwork should be increased from two years to reflect the need to store some documents for a longer period. Where relevant, shorter documentation retention periods should be used for documents that become out-of-date and irrelevant.</p> <p>The practicalities of storing documentation electronically should be explored to facilitate the above process.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>January 2015</p> <p>On-going</p>	<p>Agreed. All necessary information as part of the application process will be retained.</p> <p>A review of documentation at Hillmead is being undertaken and all boxes stored within the department were to be transferred to Hillmead or indeed archived at Wat Tyler House.</p> <p>Only documentation which is required to be kept will be on licensed files. This includes the latest copy of the applicants' driving licence, any medical information, NI number and ID copies produced at first licensing and replaced at each renewal.</p> <p>The taxi and private hire database, currently on LalPac (the licensing management information system), will be transferred over to Uniform which is the database that the rest of Regulatory Services utilise. As part of this a document management system will be utilised to store necessary electronic records and documentation.</p>	<p>All information required and submitted as part of the application/renewal process is stored/referenced on the Lalpac database.</p> <p>The review of documentation at Hillmead has been completed and all boxes that were stored on the office floor have been reviewed and archived at Hillmead. There are no boxes or documentation stored insecurely within the office</p> <p>Applicant's files are kept securely and copies of their latest application form, copy of driving licence and medical, where applicable, are retained for the 2 year period consistent with SBC retention policy. All documents and checks are referenced on LalPac.</p> <p>It is proposed that the Lalpac database will be transferred to Uniform consistent with the rest of Regulatory Services thus allowing sharing of information and also use of a document management system IDOX.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
1.3	<p>Performance of the Licensing Service should be monitored against locally determined performance indicators in order that any progress and improvement in service delivery can be effectively monitored.</p> <p>Performance indicators such as those used by Derby City Council at Appendix A should be evaluated as a means of measuring taxi licensing performance.</p> <p>Priority: Medium</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed. There are no statutory KPI's for taxis and private hire and currently none reported locally. It is noted that the report includes some examples of KPI's from Derby.</p> <p>Whilst we do not currently report any, the system holds all information and can produce reports as required.</p> <p>KPI's will be considered and where appropriate will be introduced.</p>	<p>KPI's have been introduced and will be reported on from April 2015</p>
1.4	<p>Taxi and Private Hire Licences should be updated to include the required National Fraud Initiative fair processing notice, which can be obtained from Internal Audit if necessary.</p> <p>Due to the next National Fraud Initiative exercise starting in October 2014, this would need to be rolled out to all licences mentioned as they are renewed during the course of the next year from this September.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>From October 2014</p>	<p>Agreed and implemented</p>	<p>There was only one form on the SBC website that did not have the fair processing statement included. All the website corrections have been implemented</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2	Risk: Applications and Renewals			
2.1	<p>The Council should investigate and quantify the potential benefits of moving to a three year licence renewal regime to reduce the administrative burden on the licensing team.</p> <p>DVLA checks should be conducted as part of this process to ensure that the driving licence status of each driver is monitored for the years between the three year renewals.</p> <p>Other checks such as DBS checks and medicals for drivers in the relevant age band should also then be aligned with a three year renewal process.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>December 2014 and on-going following licence renewal</p>	<p>Agreed. Consideration has been given to offering 3 yearly licences and also dual licences. However there would be a requirement to continue with the option of annual licences to applicants firstly from a cost implication to the individual and also because many drivers enter this occupation but do not continue beyond the first year.</p> <p>Online DBS checks will be conducted via an online service for future arrangements.</p> <p>DBS checks will be conducted every 3 years in accordance with the DBS code of practice. DVLA mandate checks will be required annually regardless of whether a 3 year licence is offered.</p> <p>Medicals are required at intervals in accordance with DVLA guidelines which is not 3 yearly. Only changes to drivers medical history/new conditions require more frequent medicals.</p>	<p>As original response. This is to be considered at the next Taxi Forum meeting in March 2015 where the views of the trade will be sought.</p> <p>As original response</p> <p>Drivers are expected to meet Group 2 entitlement in accordance with DVLA guidelines and this is consistent with the majority of local authorities. Only changes to drivers medical history/new conditions require more frequent medicals. This is already in place.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.2	<p>DBS checks of drivers should be routinely undertaken at least every three years in accordance with Department of Transport guidance. A Key Performance Indicator should be put in place to ensure these are performed on a timely basis.</p> <p>If the renewal period for licences was extended to three years, the DBS check could be renewed at the same time, ensuring that the DBS information was retained for the duration of the licence.</p> <p>The date of the DBS check should be recorded on the LALPAC system (taxi licensing data base) so that drivers are sent automatic letters requesting new DBS checks when the duration of the last check has expired i.e. every three years. However, a record is maintained on a spreadsheet.</p> <p>Priority: High</p>	<p>Licensing Manager <i>January 2014</i></p>	<p>Agreed. Prior to May 2014 the DBS/PNC check was only conducted at first licensing. However, from February 2015, a three yearly renewal programme will be implemented using an external provider, who will be checking each renewal from to confirm their DBS status regardless of whether a decision to offer a three year licence is taken,.</p> <p>All drivers must apply to renew their licence prior to their existing one expiring otherwise there would be a break in the process where they wouldn't be authorised as a licensed driver. The service allows renewals a month in advance of expiry of the licence and this has no impact on a DBS being conducted.</p> <p>Audit Comment: The three yearly reviews of DBS checks should be started as soon as possible.</p>	<p>The updated check for drivers has been implemented since February 2015. DBS checks have always been recorded on LalPac and will continue to be or indeed Uniform as and when information is transferred.</p> <p>All drivers will be subject to a 3 yearly DBS check from this time. An external provider has been engaged and the service will encourage drivers to sign up to an annual check which enable the section to be updated with any changes to the DBS. This is not mandatory but views from the trade through the taxi forum are positive in taking this up.</p> <p>It should be noted that regardless of the duration of the licence DBS information can only be retained whilst the application/renewal is being considered and for a maximum of 6 months. Exceptions to this are where there are legal proceedings on going.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.3	<p>The process for allowing taxi drivers to use bus lanes should be simplified and applied consistently to all taxi drivers.</p> <p>As part of the process of setting taxi licensing fees for the next financial year, the fees for vehicles should include the right to drive in bus lanes for all licenced vehicles. This would negate the need to issue special stickers to drivers and would wrap up all Swindon registered taxi's into the scheme.</p> <p>If taxi licence plates were used on the front and back of vehicles as in some other local authorities, taxis would also be easy to recognise through the bus lane cameras and the Licensing team would easily be able to extract a list of vehicles allocated taxi licence plates.</p> <p>Should any administrative cost be identified as a result of this process change, these could be incorporated into the vehicle licence fee which could be raised accordingly when new licence rates are approved at the beginning of the next financial year in April 2015.</p> <p>Priority: High</p>	<p>Licensing Manager in conjunction with the Parking Services Manager</p> <p><i>January 2015</i></p>	Agreed and completed	All licensed Hackney Carriages and Private Hire Vehicles are authorised to use the bus lanes.

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
3	Risk: Licence Register			
3.1	<p>The Management Information requirements from the Licensing system, LalPac, should be reviewed to determine the extent to which the current system meets those needs. Where the information cannot currently be provided, a cost benefit analysis should be undertaken to determine whether amendments to the existing system or consideration of a new system would best address management information needs.</p> <p>Priority: Medium</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed and implemented. This was discussed with the auditor following receipt of the draft report. It appears this was down to an officer error in failing to input the date of DBS disclosure. This has now been rectified.</p> <p>There is no accurate information in respect of bus lanes but this is now resolved as indicated in 2.3 above. All licensed drivers are authorised to use bus lanes.</p>	As original response
3.2	<p>Password access to the LalPac system should be updated in line with the requirements of the Council's Information Security Policy i.e. every 60 days at a minimum but ideally every month. If this process cannot be set to be done automatically on the system, it should be prompted by the system administrator.</p> <p>Priority: High</p>	<p>Licensing Manager</p> <p>January 2015</p>	Agreed	Implemented

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
4	Risk: Fees and Charges			
4.1	<p>In conjunction with the Finance Section, a detailed fee setting exercise should be conducted to accurately determine the cost of provision of the various licences and services provided by the Licensing Section.</p> <p>Fees charged for the licensing service should be proportionate to the costs of providing the service allowing for the time taken to process licence applications and the expected number of applications. They should also include an allowance for any planned future investment in the service. This exercise should be completed in time to set the fees for 2015/16.</p> <p>Periodic benchmarking should be conducted to identify potential best practice. Benchmarking should provide some assurance that the Council's approach to setting the taxi licensing fees is reasonable.</p> <p>Priority: High</p>	<p>Licensing Manager in conjunction with Finance</p> <p>March 2015</p>	<p>Agreed. There will be a detailed review by the Licensing Manager and Finance over the next couple of months.</p> <p>This is a high priority for the Service as there have been several challenges in many Authorities recently by the District Auditor.</p> <p>There will be a full review, including benchmarking and will also consider the appropriateness of the central support costs.</p>	<p>A review of fees has been undertaken and will be discussed at the Taxi Forum 9 March 2015. This reflects the new online system for DBS and DVLA checks together with the proposed improvement on vehicle plates for private hire vehicles and driver badges for both hackney and private hire.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
4.2	<p>The receipt of cash income in respect of licence fees should be phased out over the coming year in line with the Council's wider income collection policy. Payments should be made via cheque or using debit/credit cards to minimise cash handling. This is an approach used by other authorities including South Glos and Charnwood BC.</p> <p>Income for the various fees and charges should be coded to unique further analysis codes to ensure the amount collected in respect of each fee can be readily identified. Information relating to the payment including the Licence holder and their full licence number should be entered against each payment.</p> <p>Each week, a report from the LalPac system of services provided to Licence holders should be reconciled to income recorded on Oracle. This should be undertaken by someone independent of the person collecting the payments to ensure all income received is accounted for correctly in compliance with the Council's Financial Regulations.</p> <p>Priority: High</p>	<p>Licensing Manager in conjunction with relevant Head of Finance</p> <p>October 2014</p> <p>End January 2015</p>	<p>Agreed. The coding of income will be addressed as part of the review as indicated in 4.1 above</p> <p>Not Agreed. The option of phasing out cash payments is not an option for the taxi and private hire service. The majority of the customers opt to pay cash and it is considered a far lower risk than the potential of returned cheques. Applications cannot be deemed valid unless payment is received and it is considered refusing to accept cash will cause unnecessary delay in waiting for cheques to clear.</p> <p>Agreed. Review process</p> <p>Audit Comment: <i>As part of the above mentioned review, it is critical that segregation of duties is established between the recording, receipting and reconciliation of licence fees to minimise the risk of error/fraud or corruption.</i></p> <p><i>As mentioned, other authorities have successfully introduced non-cash payments for licences.</i></p>	<p>New coding for income is being discussed and progressed with the Finance Department.</p> <p>As original response</p> <p>A reconciliation process is being implemented from March 2015</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
4.3	<p>The fees set at the beginning of each year should be reflected on the Council's own website. These should be checked and signed off once they have been updated to ensure that drivers are given the correct information and that the Council has grounds to charge the appropriate fees.</p> <p>Priority: Medium</p>	<p>Licensing Manager</p> <p>January 2015</p>	<p>Agreed and Implemented October 2014.</p> <p>Updated website. All fees now correct</p>	<p>Agreed and Implemented October 2014.</p> <p>Updated website. All fees now correct</p>

