

Swindon Borough Council

Audit Committee

Tuesday, 16 June 2015

Committee Room 6, Civic Offices

At 6.00 p.m.

Conservative Councillors

Steve Weisinger
(Chair)
Oliver Donachie
Mark Edwards
Nick Martin
Maureen Penny

Labour Councillors

Steve Allsopp
Des Moffatt
Kevin Small

Committee Officer: Steve Jones (01793 463602)

email: stevejones@swindon.gov.uk

Swindon Borough Council, Civic Offices, Euclid Street, Swindon, SN1 2JH
(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. Appointment of Vice-Chair

3. Declarations of Interest

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

4. Public Question Time

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

5. Minutes (Pages 5 - 8)

To receive the minutes of the meeting held on 21 April 2015.

6. **Internal Audit reports identifying 'significant' risk or 'of concern': Isambard School HIA** (Pages 9 - 44)
7. **Treasury Management - Annual Report BDR** (Pages 45 - 60)
8. **Draft Annual Statement of Accounts 2014/15 BDR** (Pages 61 - 64)
9. **Internal Audit reports identifying 'significant' risk or 'of concern': Corporate Buildings: Statutory Compliance HIA** (Pages 65 - 110)
10. **Audit Committee: Annual Report 2014/15 HIA** (Pages 111 - 116)
11. **Audit Committee: Terms of Reference and Work Plan HIA** (Pages 117 - 124)
12. **Head of Internal Audit Annual Report HIA** (Pages 125 - 144)
13. **DRAFT Annual Governance Statement HIA** (Pages 145 - 162)
14. **External Audit Reports** (Pages 163 - 192)
 - a) Audit Plan 2014-15
 - b) Audit Committee Update
15. **Internal Audit: Strategic Fraud Update HIA** (Pages 193 - 208)
16. **Head of Internal Audit Update HIA** (Pages 209 - 218)

Date of Despatch: 08 June 2015

Key:

Officers:

BDR	-	Board Director Resources (Section 151 Officer)
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 for the Audit Committee are set out in Minute 9 of the meeting of the Audit Sub-Committee held on 15 July 2014.)

The Audit Committee is a key component of Swindon Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the audit committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The core functions of the Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance and professionalism
 - Support the effectiveness of the internal audit process
 - Promote the effective use of internal audit within the assurance framework
- Consider the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

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AUDIT COMMITTEE

TUESDAY, 21 APRIL 2015

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

Apologies for absence were received from Councillors Neil Heavens and Nick Martin.

41. Declarations of Interest

The Chair reminded members of the need to declare known interests in any matters to be considered at the meeting. Councillor Oliver Donachie made a non-prejudicial declaration of interest with regard to references in several agenda items to “Public Power Solutions”, in his capacity as a Council-appointed non-executive director of that body.

42. Public Question Time

There were no public questions.

43. Minutes

Resolved - That the minutes of the meeting held on 3rd March 2015 be confirmed and signed, subject to the inclusion of Councillor Swinyard in the list of attendees and an apology for absence received from Councillor Mark Edwards..

44. Treasury Strategy Statement 2015/16

The Committee received a report on the Council's Treasury Management Strategy for 2015/16, including Prudential Indicators up to 2016/17, the Annual Investment Strategy, and the Minimum Revenue Provision Policy Statement. Paul Smith, the Council's Head of Finance, Housing, Treasury and Growth, presented the report, expanding on the following key elements of the strategy:

- the Council's current debt portfolio position.
- the prospects for interest rates and the economic outlook.
- the minimum revenue provision policy statement.
- the Council's borrowing strategy.
- the investment strategy, the creditworthiness policy, investment strategy and investment periods; and
- the Council's policy on use of external service providers.

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

- The Council's internal borrowing mechanism and associated tax implications.
- The borrowing strategy and the borrowing assumptions made.
- The net borrowing carried forward and the actual Housing Revenue Account debt.

- Private Finance Initiative liabilities.
- The changes to the credit rating methodology and “Credit Default Swaps”
- The portfolio position forecasts and the maturing debt position.
- The Council’s revised banking arrangements and implications for direct debit and standing order payments.