Risk Management

Audit Committee

Date: 3rd March 2015

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

1. Purpose and Reasons

- 1.1 A Risk Management paper was presented to Members by the Chief Executive and Risk Manager at the November meeting of the Audit Committee. During discussions regarding the corporate risk register Members requested further information/assurance regarding the Council's arrangements for the prevention of child sexual exploitation and what Members role was in this process.
- 1.2 It was agreed that the Board Director: Commissioning would be asked to come to Audit Committee to provide assurance to Members.
- 1.3 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.
- 2.2 It is recommended that the practice of inviting corporate risk 'owners' to come to Audit Committee, to provide Members with assurance regarding the key risks facing the Council, be incorporated in the Committee's work plan. If this is agreed then the Chair of Audit Committee will select future risks to be covered in conjunction with other Committee Members and the Head of Internal Audit and Corporate Risk Manager.

3. Detail

Background

- 3.1 Audit Committee are presented with regular update reports regarding risk management activity within the Council along with the latest corporate risk register.
- 3.2 The corporate risk register is updated and agreed quarterly with Corporate Board members. It reflects current and emerging strategic risks from across the organisation. Mitigating actions are actively monitored for implementation and effectiveness as part of this process.
- 3.3 The latest Risk Management update report was presented to the November 2014 meeting of the Committee. During discussions regarding the Council's corporate

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

Risk Management

Audit Committee

Date: 3rd March 2015

risk register Members requested further information/assurance regarding the Council's arrangements for the prevention of child sexual exploitation and what Members role was in this process.

Prevention of Child Sexual Exploitation

- 3.4 Child Sexual Exploitation (CSE) is among the most serious and challenging issues that any Council will face. A report setting out how the Council will further enhance its work in this area and a proposed strategy and associated delivery plan was taken to and agreed by Cabinet on 4th February 2015.
- 3.5 The report to Cabinet including the Strategy and Delivery plan is attached as Appendix 1.
- 3.6 The Strategy does not pre-empt any new recommendations that may come out from any new national reports, research documents, local case reviews or other new learning. It does however take into account the national guidance, reports of recent high profile cases across the country, the Ofsted thematic CSE Review and other research of note.
- 3.7 The Board Director: Commissioning will be attending Audit Committee to provide assurance regarding the Council's arrangements that are in place to prevent child sexual exploitation. He will also cover the role of Members in that process and 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 Cabinet report attached states that 'The Council has already provided some additional resources to fund a CSE Operational Manager and provided some additional social work resources to meet service demand. No further new financial resources are being sought at this time.

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 Board Director: Resources regarding the requirements of Section 151 of the Local Government Act 1972.

Risk Management

Audit Committee

Date: 3rd March 2015

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

- 5.3 No additional implications have been identified to those identified in the Cabinet report attached.

Diversity Impact Assessment

- 5.4 Not applicable (this has been covered in the Cabinet report attached).

Risk Management

- 5.5 CSE is appropriately registered on the Risk Register for the services.

6. Consultees

- 6.1 Board Director: Commissioning
- 6.2 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 – Report to Cabinet regarding ‘Strategy to prevent Child Sexual exploitation’

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Strategy to Prevent Child Sexual Exploitation

Cabinet

Date: 4th February 2014

Author: Cabinet Member for Children's Services
Head of Children, Families and Community Health

Wards: All Wards

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 Child Sexual Exploitation (CSE) is among the most serious and challenging issues that any Council will face. This report sets out how the Council will further enhance its work in this area and proposes a strategy and associated delivery plan for the agreement of the Cabinet and Council. The Strategy does not pre-empt any new recommendations that may come out from any new national reports, research documents, local case reviews or other new learning. It does however take into account the national guidance, reports of recent high profile cases across the Country, the Ofsted thematic CSE Review and other research of note.
- 1.2 Over the past few years there have been a number of high profile trials and we know that CSE has a risk of taking place in virtually every town and city across the country. In this instance, Swindon is no different and we wish to take a zero tolerance approach to this crime.
- 1.3 Tackling CSE is vital to support the Council's Corporate Priority of reducing vulnerability. It also contributes to the One Swindon Priority: Living independently, protected from harm, leading healthy lives and making a positive contribution. There are also links to the Crime and Disorder Act whereby Section 17 of the Act 1998 makes it a statutory responsibility for all local authorities to consider community safety as part of its core business.

2. Recommendations

Council is recommended to:

- 2.1 Agree the Child Exploitation Strategy for Swindon Borough Council as set out in Appendix 1

Note the associated delivery plan that will be monitored and updated at regular intervals.
- 2.2 Agree to support the introduction of a pledge: Zero tolerance of CSE in Swindon.
- 2.3 Authorise the Cabinet Member for Children's Services to sign the Zero tolerance of CSE pledge on behalf of Swindon Borough Council and invite other Councillors to do so.

Further information on the subject of this report can be obtained from Karen Reeve, Tel: 01793463200. KReeve@swindon.gov.uk

Strategy to Prevent Child Sexual Exploitation

Cabinet

Date: 4th February 2014

3. Detail

Background

- 3.1 Child Sexual Exploitation (CSE) is a national issue. It involves the exploitation of children and young people whereby they receive 'something' (e.g. affection, food, accommodation, drugs, alcohol, cigarettes, gifts, money) as a result of their performing, and/or another or others performing on them, sexual activities. In all cases, those exploiting the child have power over them by virtue of their age, gender, intellect, physical strength and/or economic or other resources. Violence, coercion and intimidation are common, involvement in exploitative relationships being characterised in the main by the child's limited availability of choice resulting from their social/economic and/or emotional vulnerability.
- 3.2 A national response is needed in order for these issues to be tackled in a coherent way that will lead to effective action and prevention across the country. However, we need to do everything we can to address the issue locally and pro-actively prevent as well as pursue perpetrators and protect children and young people.
- 3.3 We know that CSE can take many different forms including:
- Exploitation by family members, including being 'sold for sex',
 - Sexually exploitative relationships with older adults,
 - Sexually exploitative relationships with peers,
 - Sexual exploitation through technology including grooming through social media and the taking and circulation of sexually explicit images of the child.
- 3.4 The Swindon Local Safeguarding Children's Board (LSCB) developed in 2012 a strategy that outlined how partner agencies will work together. This is based broadly on three strands – Prevent, Protect and Pursue. It was developed following the work of the Board's Sexual Exploitation and Runaways sub group. CSE has been a strategic priority for the Board since 2012/13 and the Board monitors an associated action plan.
- 3.5 Swindon Borough Council is a very active partner in this work and has led several areas of its activity. There is also positive engagement by all the partner agencies across the area. The Council has funded a new full time permanent post to take forward its work in this area and also enhanced the numbers of social workers it employs.
- 3.6 The LSCB has affirmed its expectation that all agencies will work together using the agreed multi-agency child protection and CSE procedures and having a Swindon Council Strategy and delivery plan identifies how our services will support and enhance the work of the Board to further protect the children and young people of Swindon.
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Further information on the subject of this report can be obtained from Karen Reeve, Tel: 01793463200. KReeve@swindon.gov.uk

Strategy to Prevent Child Sexual Exploitation

Cabinet

Date: 4th February 2014

- 3.7 Whilst those who have worked in children's services for many years know that CSE is not a new phenomenon what is new is the level of professional and public awareness. This has been generated by recent high profile cases and what has been discovered about what may be new and more organised patterns of abuse. i.e. networks of offending. Hence it has become everybody's responsibility to identify, prevent, and protect children and young people from this form of abuse.
- 3.8 Swindon Borough Council is committed to the same three LSCB strands of activity for its strategy and delivery plan, that being to Prevent, Protect and Pursue. It is fully committed to working with the LSCB and its partners, both statutory, voluntary and community based in order to provide an effective response. We wish to take a zero tolerance approach to this crime.
- 3.9 The strategy identifies that we will need an effective response that we will:
- maintain good strategic leadership,
 - ensure excellence in the management of our service delivery and provide good services to children and young people that need it,
 - involve and engage the community to raise awareness,
 - support the police to prosecute offenders whenever and wherever possible, and
 - ensure we learn from good practice and relate this back to our own provision.
- 3.10 Some areas of the Council's activity already demonstrate a good understanding of the forms of CSE and provide good services, some less so and practice is developing across the Country, not just in Swindon. We want to learn from the challenges highlighted nationally and apply the learning locally to ensure we support staff to be open to the issues of CSE in their day to day activity.
- 3.11 We want to challenge where needed whilst fully supporting the need for excellence in partnership working and intelligence gathering. Consistency in each of the three strands of the strategy will be the challenge in what is an incredibly difficult form of abuse to identify and support young people to disclose especially when some young people do not see themselves as victims at all and can be difficult to engage.
- 3.12 Although CSE is not solely a children's issue and requires effective work and engagement from across the whole of the Council's services the delivery plan will be led by and regularly reviewed by Children's Services senior management team in consultation with the Cabinet Member for Children's Services and the delivery plan adapted as required to enable a robust response and approach to CSE (and Missing Children). However, they will rely on service leaders from across the Council to engage with them and support activity or lead activity to address the need to prevent, protect and pursue.
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Further information on the subject of this report can be obtained from Karen Reeve, Tel: 01793463200. KReeve@swindon.gov.uk

Strategy to Prevent Child Sexual Exploitation

Cabinet

Date: 4th February 2014

- 3.13 Much work has already taken place with schools, providers of services, raising children and young people awareness and across agencies and Council departments. Training is being offered extensively and a range of practice tools for staff are available. But we are not complacent and more can and will be done to secure an excellence in our services and a zero tolerance approach to CSE. We are committed to refine further and develop our approach and work with our partners as more becomes known about this form of child abuse.
- 3.14 It is also recommended that we introduce a Pledge that supports the concept of a 'Zero Tolerance of CSE', an approach launched recently in the Wiltshire. As we share a number of services across the area having a Pledge is one way that others can also engage in helping protect children and young people.
- 3.15 Accordingly, given the importance of building awareness and tackling this issue, it is recommended that Council be invited to adopt the Strategy and authorise the Cabinet Member for Children's Services to sign the Zero tolerance of CSE pledge on behalf of Swindon Borough Council and invite other Councillors to do so. The Pledge 'Zero tolerance of CSE in Swindon' will commit the signatory to find out more about what CSE is: sign up and complete an on-line training course and tell 5 other people about CSE and encourage them to complete the course and also sign the pledge.