Resolved – (1) That the Treasury Management Strategy, Minimum Revenue Provision Policy and Prudential Indicators, as set out in Appendix 1 to the report, be endorsed.

(2) That the position with regard to the Council’s bankers, as detailed at paragraphs 3.11 and 3.12 of the report, be noted.

(3) That the position on investment returns, detailed in paragraphs 3.13 to 3.16 of the report, and the increase in investment periods to a maximum of 2 years, as detailed in the Treasury Management Strategy, be also noted.

45. Internal Audit report - Treasury Management

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

Resolved – That the report be noted.

46. Annual Statement of Accounts Update 2014/15

The Committee received a report of the Board Director Resources, providing an update on the progress towards the completion of the 2014/15 Statement of Accounts. The report also summarised areas of the Code that had been reviewed for 2014/15, and local areas that were being reviewed in closing the 2014/15 accounts, and highlighted the more significant changes to the Code in 2016/17 to reflect requirements to report the valuation of transport infrastructure assets.

Resolved – (1) That the report be noted.

(2) That the accounting policies for 2014/15 be confirmed.

47. Internal Audit Plan: 2015/16

The Head of Internal Audit submitted a report setting out the draft Audit Annual Plan for 2015/16.

Resolved – That the draft Internal Audit Plan for 2015/16 be approved.

48. External Audit Reports

(i) Audit Plan 2014-15

Liz Cave (Grant Thornton) presented the Audit Plan for 2014/15, detailing the work to be undertaken in relation to the audit of the key challenges and opportunities the Council is facing, the impact on the Audit Plan of key developments in the public sector and national audit requirements, as set out in the Code of Audit Practice, and in support of the Value for Money conclusion. Ms Cave also guided the Committee through the summary of the findings of the External Auditors’ interim audit work, and the impact of the findings on the accounts audit approach, the key dates of the audit cycle and fees for the Council audit and other services agreed at the time of

the issue of the Audit Plan.

Resolved – That the External Auditors' Audit Plan 2014/15 be accepted.

(ii) Audit Committee Update

Chris Hackett (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 8 April 2015, 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.

49. Letter to those charged with governance

The Committee received a report of the Head of Internal Audit on the requirement for the External Auditor, as part of their audit of the Council's financial statements and in order to comply with the International Auditing Standards (UK and Ireland), to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. The Committee also noted that there was an obligation placed on auditors by International Auditing Standards to document Management's view on some key areas affecting the financial statements.

Resolved - That the responses submitted by the Chair on behalf of the Audit Committee and by management, appended to the report, be noted.

50. 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 March 2015, 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 "Corporate Building Statutory Compliance" internal audit report be submitted for consideration at the meeting of the Committee to be held in June 2015.

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

Audit Committee

Date: 16th June 2015

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. An Internal Audit report on Isambard School, that identified significant risk, was presented to the Committee in November 2014. Members requested that a follow-up review be carried out by Internal Audit the results of which would be reported back to Audit Committee.

2. Recommendations

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

3. Detail

Background

- 3.1 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.
 - 3.2 Internal Audit carried out an audit of the school in 2014/15. At the time of the audit the school was 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, a predicted budget deficit in 2016/17 of £750,000 and the desire to convert to an academy.
 - 3.3 The audit review found that there were fundamental weaknesses in the School's financial procedures which resulted in a significant level of risk.
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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’: Isambard School

Audit Committee

Date: 16th June 2015

Key Findings – Initial Report

3.4 The key findings from the report are as follows:

- 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 Internal Audit 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 only one month before year end. Minutes show that the then Business Manager informed the Governors that the School had permission from the Local Authority 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 been possible to confirm that the Governing Body is 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 has 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 Internal Audit review, in some cases there were significant differences.
- Meeting minutes show 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 Internal Audit review identified a number of fundamental control weaknesses that jeopardise financial stability and performance at the

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': Isambard School

Audit Committee

Date: 16th June 2015

School. The School and Governing Body needed to urgently address the issues raised in the action plan at the end of this 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.

- 3.5 The initial Internal Audit report (issued on 15th September 2014) was presented to Audit Committee at the November meeting of the Committee. The Head Teacher and the current Business Manager, Isambard School, along with the Council's Head of Commissioning: Economy /Attainment attended Audit Committee to answer questions from Members.
- 3.6 It was agreed that Internal Audit would carry out a follow-up review to establish progress in implementing agreed recommendations.

Follow-up Review

- 3.7 The follow-up review was carried out during May 2015.
- 3.8 The Auditor completing the follow-up review concluded that the School has made significant improvements since the previous audit. Of twelve high priority recommendations made in the previous report, six have been implemented and six are in progress and only two out of twenty recommendations remain outstanding.
- 3.9 The overall opinion has therefore improved, but there are a number of significant recommendations that still need to be fully implemented. As a result, an audit opinion of 'Significant improvements required' has been given based on the areas reviewed. The combination of the high materiality and impact of the systems, along with the opinion on the system controls gives an overall risk assessment to the Council as being of concern.
- 3.10 The Internal Audit report is attached as Appendix 1.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

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

Audit Committee

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Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. 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.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Internal Audit (follow up) report: *Isambard School* (June 2015)



Isambard Community School Follow-Up June 2015 Final Report

Swindon Internal Audit Services: Isambard Community School Follow-Up

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Report Distribution – Final Report issued on 2nd June 2015:

Sue Banks	Head Teacher
Robert Shorter	Business Manager
Kevin Gray	Chair of Governors
Ian Burbidge	Head of Finance: Schools
John Gilbert	Board Director: Commissioning
Peter Nathan	Head of Education
Paddy Bradley	Head of Commissioning: Economy /Attainment
Councillor Fionuala Foley	Cabinet Member for Children Services

Auditors:

Hollie Gilbert	Senior Auditor
Ahsan Khan	Trainee Auditor

Executive Summary

Background

Isambard Community School is one of two secondary schools serving the Northern Sector of Swindon. With 1,117 pupils on roll (September 2014 Census), it is a PFI school using a shared site with three other schools, two of which are special schools.

A review of the financial procedures operating at Isambard Community School was completed as part of the planned programme of work in 2014/15. This was initiated in a response to the announced departure of the then Head Teacher, the departure of the Business Manager, a significant and unpredicted year end surplus of £657,000 compared to the £281,922 approved in the budget, and the submission of the School's three-year budget plan that indicated a potential budget deficit of £757,000 by 2016/17.

The School has been affected by falling pupil numbers, as a result of a shift in the overall pupil numbers in Swindon. A School Leadership and Management review was carried out by the Local Authority in May 2014 which identified failings at the School. In order to improve the standard, the Local Authority arranged support for the School from another establishment that had an outstanding Ofsted inspection. In November 2014, the School had an Ofsted inspection which gave an overall rating of 'requires improvement', with a 'good' for leadership and management.

The previous Head Teacher left the School in August 2014. The Deputy Head Teacher, who became the Acting Head Teacher in the interim, was appointed as the permanent Head Teacher from 1st April 2015. The Business Manager and Finance Officer both joined the School at the end of June 2014, having not previously worked in a school setting.

The 2014/15 audit review identified a number of key control weaknesses in the financial management and governance of the School which gave an overall audit opinion of 'fundamental weaknesses identified'.

This report was presented to the Council's Audit Committee on the 4th November 2014. It was agreed at this meeting that a follow-up audit was to be carried out within six months of the date of the meeting in order to report back to the Audit Committee on the progress the School has made against the audit action plan, which has now been completed.

Audit Opinion

Overall Opinion on system controls: The Auditor completing the follow-up review concluded that **the School has made significant improvements since the previous audit**. Of twelve high priority recommendations made in the previous report, six have been implemented and six are in progress and only two out of twenty recommendations remain outstanding. The overall opinion has therefore improved, but there are a number of significant recommendations that still need to be fully implemented. As a result, an audit opinion of 'Significant improvements required' has been given based on the areas reviewed. The combination of the high materiality and impact of the systems, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**.

Key Messages

Over the past six months significant progress has been made to improve the financial controls of the School, including a full staffing review and the creation of a School Development Plan, which informed the revision of the School's three year financial plan and as result this is no longer predicting a deficit.