4. Alternative Options

- 4.1 There is no statutory requirement to have a CSE Strategy although it would be considered good practice to have one and it can be adapted as thought appropriate.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The Council has already provided some additional resources to fund a CSE Operational Manager and provided some additional social work resources to meet service demand. No further new financial resources are being sought at this time.

Legal and Human Rights Implications

- 5.2 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 None have been identified other than as covered in Section One of the main body of the report.

Further information on the subject of this report can be obtained from Karen Reeve, Tel: 01793463200. KReeve@swindon.gov.uk

Strategy to Prevent Child Sexual Exploitation

Cabinet

Date: 4th February 2014

Diversity Impact Assessment

- 5.4 A Diversity Impact Assessment (DIA) has been completed. No adverse or other significant issues were found. Indeed the strategy will positively impact on vulnerable children living in Swindon's community. A copy of the DIA can be obtained from the report author via kreeve@swindon.gov.uk

Risk Management

- 5.5 CSE is appropriately registered on the Risk Register for the 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 No unpublished papers

8. Appendices

- 8.1 Child Sexual Exploitation Strategy and Delivery Plan

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 This is not a Key Decision as it is recommended that full Council be asked to adopt the Strategy. It is included in the Cabinet Work Programme and Forward Plan for February 2015.

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Strategy & Delivery Plan to Prevent Child Sexual Exploitation for Children, Families & Community Health & Swindon Borough Council

23.01.15

Introduction

The sexual exploitation of children and young people has been identified throughout the UK, in both rural and urban areas and in all parts of the world. It affects boys and young men as well as girls and young women; they are equally vulnerable. Increasingly victims are identified under 16 years of age, across all cultures. Many children and young people are exploited in the community, although the behaviours associated with exploitation may bring them into care and a number of children/young people are also targeted whilst being Looked After by Local Authority Children's Social Care:

Swindon Borough Council has adopted the same definition as the Local Safeguarding Children Board (LSCB) who in turn use the Department of Health's definition, which is;

'involving exploitative situations, contexts and relationships where young people (or a third person or persons) receive 'something' (e.g. food, accommodation, drugs, alcohol, cigarettes, affection, gifts, money) as a result of their performing, and/or another or others performing on them, sexual activities. It can occur through the use of technology without the child's immediate recognition; e.g. being persuaded to post sexual images on the internet/mobile phones without immediate payment or gain. In all cases, those exploiting the child have power over them by virtue of their age, gender, intellect, physical strength and/or economic or other resources. Violence, coercion and intimidation are common, involvement in exploitative relationships being characterised in the main by the child's limited availability of choice resulting from their social/economic and/or emotional vulnerability.' (DoH 2008)

We recognise that child sexual exploitation (CSE) can take many different forms including:

- 1) Exploitation by family members, including being 'sold for sex'
- 2) Sexually exploitative relationships with older adults
- 3) Sexually exploitative relationships with peers
- 4) Sexual exploitation through technology including grooming through social media and the taking and circulation of sexually explicit images of the child

The Swindon Local Safeguarding Children's Board has had a developed a strategy in place since 2012 which sets out about how partner agencies will work together. This is based broadly on three strands – Prevent, Protect and Pursue. It was

developed following the work of the Board's Sexual Exploitation and Runaways sub group. CSE has been a strategic priority for the Board since 2012/13 and the Board monitors an associated action plan. Swindon Borough Council is a very active partner in this work and has led several areas of its activity.

The Board has affirmed its expectation that all agencies will work together using the agreed multi-agency child protection and CSE procedures and this strategy and delivery plan identifies how our services across the Council will further support and enhance the work of the Board to protect the children of Swindon.

We also plan to introduce a Pledge that supports the concept of a 'Zero Tolerance of CSE', an approach launched recently in the Wiltshire Assembly. As we share a number of services across the area having a Pledge is one way that others can also engage in helping protect children and young people. The Pledge 'Zero tolerance of CSE in Swindon' will commit the signatory to find out more about what CSE is: sign up and complete an on-line training course and tell 5 other people about CSE and encourage them to complete the course and sign the pledge too.

This Strategy takes into account the national guidance, reports of recent high profile cases across the Country, the Ofsted thematic CSE Review and other research of note.

Swindon Borough Council's Commitment and Strategy

Whilst those who have worked in children's services for many years know that CSE is not a new phenomenon what is new is the level of professional and public awareness generated by recent high profile cases and what has been discovered about what may be new and more organised patterns of abuse. Hence, it has become everybody's responsibility to identify, prevent, and protect children and young people from this form of abuse

We know that CSE takes place in many towns and cities across the country. In this instance, Swindon is no different and we wish to take a zero tolerance approach to this crime.

Swindon Borough Council is committed to the same three strands of activity for its strategy and delivery plan as the Swindon LSCB, that being to Prevent, Protect and Pursue. It is fully committed to working with the LSCB and its partners, both statutory, voluntary and community based in order to provide an effective response.

An effective response means that we will:

- maintain good strategic leadership,
- performance manage our service delivery and provide good services to children and young people that need it,
- involve and engage the community to raise awareness

- disrupt perpetrators and support the police to prosecute offenders whenever and wherever possible and
- ensure we learn from good practice and relate this back to our own provision

Some areas of the Council's activity already demonstrate a good understanding of the forms of CSE and provide good services, some less so and practice is developing across the Country, not just in Swindon. We want to learn from the challenges highlighted nationally and apply the learning locally to ensure we support staff to be open to the issues of CSE in their day- to- day activity. We want to challenge where needed whilst fully supporting the need for excellence in partnership working and intelligence gathering. Consistency in each of the three strands of the strategy will be the challenge in what is an incredibly difficult form of abuse to identify and support young people to disclose.

Although CSE is not solely a children's issue and requires effective work and engagement from across the whole of the council's services the delivery plan will be led by and regularly reviewed by the Children's Services senior management team and the delivery plan adapted as required to enable a robust response and approach to CSE (and Missing Children). However they will rely on service leaders from across the Council to engage with them and support activity or lead activity to address the need to prevent, protect and pursue. The overall strategy and effectiveness of the delivery plan will be led and monitored by the Cabinet Member Children's Services with Council's Corporate Board, and scrutinised by elected Members.

Much work has already taken place with schools, providers of services, raising children and young people awareness and across agencies and council departments. But we are not complacent and more can and will be done to secure an excellence in our services and a zero tolerance approach to CSE. We are committed to further refine and developing our approach and work with our partners and in particular the Police as more becomes known about this form of child abuse. It is hoped in particular that the development of a multi-agency safeguarding hub (MASH) in Swindon will enable an enhanced approach at the front door to our services by identifying risk indicators of CSE much earlier and enabling earlier intelligence sharing.

It is proposed that an annual report is prepared for the relevant Council body and LSCB on the evidence of effectiveness, the prevalence as far as can be ascertained and the achievements and challenges the Council has identified in the preceding year.

Prevalence & Research

In April 2014, a literature review was commissioned and compiled by the Council's Strategy and Research team in response to a request from our service. It incorporated a literature review from across the country on prevalence, risk, best practice and evidence of 'what works' in responding to CSE, as well as six in-depth interviews with practitioners in the UK, exploring individual local approaches.

Its report noted that data on prevalence of CSE can be contradictory; some studies suggest a possible reduction in recent years, whilst knowledge from specialist teams has identified a sharp increase in case referrals, further to the instigation of the specialist team itself.

Statistics indicate a recent rise in victims aged under 16 in the UK (relative to age 16 – 18). Any statistics on prevalence are however likely to be underestimates, due to the amount of activity that goes unreported.

There are recommended data sources for starting to build a picture of local prevalence and this needs to be developed further in Swindon to allow us to build a richer picture of prevalence and local intelligence. However, given the disparate electronic database resources and recording practice this will be a challenge for all child care professionals across the county and not just in Swindon. At this time there is no national definition, data set/collection or benchmarking conducted which makes it much harder for our area to ascertain our effectiveness.

Data collected locally in September 2014 suggested there were around seventy cases known to children's social care in Swindon in the preceding three years where CSE was a possible or probable concern. Of these approx. 25 were of a high or medium risk nature across this 2-3 year time frame. There was a range of forms of abuse described and a range of ages and ethnicities for the victims. Alleged perpetrator information is sparse but indicates a cross sample of ethnicities as well. This would fit the national research which indicates perpetrators come from a diverse range of backgrounds despite on occasions the prevalence of reporting in the media re Asian communities.

One common feature and high- risk indicator that CSE may be a factor for a child is a child going missing from home (or placement). Hence there are specific links built into the work of the LSCB, child protection procedures and the Boards 'Missing Children sub group' to ensure connections are made for children going missing and children for whom there may be CSE concerns. Hence, data linked to missing children is also used in the identification of prevalence.

What we know about our performance

There have been three key practice assessments and /or audits conducted since March 2014 plus an external inspection that have further informed our view on what we know about our practice.

Ofsted Inspection:

Firstly, Ofsted conducted the Single Inspection Framework inspection in March 2014 which assessed performance in Swindon Children's services and at the same time Ofsted reviewed Swindon's LSCB.

Ofsted found in the headlines section of the report that the:

'strategic overview of child sexual exploitation (CSE) is robust. However this is not yet translated into consistently high quality and timely practice by staff working within children's services'

In the more detailed section Ofsted said that:

'The strategic overview of CSE is well embedded across the partnership, with some effective practices taking place to share information about vulnerable young people and disrupt patterns of activities. A dedicated post within children's services links directly with other agencies and service providers to support a coherent approach to the CSE strategy. Awareness raising of CSE is on-going across the partnership, including amongst hoteliers and other providers of night time services such as taxi drivers and takeaway outlets' and 'Highly vulnerable young people identified as being at risk are discussed at the monthly Multi-Agency Risk Panel (MARF). Through the dedicated CSE worker, social workers will discuss referrals they will present at the panel so that action plans are established and the level of risk is appropriately identified and shared with all agencies. Whilst there is confidence in the strategic overview of CSE, it is less clear how social workers respond to referrals where CSE is an emerging factor and connected friends and groups of children are implicated in the information'

In response to the issues raised by inspectors, the service conducted an immediate practice audit. It also continued to address the findings of the Inspection through an 'Ofsted Action Plan'

Multi-Agency Risk Panel

The LSCB in May 2013 was supported by the Council to establish a Multi-Agency Risk Panel (MARF), which is now led and chaired by a senior manager from within Children's Services. It aims is to facilitate the effective information sharing; intelligence gathering and care planning for the children/young people considered most 'at risk' in the area (- although not just from CSE it is predominantly CSE cases that the MARF considers) and has so far considered more than 25 children and young people. This forum provides a key activity around which we will all ensure

themes and trends, intelligence or areas of concern and good practice are used to better inform further service improvements or future resource needs.

Practice Audit:

As noted above a second practice audit of a number of cases looked at recent referrals (only) from September 2013 to March 2014 -the date of the Ofsted inspectors being present, which had highlighted the need to improve practice on the front line of social work services.

Positively it found that referrals were appropriate and initial assessments were conducted but that in headline terms three areas for improvements were found;

- Assessments were descriptive and gave a good account of the context but were not consistently holistic or analytical enough in developing an understanding of how the YP's vulnerabilities impacted on them or enhanced their risk of CSE.
- The CSE vulnerability/risk assessment checklist needed to be a component of the assessments undertaken in cases where CSE was considered a feature.
- That a deeper understanding and attitudinal change was needed by social workers

This last point identified a positive and widespread understanding of what indicates the signs and symptoms of CSE and the potential factors that pre-dispose vulnerability to it; however, there is a need for more in depth work to be undertaken when taking into consideration attitudinal changes to CSE across the workforce.

It was not uncommon it noted to see language such as "engaging in risky behaviour", "making lifestyle choices", "inability to understand risk she is placing herself at", "unmanageable". This phrasing and emphasis towards choice and problematic behaviour in relation to young people suffering CSE did not necessarily convey that the workforce has a deeper understanding of the victim nature of young people suffering CSE, such as the power dynamics that might be involved.

We know this last point about attitudinal behaviour is a common feature highlighted nationally for many workers needing to come to understand the context of this form of abuse and is not peculiar to Swindon but still needs to be addressed.

Work was strengthened in the service to ensure staff were accessing training, the issues were discussed and understood and the connections between key agencies were being made.

Thematic audit of CSE June-September 2014

Whilst continuing to address the issues identified by Ofsted and in the practice audit the need for a further thematic audit/review was identified –this to look at cases that had been worked with for longer periods and to provide a more qualitative measure. Involving front line practitioners and managers to help inform us about what more

subtle or organisational learning changes may be most effective in improving our work going forward.

This review/audit looked at in depth 20 cases that had been worked long term and identified similar issues to the practice audit, the headlines being:

- Recognition of young people at risk of being exploited and the most common indicators linked to CSE seem to be widely known by staff. However the robustness of response is less effective when the young person has not disclosed actual CSE or the quality of engagement of parents is variable.
- Some cases showed a lack of compliance with S47(child protection) processes which could have resulted in delaying effective intervention and engagement.
- It was not possible to evaluate fully the role of early help within the cases audited due to differences in the depth of case recording and inability to identify CSE cases systematically from early help records.
- Workers were able to reflect on how the young person's family experiences, history or life disadvantages could affect them, this was frequently however not included in case files and analysis on assessments but could be articulated and reflected upon by the current case holding workers. Hence case recording is an area for improvement to provide the needed 'audit trail'
- Overall it could be demonstrated that practitioners got to know families well, but it was less clear how well understood exploited young people actually were.
- The attitudinal element described earlier was evident still in some cases.
- Staff were found to be open to having more opportunities to learn more about working with CSE cases and they expect that there will be increase in this area of work.

It was also observed that, occasionally, this alertness to the risks of CSE by professionals can prove a hindrance when "along with a heightened awareness and understanding, came a heightened level of anxiety" especially seen in some professional teams working 'around' a child. Hence as a Council we will need to work with partners to ensure that anxiety management is not left to the social workers to do on behalf of the whole team around the child.

Hence all of the above learning from inspection and audits will be incorporated in our delivery plan in order to ensure that the response to CSE is right every time and of a good or outstanding quality.

The work above should be noted and it should not be forgotten that significant improvements have been made in understanding and recognising CSE over the past two to three years across all agencies.

What does good practice look like?

The literature review mentioned earlier noted there was not much available about what seems to constitute good practice however some has never been evaluated so

needs to be treated carefully to ensure good outcomes are being seen. In particular the good practice noted included the need for:

- A child (young person)-centred approach.
- Good recognition of the signs of CSE.
- That key to supporting young people experiencing CSE is good access for them to a range of services, attention, assertive outreach and advocacy.
- The need for non-time limited support in direct work with victims as being crucial to establishing trust, increasing the victim's understanding of abuse, and reaching disclosure - "a key attachment figure" (for that young person) being critical to reducing risk at an individual case level.
- Where young people are experiencing lower levels of risk availability of indirect support, which may include referrals to Child and Adolescent Mental Health Services or help in accessing sexual health services for example is needed.
- That use of secure accommodation (whereby the Court is asked to agree to lock up a young person for their own safety) is only considered where that young person is at serious risk of harm, and no other viable options exist.

What was difficult to ascertain in the research was what an 'optimum operating model' for managing CSE is. Whilst there are examples of areas that are responding well and consistently, there is little available that benchmarks 'what works' in terms of utilising a dedicated resource. In addition, some areas have only very recently funded or appointed CSE lead workers and the nature and scale of response varies significantly between authorities.

Hence, we will need to recognise we are working in an area where what works (has a meaningful long- term impact) is still largely unknown, but staying child focused will likely help ensure we are able to keep young people safer.

We do know that there is evidence showing the potential negative impacts of an under-developed approach to CSE that we can learn from.

Serious case reviews has shown problems where there has been confusion about sexual activity and the issue of consent (i.e. assuming those aged over 16 are engaged in consensual activity); linking CSE to risk taking behaviour (rather than viewing that young person as vulnerable); and a lack of action following disclosure, meaning that abuse was allowed to continue. We will need to be mindful of this within our services. We must also find ways to work with young people who do not see themselves as victims or at risk and sometimes refuse to engage in work with professionals.

Recent research has also highlighted the potential negative health consequences associated with not identifying risk soon enough – including Post Traumatic Stress Disorder (PTSD), substance misuse, self-harm, STIs, depression, eating disorders and flashbacks.

We will therefore also need to develop our operational approach to CSE including defining further our thresholds for services across early help and children's social care that specifically relate to CSE risks

The following delivery plan identifies the key areas of activity, practice development or areas for focus that will make the children and young people of Swindon safer.

DRAFT

Key Areas of Activity- Three Year Delivery Plan
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NB: The working copy of this delivery plan will have action owners, specific tasks and target dates for completion. The actions listed below are listed to enable an overview of the areas that will be acted on.

Key Area	Actions
Leadership & Management:	
	Elected Members Briefed, all have done the on line training as a minimum and are engaged in raising awareness in their localities.
	Corporate Board and Senior Leaders aware and engaged across Council
	Whistleblowing policy effective across the Council
	Data of prevalence, research etc is used to inform and revise the CSE strategy and ensure adequate resource provision
	Local arrangements with partners are effective, and challenged if needed
	Ensure staff across the Council are briefed on the CSE Strategy & they know what their role is in relation to it.
Community Engagement:	
	Development of community communication & engagement strategy -to include work of the Communities/Localities staff
	Ensure good engagement and understanding in Schools
	Develop ways to engage young people and help to educate them about areas of risk and prevention
	Identify who in our BME community to best speak to and discuss how we reach their community -to include work of the Communities/Localities staff
	Introduce a zero tolerance to CSE Pledge
Case Identification:	
	<ul style="list-style-type: none"> • Role of early help provision is supported to prevent CSE • Use of tools- screening tool, handbook is enhanced and supported

Role of others across council in identifying intelligence is enhanced and further developed (to include actions for Leisure, Housing, Licensing –off licences, taxis, hoteliers, localities staff)
Role of schools in identifying victims is enhanced and supported (truant, poor behaviour indicators, referral etc)
Exploration of a MASH for Swindon
Practice Development:
<p>Social Work Practice Improvements to include:</p> <ul style="list-style-type: none"> • Better use of tools- screening tool, handbook, • Minimum standard of case work document to be developed • Further improve management oversight • Further improve case working (care plans) • Ensure missing children processes compliance & intelligence to inform continued improvements in case-working • Ensure further improvements in risk management and understanding across all cases • Role /requirements of the Outreach Service defined • Threshold criteria to be specified for CSC and CSE cases • Role of dedicated worker –recruit, define, ensure the role is effective
Define model of proposed case working with the benefit of research and best practice examples shared nationally
Ensure good engagement in the LSCB CSE & Missing Sub group to ensure effective liaison(Chair Wilts police)
Undertake evaluation of the Multi-Agency Risk Panel that the Council leads and Chairs
<p>Training & development of staff- on line course. LSCB led</p> <ul style="list-style-type: none"> • Ensure meets needs • Ensure all relevant staff across the council attended
Enabling partners to support their staff so that SWs are not carrying out this function
Taxi licensing to include CSE training, checking and vetting, and drivers alert to issues to aid identification of risk
Support local hoteliers to be alert to CSE
Role of Early Help professions. i.e. YEWS, EWO's, YOT, School nurses to be further enhanced
Housing staff to be trained and alert to CSE risks and contribute to prevention and protection as appropriate
Leisure staff to be trained and alert to CSE risks and contribute to prevention and protection as appropriate
Legal Services to research and identify what legal powers are available to the Council and advise support and assist relevant services as and

when these powers may need to be deployed
Long Term & Therapeutic Support for Victims:
<ul style="list-style-type: none"> • Define commissioning need • Barnardos current spot purchasing for long term support to be reviewed • Use young people's feedback to inform 'what works'
Engagement with LSCB:
Ensure we fully support the LSCB to engage all areas of the wider children's workforce and community
Data Set:
Develop a robust multi-agency local data set in order to develop further our intelligence, direct resources, benchmark Inc: Cross reference soft data- i.e. truant, missing, exclusions
Campaign for a national definition and data set
Prevent:
<p>Ensure staff are supporting the use of disruption activity that use the full range of powers available to the Council- including</p> <ul style="list-style-type: none"> • Links to CSP • Enforcement • Housing • Licensing



Swindon Borough Council
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Euclid Street
Swindon SN1 2JH

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

6th January 2015

Dear Mr McKellar

Certification work for Swindon Borough Council for year ended 31 March 2014

Audit Commission work

We are required to certify certain claims and returns submitted by Swindon Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified two claims and returns under the audit commission regime for the financial year 2013/14 relating to expenditure of £69,181,806 million. Further details of the claims certified are set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification. We are satisfied that any recommendations raised in previous years have been addressed.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £14,485. This is set out in more detail in Appendix B.