Evidence of improved Governor challenge and involvement in decision making was found through the review of recent meeting minutes. The frequency of Governor meetings has increased and Governors have been supported with specific training and improved budget monitoring reports, highlighting variances and the inclusion of projections of year end balances.

However, due to the scale of the initial issues that were identified, there are still areas of concern that are outstanding. Principally, this refers to the monitoring of the financial impact of changes in pupil numbers and variations in intake, and improvements in the procurement process to ensure accurate and timely recording of financial commitments.

Key improvements made since last audit

The following improvements in controls and processes have been identified since the last audit review:

- The School has revised its three year financial plan and this is no longer predicting a deficit. This is an improved position from the three year plan approved in 2014/15, which predicted a deficit position of £757,000 by 2016/17.
- The School's financial plan has been presented to Governors of the Asset Management Committee, along with a narrative by the Business Manager on the assumptions made, such as inflation rates, pupil numbers and staffing costs.

Swindon Internal Audit Services: Isambard Community School Follow-Up

- The financial plan has been completed using the pupil number projections provided by the Council for its year 7 intake each year. The School has taken steps to improve pupil numbers, by establishing a Primary Liaison Officer role to build relationships with the feeder primary schools. Pupil numbers are reported, in the Head Teacher's Report, to Governors at each Full Governing Body meeting and discussed.
- At the time of the previous audit a staffing review had not been carried out and the three year budget plan had assumed constant staffing levels, despite reduced pupil numbers. The School has completed a review of the curriculum and as a result has made reductions in teaching staff. In addition, a review of the non-teaching staff has been carried out, the full effects of the staffing reductions will not be realised until September 2016.
- The School has created its School Development Plan for September 2014 to July 2015. Each action in the plan has a cost (where applicable), which has been built into the School's four year plan. The Business Manager and Head Teacher are working on a way to allocate costs in the 2015/16 budget plan for the September 2015 to July 2016 School Development Plan.
- For each action set out in the School Development Plan the School have set a timescale for completion, an action owner and responsibility for monitoring its progress. There is evidence that progress against the Plan, from a financial point of view, has been provided at the Asset Management Committee meetings. The Head Teacher provides an update on progress against the actions at each Full Governing Body Meeting.
- It was identified in the previous audit that the School had an IT Development Plan in place that had not been discussed and approved by the Governors, despite planning significant expenditure of £200,000 over three years. In addition, the amount of planned expenditure had not been included in the School's budget. The School's IT Development Plan has been updated for 2015/16 onwards. The planned expenditure has been included by the Business Manager in the School's four year plan.
- The frequency of the Asset Management Committee meetings has been increased, and these have been scheduled to ensure that they fall in time with key decisions. The Business Manager provides a budget monitoring report to Governors in advance of each meeting, and provides a narrative report on projected year end variances.
- The previous audit highlighted that Governors had been incorrectly advised that the Local Authority were happy with the School's use of large rollovers to manage their projected deficits. Governors have now been provided with the Local Authority's guidance on financial rollovers to enable them to challenge their use in the future.
- A schedule of the required approval of policies and procedures and other key decisions by Governors has been created by the School. This has been used to plan the timing of Governors meetings and to set the agendas to ensure that the School keeps up-to-date with these items.

Swindon Internal Audit Services: Isambard Community School Follow-Up

- Since the previous audit three new Governors with financial knowledge and experience have been appointed by the School in an effort to bring additional scrutiny and challenge and to encourage this from the other Governors.
- Governors and the School's Leadership Team have attended Financial Efficiencies Training delivered by the Council. There is a plan to complete the Governor Skills Matrix once all new governors have been appointed. A budget for Governor training has been allocated in the School Development Plan.
- The previous audit identified that decisions made outside of Governor meetings were not recorded in the subsequent meeting minutes. In addition, there were no action points included in the minutes to ensure that they were being followed up and completed. These items have now been included on the meeting agendas.
- The School has submitted their School Financial Value Standards (SFVS) return to the Local Authority for the 31st March 2015 deadline. This was completed by the Head Teacher, Business Manager and Chair of Governors and was presented to the Full Governing Body for discussion and approval on the 20th April 2015. Minutes of that meeting demonstrated that the School identified that the Return was not completed by all those with responsibility for financial management of the School. A plan for how the Return will be completed in 2015/16 was established.
- The SFVS Return was reviewed by the Auditor and no material discrepancies between the School's responses and the evidence provided and reviewed during the course of the audit were identified.
- The Scheme of Delegation has been updated and approved. It now includes limits for budget virements that can be made by the Business Manager and Head Teacher, and the limits that require Governors' approval.
- The School's contracts register has been updated to include dates when the contract should be reviewed, to help ensure that the School achieves value for money through its contract procurement process.
- The Business Manager monitors the School's cash flow. A cash flow report was provided to Governors at the Full Governing Body meeting held on the 20th April 2015. This was to gain their approval for investment of cash into an account with a higher interest rate, in order to generate income for the School.
- New purchasing procedures, which comply with the Financial Regulations for School, have been put into place by the Business Manager and testing on a sample of purchases confirmed that these are being followed.