Non Audit Commission work

This letter sets out the work for the two claims audited under the audit commission regime. In addition we audited the Council's teacher's pension return applying guidance issued by the Teacher's Pension's Agency. This guidance required more detailed testing compared to the Audit Commission guidance. This work was completed in November 2014 at a cost of £3,000. We did not identify any matters we need to bring to your attention.

Yours sincerely



For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2013/14 in line with the Audit Commission's guidance

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£68,586,421	No	0	Yes	We completed our risk assessment, analytical review and applied the software diagnostic tool. We audited an initial sample of 60 claims. We identified a small number of administrative errors for example where the wrong payslip was used to determine the income of the recipient. For these cases the audit sample was extended by 40 cases in respect of each type of error. The errors were quantified, however the amounts were trifling (some £250 in total). In accordance with the DWP's requirements the errors were reported to the Department.
Capital receipts return	£595,385	No	0	No	Claim accurately compiled.

Appendix B: Fees for 2013/14 Audit Commission certification work

Claim or return	2012/13 actual fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	20,456	13,968	13,968		Fewer errors were identified in 2013/14, therefore there were fewer extended samples resulting in less work. (Four extended samples were completed in 2013/14 compared to 9 in 2012/13).
National non-domestic rates return (NNDR3)	746	N/a	N/a		No requirement to certify this return in 2013/14
Pooling of housing capital receipts	1,635	517	517		We were required to complete full certification procedures in 2012/13. Only limited procedures were required in 2013/14 in line with the audit commission's guidance.
Teacher's Pension return	876	##			See below
Total	23,713	14,485	14,485		

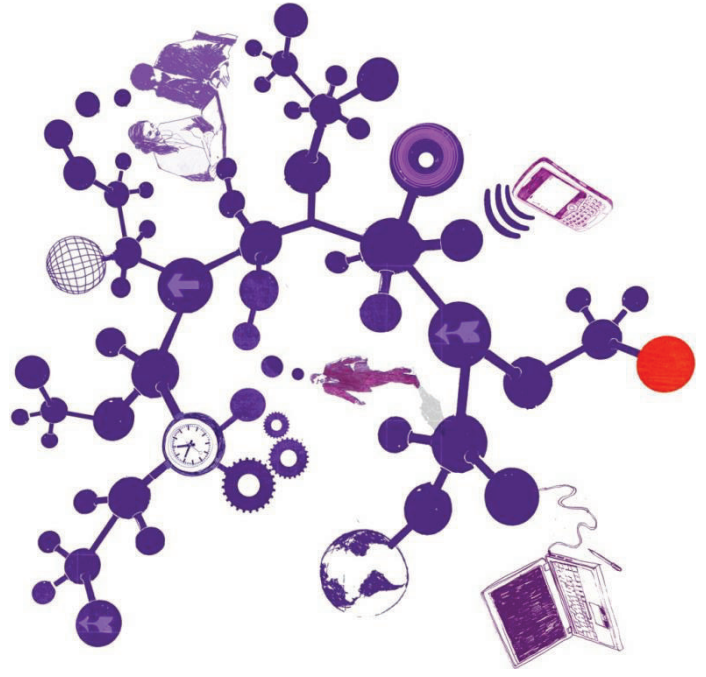
The teacher's pension return was audited outside of the audit commission regime this year.

Audit Committee Update for Swindon Borough Council

Year ended 31st March 2015
16th February 2015

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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 your business 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.

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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.

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 16th February 2015

Work	Planned date	Complete?	Comments
2014-15 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 Council's 2014-15 financial statements.	21 st April 2015	No	This will be reported to the Audit Committee meeting to be held in April 2015 when most of our interim work comprising our risk assessment will be complete.
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 2015	No – in progress	We have met officers and discussed key issues including both accounts opinion issues and VFM issues. We have also undertaken some initial testing. Our detailed walk through of systems is due to be completed in March 2015.
2014-15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2015	No	This work will be completed in the summer to ensure we issue our opinion in line with the Government timetable.

Progress at 16th February 2015

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion comprises: <ul style="list-style-type: none"> • An initial risk assessment; • A detailed review of arrangements against criteria specified by the Audit Commission; • Reviewing key documents; and • Discussions with officers. 	September 2015	No	
Other areas of work <ul style="list-style-type: none"> • Certification of claims and returns including the Housing Benefits claim. 	November 2015	No	
Other activity undertaken We have been liaising with officers to discuss issues affecting the year end accounts.	On-going	No	

Rising to the challenge

Grant Thornton

Our national report, *Rising to the Challenge*, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>.

The reports asks 'Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?'

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Accounting for schools

Accounting and audit issues

Accounting for schools

The debate about the recognition of school land and buildings on local authority balance sheets (which most commentators had thought settled) has been reignited. Grant Thornton is taking a leading role in trying to resolve this unexpected development.

In March, CIPFA/LASAAC Code concluded that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities that need to be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the CIPFA/LASAAC Code requires local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. The general expectation in the sector was that:

- the vast majority of voluntary aided, voluntary controlled and foundation schools would be recognised on local authority balance sheets
- a small number of school buildings that are provided at no charge by a religious body and where there was a realistic possibility that they could be taken back by their owners would be treated as assets of the religious body and so not recognised on the local authority balance sheet.

However, at the CIPFA conference in November, CIPFA clarified that it considers that most voluntary aided and voluntary controlled school buildings would **not** be recognised on the balance sheet. This view has been set out in more detail in LAAP 101. This is because the religious bodies have a legal right to take back these assets. Nor does CIPFA consider the position for foundation school building to be clear cut and local judgement would need to be applied. We are discussing issues with CIPFA in particular:

- how the treatment proposed by CIPFA complies with the Code
- the significant practical implications for the sector
- the potential for inconsistent accounting treatments depending on local judgement.

We are working with the Audit Commission, CIPFA and the other audit firms suppliers to try to seek a practical way forward as soon as possible.

Continued overleaf

Accounting for schools (continued)

Accounting and audit issues

We will continue to share the latest developments with officers. In the mean time we note your preparations for recognising school land and building including:

- identifying those schools where school buildings are owned by third parties (such as church dioceses) and determining under what circumstances the buildings could be taken back by the third party
- obtaining valuations for school land and buildings for each of the three balance sheet dates (1 April 2013, 31 March 2014, 31 March 2015)
- obtaining sufficient information to enable the authority to restate its revaluation reserve and capital adjustment account.

Group accounting standards

Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over 'other entities'. The revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

Changes to the definition of control over 'other entities'

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in 'other entities' will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

Group accounting standards (continued)

Accounting and audit issues

Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. It is for the entity to assess whether a joint arrangement is a joint operation or joint venture by considering its rights and obligations arising from the arrangement. To do this the entity needs to consider the structure and legal form of the arrangement, the terms agreed by the parties and any other relevant facts and circumstances. Appendix B to IFRS 11 provides further explanation and examples of joint operations and joint ventures.
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

Earlier closure and audit of accounts

Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is more than 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Kerslake report on Birmingham City Council

Local government guidance

Sir Bob Kerslake published his report, [The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council](#), on 9th December.

Commissioned by the Secretary of State this comes off the back of well publicised failures in Children's Services and the Trojan Horse issue in Birmingham Schools. It includes some tough messages for Birmingham City, but there are issues that resonate with all large local authorities.

The report's recommendations include the following.

- The Council needs an external Improvement Board to show that it is making the changes it needs to effectively serve its population.
- Internal governance needs fundamental change, including the relationship between members and officers, how it plans for the future, a stronger corporate core and a programme of culture change.
- The Council needs more political clarity, moving away from annual thirds elections and reducing the number of members. This includes redesigning the model for representative governance.
- Medium term financial planning needs greater clarity, and the Council cannot assume that it will get any additional Government support.
- In moving from a 20,000 people organisation in 2010 to a 7,000 people one by 2018 the Council needs fit for purpose workforce planning.
- Devolution within the Council and across the City needs simplifying and a greater outcome focus.
- Partnership working needs redefining, with the Council moving away from a 'Big Brother' approach.
- The Council needs to work with the other West Midland MBCs to make the combined authority a reality that delivers jobs and prosperity to the region.



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Head of Internal Audit Update

Audit Committee

Date: 3rd March 2015

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 November 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 November 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 2014/15

- 3.2 The progress made against the 2014/15 audit plan is set out in Appendix 2.
- 3.3 To date 67% of the number of audits in the Annual Internal Audit plan has been completed against a target of 78% as at the end of January 2014.
- 3.4 As reported previously a Senior Auditor and a Trainee Auditor left the section in December having gained internal promotions. One of our auditors successfully applied for the Senior Auditor post. We have been successful in recruiting two Auditor/Trainee Auditors and they are due to start in March 2015.

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: 3rd March 2015

Risk Management

- 3.5 The Council's Risk Manager, who has been in the Internal Audit section since September whilst the support services reorganisation/restructure is being completed, is leaving the authority in March. Internal Audit has been requested to continue to provide cover for the risk management function until a new appointment is made.

Counter fraud fund bid

- 3.6 The section was successful in its bid for DCLG Counter Fraud funding. The bid totals £90,516 and runs up to March 2016. The section is currently going through the process to recruit a Corporate Fraud Investigator and a Fraud Investigation Support officer.

Housing Capital programme

- 3.7 An Internal Audit review of the Housing Capital programme was completed in October 2013. The audit opinion was that 'significant improvements' were required resulting in an overall 'of Concern' risk assessment to the Council.
- 3.8 Audit Committee selected the report to be presented to their April 2014 meeting. The Head of Property maintenance attended the meeting and updated Members with progress in implementing agreed recommendations. Members requested that a further update be brought back to Audit committee towards the end of the financial year.
- 3.9 Since the issue of the original Internal Audit report a decision to reintegrate the majority of services provided by Swindon Commercial Services (SCS) back in to the Council was made. This included services provided by the Housing maintenance and repairs and Voids Team.
- 3.10 Internal Audit has carried out a follow-up review to establish progress in implementing agreed recommendations. It is pleasing to report that considerable efforts have been made to implement the recommendations made in the initial report. Although the implementation of some audit recommendations are still in progress, given the reintegration of SCS the auditor is of the view that significant progress and improvement has been made.
- 3.11 Given the progress that had been made it was decided in discussion with the Chair of Audit Committee not to request relevant officers to attend. However, a copy of the Internal Audit follow-up report is attached for Members' information.

4. Alternative Options

- 4.1 Not Applicable

Head of Internal Audit Update

Audit Committee

Date: 3rd March 2015

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.
- 6.2 All Heads of Service, Board Directors and Members who have contributed to individual audits during the course of 2014/15.

7. Background Papers

- 7.1 None

Head of Internal Audit Update

Audit Committee

Date: 3rd March 2015

8. Appendices

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

Appendix 2 – Progress against the Internal Audit plan 2014/15

Appendix 3 – Housing Capital Programme Internal Audit report

Audit Title:	Property Asset Management – 2013/14				Date of Report:		October 2014
Number of 'High Priority' Recommendations:		0	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk):
Moderate							
<u>Key Recommendations</u> There were no key recommendations made as a result of the review.							

Audit Title:	Health and Safety: Leisure (The Link) Pilot review				Date of Report:		September 2014
Number of 'High Priority' Recommendations:		2	Current Audit Opinion:	3	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"> The responsible person or service manager at sites should work with Corporate Health and Safety and Property Services to ensure there is appropriate governance and risk escalation structure established. This is to provide a view of safety and assurance for both the site specific responsibilities for 'soft facility management' and corporate responsibilities for 'hard facility management'. Health and Safety roles and responsibilities should be checked for inclusion in responsible officer/person job descriptions and/or building lease agreements. 							

Audit Title:	Sheltered Housing: Cash Handling				Date of Report:		August 2014
Number of 'High Priority' Recommendations:		0	Current Audit Opinion:	2	Previous Audit Opinion:	3	Overall Evaluation (Risk):
Moderate							
<u>Key Recommendations</u> There are no key recommendations made as a result of the review.							

Audit Title:	Debtors Under Query			Date of Report:		September 2014
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):
<p><u>Key Recommendations</u></p> <p>The key recommendations made as a result of the review are:</p> <ul style="list-style-type: none"> • Requests by Credit Control for information to support disputed invoices should be provided within a reasonable period, to be determined and published by the department. A failure to respond within a reasonable period should be escalated to the Head of Service and then Board Director to ensure a prompt resolution to disputes. • Heads of Service Areas should be sent a quarterly report of all invoices that are under query in their department (Crystal Report AR023) by Credit Control. They should be required to respond to Credit Control within a set number of days to provide them with the information required to resolve the dispute and advise them of the action being taken, or to pass the invoices back to be pursued. • Due to the complexities regarding some of the outstanding debts relating to Property Assets it is recommended that regular meetings are held between a member of the debtors and property sections. This would help to ensure that debtors are kept informed of the latest position regarding these outstanding debts and reduce the need for frequent queries being raised. It is understood that these meetings have been scheduled in as part of the monthly budget monitoring process. 						
Audit Title:	Highways Asset Management			Date of Report:		October 2014
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	3	Previous Audit Opinion:	3	Overall Evaluation (Risk):
<p><u>Key Recommendations</u></p> <p>The key recommendation made as a result of the review is:</p> <p>Progress has started on implementing the key outstanding recommendation from the original report however a considerable amount of work is still required:</p> <p>The need to formally define the scope of the highways delivery service, performance criteria and relevant roles and responsibilities etc.</p> <p>The reintegration of SCS has had a significant impact on this recommendation and a revised timescale of October 2015 has been indicated by the Head of Service.</p>						

Audit Title:		Right to Buy		Date of Report:			August 2014
Number of 'High Priority' Recommendations:		6	Current Audit Opinion:	3	Previous Audit Opinion:	3	Overall Evaluation (Risk):
							Of Concern

Key Recommendations

The key recommendations made as a result of the review are:

- The case identified through testing should be investigated further to determine, whether:
 - The tenant was residing at his owned property or his council tenancy from 1/11/06 to 22/5/08.
 - Whether the housing benefit claimant was residing at the property claimed for, or at the tenant's council property from 1/11/06 to 22/5/08.

The RTB application should be put on hold until the investigation has been completed.

- Checks into the possibility of tenancy fraud should be included as part of the Right to Buy process. This should include the following:
 - A cross-check of data held by Housing Tenancy Fraud Team to establish whether there is any on-going investigation into tenancy fraud at the property.
 - The use of the council tax system to determine whether the applicant/s has been liable for council tax at another property, other than their recorded tenancies during the time which their discount period has been based upon.
 - The use of Equifax credit checking service should be considered, although there is a cost for each check carried out.
 - Other internal data matching can be used to determine whether a fraud has taken place. A decision will need to be made on who will complete these checks. This could be part of a wider decision to set up a corporate fraud team, or allocated to existing departments, such as Internal Audit.
- As part of the Right to Buy process checks should be carried out on the tenant's right to remain in the UK to establish that they are eligible.
- The use of warnings to applicants on the use of their data for the prevention of fraud and money laundering may act as a deterrent for applicants. Therefore this should be included on the Right to Buy pages on the Council's website, or on the application forms. It should be ensured that the downloadable version of the application form contains the Council's fair processing notification.
- Where it is identified that an applicant has single person's discount in place when their Right to Buy application has another person living with them who is not on the tenancy, the application should be refused and the information passed to the Council Tax team for investigation.
- The list of RTB applications provided to the Benefit Fraud Team should include the date that the application was received, to identify whether there is an overlap in a live benefit claim and RTB application being submitted in order to investigate potential benefit or tenancy fraud. It should also contain details of the applicant so that checks can be performed to identify whether they have benefit claims at another property, which could be an indication of tenancy fraud.

Audit Title:		Troubled Families Follow-up			Date of report:		September 2014	
Number of High Priority Recommendations:		N/a	Current Audit Opinion:	N/a	Previous Audit Opinion:	3	Overall Evaluation (Risk):	N/a
<p>Key Findings and Recommendations</p> <p>In line with good practice a follow up review was conducted to provide assurance that the weaknesses identified in the 2013 audit review of the Troubled Families Programme had been addressed. The Swindon Troubled Families Programme recently underwent an inspection by the Communities and Local Government (CLG) Troubled Families Unit. Following their inspection, the CLG representative stated:</p> <p><i>"No significant issues were identified during the spot check process and a good handle on data was demonstrated. I am pleased to say that at this point I am not recommending that you are spot checked again during this phase of the programme".</i></p> <p>The work undertaken by Internal Audit on the quarterly grant claims for Troubled Families has informed this follow up review, which supports the findings of the CLG spot check. Of the ten recommendations made in the initial review, eight have been fully implemented and work is progressing on implementing the remaining two recommendations. No new recommendations were made.</p> <p>Following the audit of the October 2014 claim, the Council are also expected to achieve the target of turning around 65% of families which will allow the Council to start working on the next Phase of the Troubled Families programme early in 2015. This indicates that significant progress has been made which will continue to be monitored through the quarterly claims which are audited before being submitted to the CLG.</p>								
Audit Title:		NNDR3 Claim 2013/14			Date of report:		September 2014	
Number of High Priority Recommendations:		N/a	Current Audit Opinion:	N/a	Previous Audit Opinion:	N/a	Overall Evaluation (Risk):	N/a
<p>Key Findings and Recommendations</p> <p>The review of the NNDR3 Claim was undertaken at the request of the Board Director. Resources to provide assurance that the NNDR3 return for non-domestic rates was completed correctly and that the figures contained therein accurately reflected the non-domestic rating income received by the Authority during 2013-14.</p> <p>The Department for Communities and Local Government require Authorities to submit their NNDR3 Returns following the audit of their Financial Statements. The Council's External Auditors confirmed that they would not be conducting a review on the returns this year as they have in previous years.</p> <p>On the basis of the testing conducted, it was the Auditor's opinion that the data used in the completion of the NNDR3 reflected an accurate position of the Council's non-domestic rating fund collection account and could therefore be signed off by the Board Director. Resources as the authority's Section 151 Officer and submitted to DCLG. The Claim was duly submitted to the Department for Communities and Local Government (DCLG) before their deadline of 30th September, 2014.</p>								

Audit Title:		Isambard Community School		Date of Audit:		October 2014	
Number of High Priority Recommendations:		12	Current Audit Opinion:	4	Previous Audit Opinion:	N/a	Overall Evaluation (Risk):
							Significant

Key Findings and Recommendations

Isambard Community School is one of two secondary schools serving the Northern Sector of Swindon. With approximately 1,140 pupils on roll, it is a PFI school using a shared site with three other schools, two of which are special schools. The School is currently facing a number of significant changes which will have an influence on how the School operates going forward. These include a change of Head Teacher and Business Manager, falling pupil numbers, falling academic standards, and at the time of the audit, a predicted budget deficit in 2016/17 of £757,000 and the desire to convert to an academy.

The audit review found that the School's three-year financial plan, used for Financial Planning, Budgetary Control and Budget Setting, was not based on robust information and had resulted in inaccurate budgets being set. Significantly, budgets were not supported by an up-to-date staffing review or School Development and IT Development Plans. As a result we have been unable to confirm that effective financial management is in place to enable the School to optimise their use of resources to provide high-quality teaching and learning, and so raise standards and attainment for its pupils.

A review of the Finance / Asset Management Committee minutes identified that Governors undertook Budget Monitoring only three times during the last financial year, with the first indications that a significant surplus was being generated being reported one month before year end. Minutes show that the then Business Manager informed the Governors that the School had permission from the LA to exceed the normal rollover limits allowed for maintained schools, when such authorisation had not been given. There was no evidence of challenge from Governors on how the rollover had arisen or on any discussion and agreement on exactly what it would be used for in later years.

It was not possible to confirm that the Governing Body was fulfilling its statutory responsibilities. A review of the governance arrangements conducted by the Council's Governors Support section in March 2014 raised a number of the issues found in this audit, however action had not been taken to implement recommendations made to improve governance arrangements.

Examination of the School's governance procedures identified that the School's Financial Value Statement had been prepared by the previous Business Manager and issued to all Governors for comment/challenge prior to sign off by the Chair of Governors. The self-assessment did not correlate with the findings from this audit review, in some cases there were significant differences. Meeting minutes showed there was a general lack of challenge and discussion on financial matters by Governors and critically, some key financial decisions were not recorded in the minutes of Governors meetings, including the approval of the budget at the Full Governing Body meeting. Decisions were also made via email outside of the meeting cycle but not subsequently recorded in any minutes.

In summary, the audit review identified a number of fundamental control weaknesses that jeopardised financial stability and performance at the School. The School and Governing Body now need to urgently address the issues raised in the action plan in the audit report. Working in conjunction with Governor Support and the Local Authority, the School's Financial Planning, Budget Management and Governance procedures must be improved significantly to ensure resources can be managed effectively in driving school improvement and financial stability going forward.

Audit Title:	Workforce Engagement				Date of Report:		October 2014
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	3	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):	Of Concern
<p><u>Key Recommendations</u></p> <p>The key recommendations made as a result of the review are:</p> <ul style="list-style-type: none"> • A common definition for what workforce engagement means in SBC, including its key components and the strategies in place, should be agreed, in order to help with people's understanding of the concept of workforce engagement and of what the overall agenda is for this work. In addition, there should also be a common language used across engagement activity, to ensure consistency across work in this area. • A robust and formalised programme management methodology should be applied to the People and Development (P&D) work planned for 2014/15 and beyond, to ensure that each strategy or piece of work that has an impact on workforce engagement is aligned, suitably governed and monitored under a single framework. • Although workforce engagement messages will likely need to be commissioned through the Communications and Insight Team going forward, a communication approach to workforce engagement should be established and agreed using the expertise held between the People and Development Team and the Communications and Insight Team, to maximise the impact of any messages. In particular, the communication strategy should enable sharing of good practice and success stories across the Council. 							

Managed Audits Completed (Audits) - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Managed Audits Completed					Council Tax		Housing Benefits					
(total 10)					NNDR		Creditors					
							Asset Management					
Managed Month Total	0	0	0	0	2	0	3	0	0	0	0	0
Managed Cumulative Total	0	0	0	0	2	2	5	5	5	5	5	5
Managed Target %	0	0	0	20	30	50	70	80	80	80	80	100
Managed Achieved %	0%	0%	0%	0%	20%	20%	50%	50%	50%	50%	50%	50%

Total Non Managed Audits Completed - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Other Audits Issued	SEN Transitions	STEAM flup	Inv 14/15 - 1	Health & Safety Leisure Pilot	Rating the Capital Programme	Licensing	Out of Hours Service					
Target: 102 (inc. provision for investigations)	NHS IT Toolkit	Troubled Families Grant (April claim)	Annual Governance Statement	Sheltered Housing Cash Handling	Car Parking Services	WB 14/15 -1	Healthwatch					
	Significant ICT risks	PCI Compliance (doc review)	Adoption Reform Grant	Carbon Reduction Commitment	Isambard School	Community Equipment Stores	Business Continuity					
	Policy Review: HR / Whistleblowing	HB, CTAX & NNDR system control	Inv 14/15 - 7	Duplicate Payments (2)	Debtors under query	Troubled Families: Flup	Highways AM F/UP					
	Main Accounting 13/14	Inv 14/15 - 2	Library Strategy	UK Broadband	Right to Buy	NNDR3 Claim	Emergency Accomodation					
	Information Governance Policy	Payroll system control	IT Policy Framework		Funded Early Years Provision	IT Corporate issues	Car Park flup					
	NFI	Public Health Grant determination			Inv 14/15-8	WB 14/15 - 2	Inv 14/15 - 7: lessons learned					
	Penetration Testing (scope)	Council Tax discounts				Inv 14/15 - 9						
	Workforce engagement											
	Mobile Device Mgmt solution											
Non-managed total for month	10	8	6	5	7	8	7	0	0	0	0	0
Cumulative non managed audits	10	18	24	29	36	44	51	51	51	51	51	51

	April	May	June	July	August	September	October	November	December	January	February	March
Overall target: 112 audits												
Overall Month Total Audits	10	8	6	5	9	8	10	0	0	0	0	0
Overall Total Audits	10	18	24	29	38	46	56	56	56	56	56	56
Target Completion of Plan %	8	16	24	32	39	47	56	65	71	78	87	94
Audit Plan Achievement %	9%	16%	21%	26%	34%	41%	50%	50%	50%	50%	50%	50%

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Swindon Borough Council

Civic Offices, Euclid Street, Swindon, SN1 2JH

Swindon Internal Audit Services

Memorandum to: Gerry O'Connor Head of Property Maintenance

Copies to: Bernie Brannan Board Director: Service Delivery
Sue Mendham Head of Infrastructure Assets
Michael Ash Head of Housing Services
Paul Smith Head of Finance, Housing, Treasury and Growth
Brian Skeffington Capital and External Contracts Manager

From: Nick Hobbs Head of Internal Audit

Date: 30th January 2015

Your Reference:

Our Reference: SD/HCP/LS

Telephone: 01793 463940

Fax: 01793 464603

Internal Audit Housing Capital Programme Follow-up review – Final report

Introduction

An Internal Audit review of the Housing Capital Programme was completed in October 2013. The audit opinion was that '*significant improvements*' were required resulting in an overall '*Of Concern*' risk assessment to the Council.

Audit Committee selected the report to be presented to their April 2014 meeting. The Head of Property Maintenance attended the meeting and updated Members with progress in implementing agreed recommendations. Members requested that a further update on progress be brought back to Audit Committee towards the end of the financial year.

Since the issue of the original Internal Audit report a decision to reintegrate the majority of services provided by Swindon Commercial Services (SCS) back in to the Council was made. This included services provided by the Housing Maintenance and Repairs and Voids Team now managed by the Head of Property Maintenance.

This reintegration has had a significant impact on the nature of some of the recommendations made in the original audit report and on the timescales for implementation agreed at that time.

This follow-up review has been carried out by Lorraine Sarson.

Action since last audit

The auditor has tested relevant documentation and processes to establish progress made in implementing agreed recommendations.

It is pleasing to report that considerable efforts have been made to implement the recommendations made in the initial report. Although the implementation of some audit recommendations are still in progress, given the reintegration of SCS the auditor is of the view that significant progress and improvement has been made.

A summary of findings is set out in the table below:

Priority of recommendations	Total	Implemented	In Progress	Not Implemented
High	11	6	5	0
Medium	0	n/a	n/a	n/a
Low	0	n/a	n/a	n/a
Total	11	6	5	0

Housing Capital Programme – current status

Following the reintegration of Swindon Commercial Services Limited (SCS) significant progress has been made in actioning the recommendations from the last Housing Capital Programme review. This has, and continues to be, a period of significant change to which the service has responded positively to the challenges this brings. Of the eleven high priority recommendations made, six are fully implemented and the remaining five are in progress.

Improvements have been made through the comprehensive draft Swindon Housing Strategy refresh which has been subject to wide consultation. A programme of capital investment initiatives linked to corporate objectives has been produced and the proposed budget set in the Medium Term Finance Plan is due to be presented to Cabinet in March 2015.

The procurement of Housing Capital Programme works during 2014/15 will amount to approximately £17.5m of works, consisting of some 38 contracts for repairs and maintenance. Short-term contracts have been secured with existing suppliers using existing rates. New long term contracts have been put to market using the on-line 'Supplying the South West' portal. Standard contract documentation has been developed and shared with partners to ensure good practice and a consistent standard is adhered to.

The service has sought to implement good practice, mitigate risks and utilise in-house expertise for delivery of programmes of work including achievement of the Decent Homes Standard.

A large IT project is also being undertaken at this time to accommodate service delivery needs with the switching off of the former SCS TASK job system at 31st March 2015. New modules to the Open Housing IT System have been (and others are still being) installed during 2014/15 to enable the service to manage the 10,400 property asset base. This will include ordering, management, costing and payment of jobs and updating the asset record with details of works completed on each property, which will assist in performance monitoring and management of agreed initiatives.

Contract management and performance are areas acknowledged by the service as needing further development and work is evolving to address these.

An up to date service risk register is currently not in place to identify, assess and address any risks to delivering the Housing capital programmes of work. However, it is evident that risks have been discussed from actions of monitoring meetings.

The detailed action plan from the last review of the Housing Capital Programme is attached at **Appendix A** including the current status of recommendations.

New recommendations

The following 'medium priority' recommendations are made to enhance existing controls. The designated responsible officer for these is the Head of Housing Property with an agreed implementation date of August 2015.

- Establish clear links, 'the golden thread', from the Housing Strategy to the Medium Term Finance Plan and Housing Capital Programme.
- A robust Contract Management process, staff training and relevant performance monitoring is required to ensure delivery of the Housing Capital Programme to time, cost and quality.

- Produce and maintain an up to date risk register for the service.

Audit Opinion

- (a) **Opinion on system controls: Satisfactory** i.e. the Auditor completing the review concluded that most of the significant controls are now in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.
- (b) **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 that remains as being **moderate**:

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

It is pleasing to report that significant efforts have been made to implement the recommendations made in the initial report. The auditor is of the view that sufficient progress has been made for the audit opinion on system controls to be 'Satisfactory' resulting in a 'Moderate' risk to the Council. This is an improvement on the previous audit opinion which was that 'significant improvements' were required in the system controls resulting in an 'Of concern' audit opinion.

The Head of Property Maintenance has agreed this audit report including the status of recommendations made in last review together with new recommendations made as part of this follow-up audit.

We would like to thank the management and staff from the service for their time and co-operation during the course of the audit, especially given the pressures on the service.

If you have any queries regarding the above please do not hesitate to contact Lorraine Sarson, who carried out the audit, or me.

Many thanks,

INTERNAL AUDIT FOLLOW-UP FORM

Original Internal Audit recommendations are set out below following the October 2013 review. The Head of Property Maintenance has agreed the status of recommendations from the last review together with new recommendations made as part of this review.

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

Recommendations made in the audit report 28th October 2013:

- 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.

Current finding(s), any further recommendation(s) and revised timescales as at January 2015

1.1 Housing Strategy

The reviewed Housing Strategy (2015 – 2026), was submitted to Cabinet on 10th September 2014. At this meeting Cabinet approved commencement of the Draft Strategy consultation exercise with interested parties, including the Housing Advisory Forum. The strategy is supported by an extensive evidence base and 'Delivering the Vision' which outlines actions over the next five years for each of the strategic aims. Following the consultation process the draft strategy, which is due to be brought to a close on the 26th February 2015, is expected to be put in place during March 2015. This will follow issue of a Cabinet Member Briefing Note.

Audit recommendation status – Implemented

1.2. Medium Term Resources Plan

On 18th March 2015 the Medium Term Resources Plan (MRTP) for the Housing Revenue Account, which underpins the draft Housing Strategy, is to be presented to Cabinet for approval. The draft Housing Strategy sets out the Council's overall aims and objectives for the housing service, as landlord for over 10,400 homes. The balance of investment shown in the headline figures from the MRTP over the next five years totals £89.3m with annual allocations of £16.8m (2015/16), £16.9m (2016/17), £17.5m (2017/18), £18.3m (2018/19) and £19.8m (2019/20).

The 2015/16 Capital Programme has been drafted and provides links to both the Housing Strategy, the Health and Well Being Strategy and ultimately to the corporate objectives, these are set out below:

- Responding to the changing housing market – improving standard in private rented housing
- Affordability – improving the offer
- Managing demand – promoting and maintaining independence
- Supporting further economic growth – increasing the quality and diversity of our housing.

The key investments for the Housing Capital Programme are linked to the Housing Strategy, and include new affordable housing, maintenance of housing stock above the decent homes standard and also a remodelling of sheltered housing. A costed Housing Capital Programme is in place for each of the financial years between 2014/15 and 2017/18 and the value of investment is commensurate with that in the Medium Term Resource Plan.

Audit recommendation status – Implemented

1.3 Self-Financing

As part of 'self-financing, rent levels, repayment of debt and future investment, much work has been conducted to ensure the Housing Capital Programme is affordable which is linked directly to the Housing Revenue Account 30-year Business Plan. Details of this are set out in the Housing Revenue Account report which is due to be presented to Cabinet on 18th March 2015. The contribution which the Housing Capital programme makes towards achievement of the priorities needs to be highlighted in the Health and Wellbeing Strategy, the Corporate Strategy, and One Swindon i.e. reducing fuel poverty, reducing crime, local employment, and health and wellbeing.

Audit recommendation status – In progress

2 Risk: Delivery of the capital programme

Recommendations made in the audit report 28th October 2013:

- 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

Current finding(s), any further recommendation(s) and revised timescales as at January 2015

Swindon Commercial Services (SCS) operational delivery for Housing Capital repairs was reintegrated back into the Council from 1st November 2013. A report was submitted to the Housing Advisory Forum on 9th October 2013 to provide an update on the proposed integration of building maintenance services. An interim structure was put in place and a consultation document was published in January 2014. Following this process a new structure was actioned during April 2014 with recruitment from May/June 2014 to increase capacity, i.e. including a new procurement team to manage the procurement and contract administration of the Housing capital work programme. The delivery team was also mobilised to administer delivery.

As part of the SCS reintegration a review of existing arrangements was conducted. These identified limited contracts were in place to support delivery of programmes of work. To address this situation a Service Delivery Plan was compiled with two key objectives, these were:

1. To put formal contracts in place where current contractors were able to perform and deliver programmes of work at existing rates; and
2. To produce new specifications and contract documentation.

Contracts were also put to the open market for new programmes of works with the aim of increasing capacity to deliver work.

The Cabinet Member was consulted on proposed management and administration of works and a Cabinet Member Briefing Note was signed-off on 3rd April 2014 supporting the above mentioned approach.

Following the reintegration of SCS, significant improvements in contracting practices have been put in place to deliver the Housing Capital Programme of works, these include:

- standardisation of contract documentation
- open market tendering undertaken using 'Supplying the South West' portal
- tenders now include a quality submission evaluation criteria i.e. 70%/30% split between price and quality
- benchmarking has been put in place and is developing to assess rates/process prior to award of works
- as part of the tender evaluation process, both tenants and officers have been involved in the selection of contractors

A weekly progress meeting is held by Property Maintenance managers to monitor progress against each category of work, which helps to identify any issues and put in place actions to mitigate delays with delivery. These are supported by notes of meetings and action to be taken. Actions are followed up each meeting to ensure these are implemented.

Monthly meetings have been held with members of the corporate procurement team, legal services and internal audit. The purpose of the meetings has been to review progress with letting contracts and to provide support to identify any significant risks and/or issues and agree mitigating actions and evolve best practice. Notes and actions of meetings are recorded and followed up at each meeting for implementation.

After the demise of Swindon Commercial Services as a contractor to the Council, the recommendation relating to management fees is no longer applicable and this represents a saving to the Council following reintegration. However, the control required to ensure that all tender submissions are fully costed to minimise the risk of unforeseen contract variations is now in place. Through the application of Housing contract best practice all works, including those previously contracted directly by Swindon Commercial Services, are subject to a rigorous tender evaluation process. This demonstrates good practice including segregation of duties and independent check.

Since the last Internal Audit review programmed works are now recorded on the Open Housing IT System. This is aimed at avoiding short-term revenue repairs being carried out where part of a property is beyond economic repair and needs to be replaced. Examples of where this practice is now being applied include roof renewal works. Leaking roofs are being included in the planned capital replacement roofing programme where it is identified that the roof is failing. This mitigates the risk of unforeseen revenue repair costs in the short term and by replacing roofs under the capital programme the investment is made at the most economic point. There are further examples of this best practice being applied to works including central heating, kitchen and bathroom replacement represented under the capital programme of works.

Repairs are being delivered in accordance with service standards for emergency, urgent and routine repairs. For 2014/15 there has been an increase of 11% for appointments made and kept. Also, 88% of repairs for the period were completed within the agreed time, slightly up on the previous year. Housing Services acknowledge that work needs to be planned more effectively for routine repairs. Housing Services commissioned a tenant satisfaction survey for the Housing Repairs service in November 2013, called the STAR survey. From the 5,000 tenants selected at random, 79% were fairly or very satisfied with the repairs service.

From a sample of satisfaction forms reviewed it is noted that these are not being received consistently for all contracts, hence it is not possible to effectively monitor overall performance by contract/contractor. **This is an area requiring further monitoring and improvement (medium priority recommendation).**

Mapping of completed repairs to individual properties is due to be implemented early in 2015/16 following implementation of the Open Housing Asset Management IT system module. This will provide the basis for monitoring compliance for the Decent Homes standard.

The overall progress of delivering Decent Homes work is reported to Local Performance Action Review (LPAR) meetings on a quarterly basis. These works are each given a RAG performance status of actual compared to target and any performance variances escalated to the Delivery Leadership Team for action. Performance categories identified as either amber or red rating are reviewed to identify the cause of any delays. Actions are then agreed to address performance.

For the period April 2014 to 31st December 2014 the Decent Homes Works achieved 1,293 completions of works, against the annual target to 31st March 2015 of 2,546. However, it is noted that no works were achieved in the first quarter due to service reintegration. Overall performance to date is 50.7% against target. Within this headline figure performance is stronger for central heating, kitchen and bathroom works than the areas of roofing, electrical upgrades and PVCU windows and doors. To date, no work has been completed for encapsulation works against a target of 60. The Head of Housing Property Service advised that he anticipates a high delivery of Decent Homes works in the last quarter of 2014/15 to bring performance close to the annual target.

During 2014/15 Housing Services will have let Housing Capital Programme of works contracts in excess of £17.5m, consisting of 38 contracts repairs and maintenance works contracts. In addition to this, contracts have also been put in place to service the Housing Revenue Account. These contracts have put the

Council on a good contracting practice and legal footing.

Audit recommendation status: Recommendation 2.2, 2.3, 2.4 and 2.5 – implemented; Recommendations 2.1 and 2.6 are in progress.

3 Risk: Value for money

Recommendations made in the audit report 28th October 2013:

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 do 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.

Current finding(s), any further recommendation(s) and revised timescales as at January 2015.

Following the reintegration of Swindon Commercial Services (SCS) the focus has been on putting in place short and interim contracts to deliver planned maintenance and improvement work, an approach which has been endorsed by the Cabinet Member. Phasing the contracting of works has been essential to enable Housing Services to establish a viable means to co-ordinate a prioritised and manageable programme. This is a very challenging in terms of the supplier arrangements inherited by Housing Services from SCS and also in terms of service capacity and capability. Housing Services contracting officers have worked to ensure procurements are compliant with the EU Procurement Regulations, Council's Contract Standing Orders and procurement process. At this time, given the procurement priorities for delivering the Housing Capital Programme of works, it is not realistic to have developed and implemented a procurement strategy and depth of benchmarking. However, the service has endeavoured to put in place effective short term measures which have been consulted on with interested parties including the Cabinet Member, Housing Advisory Forum and Tenants.

Examples of contract arrangements entered into by Housing Services since reintegration are:

- Short term extensions to existing SCS contracts, including external decorations to the Railway Village Housing properties applying existing rates and where the supplier, previously a subcontractor to SCS became the principal contractor to the Council.

- Interim contracts issued for up to 18 months to deliver Decent Homes works including kitchens, bathrooms, windows and roofs. These contracts have been procured using the on-line 'Supplying the South West' portal.

In the long term a procurement strategy is to be developed to let long-term contracts for delivery of Decent Homes work and structural repairs to non-traditional housing stock. The new strategy is intended to include the option to increase Social Value and take into account the opportunity to secure any available grant finding to extend or support energy efficiency programmes. The means of delivering future programmes of work by going to the market, using the in house service or a mix will be evaluated as part of the strategy.

Housing Services have contributed to the One Swindon Partnership project to develop a standardised 'Request for Quotation' (RFQ) document to enable suppliers to have a common form of documentation for the submission of prices for projects valued up to £100,000. This is to provide a quicker and simplified standard approach for potential suppliers to submit prices to the Council, and where used, to partners.

Where possible local benchmarking of Registered Social Landlords, using comparable contract specifications, has been conducted to compare unit price costs for elements of work. Social Registered Landlords in the South West of England have been found to use a range of different specifications and as such there is limited opportunity to benchmark across a regular 'family' group. Benchmarking conducted to date include the following:

- Gas Central Heating systems – a condensing boiler and pressurised hot water system is specified to provide heating and hot water to ensure a minimum 15 years lifecycle for this component. Rates for this compare as follows, Swindon £2,715, Bristol City Council £3,000 and Exeter City Council £3,400.
- Roof renewal work – a high quality roof tile, felt eaves tray and PVCu fascia/soffit and down pipes/gutters are specified to ensure repairs are mitigated to a minimum following replacement works. Direct comparison of specification are Swindon £5,341 and South Oxfordshire Housing Association £6,523 (this does not include guttering, fascia's and downpipes).

Housing Services acknowledge that further work is required to determine value for money benchmarking for costs going forward and this will also be evaluated as part of the long term strategy. However, there is considerable input at the commissioning stage to ensure specifications reflect the most economically advantageous price on purchase but also seek to mitigate the life cost of servicing and maintaining installations.

Audit recommendation status – recommendations 3.1 and 3.2 in progress

Revised action date for implementation of a Procurement Strategy and further value for money benchmarking – April 2016

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