Key areas of concern/ risk

The following key areas of concern have been identified during the review:

- It was identified that there were changes made to the cost centre budgets for 2014/15 from those approved by the Governors. The Business Manager had not documented all of these, and they had not been reported to the Governors. Changes to budgets could be used to mask under and over spends, therefore all virements made should be highlighted for Governor scrutiny. (*Outstanding risk from the 2014/15 audit*)
- The pupil numbers stated in the School's four year financial plan have assumed in-year additions of five pupils each year for year groups eight to eleven. The Head Teacher's Report in November 2014 stated that the School had negative in-year movement (more students left than joined). Therefore this is an area that the School will need to manage and monitor closely in order to meet its projections.
- Budget monitoring reports from the financial management system are provided to Governors for each Asset Management Committee meeting, along with a report of projected variances at year-end, which is produced by the Business Manager. It was found that the budget monitoring reports from the School's financial management system do not include accurate projections of the year-end position because the cost centre budgets have not been profiled across the year.
- Due to staff absence, the School has fallen behind in the review of a small number of its contracts that have been in place for a number of years. The review will help ensure that the School gets the best value for money when renewing their contracts. (*Outstanding risk from the 2014/15 audit*)
- Testing on a sample of ten purchases identified that for five of them, the purchase order had been raised after the invoice had been received. There is a risk that the School will be unable to manage its budgets effectively if commitments for expenditure are not recorded on its financial system in advance of payment. In addition, six out of ten purchases had not been paid within the invoice terms, leaving the school at risk of financial penalties or the withdrawal of credit facilities by suppliers. It is noted that the Finance Team have had a lack of resources due to staff absence during the period tested. (*Outstanding risk from the 2014/15 audit*)
- The Disposal of Asset and Write Off Policy has not been reviewed and updated since the last audit. It was recommended that this is updated to include the School's position on selling items to members of staff, as agreed by Governors. (*Outstanding risk from the 2014/15 audit*)

Swindon Internal Audit Services: Isambard Community School Follow-Up

- The School has not carried out any benchmarking of its finances, as was recommended in the previous audit. (*Outstanding risk from the 2014/15 audit*)
- The recommendation to update the School's Charging and Remissions Policy to include the agreed approach to the use of volunteers and family members has not yet been implemented. It was confirmed by the Head Teacher and Business Manager that school trips that have run since the previous audit have not used volunteers, family members or friends, and that when the policy is up for review, a decision on this will be made and the policy updated accordingly. (*Outstanding risk from the 2014/15 audit*)
- The 2014/15 SFVS Return was completed by the Head Teacher, Business Manager and Chair of Governors and then presented to the Full Governing Body for review on the 20th April 2015. This was after the date of submission to the Local Authority (31st March 2015). The need for the standard to be completed with input from all those with financial responsibility of the School has been identified.

Overall Opinion

Materiality and Impact: High. Isambard Community School had a budget for 2014/15 of £5.5million, comprised predominantly of Local Authority budget share, and £667,830 rolled forward from 2013/14. It is therefore, a system that is of **high** materiality. It is considered that there would be a **high** impact on the Council, should there be major system failures in the areas examined.

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

Changes since last audit: The table below is a summary of the progress made in implementing the recommendations from the 2014/15 audit.

Swindon Internal Audit Services: Isambard Community School Follow-Up

	Implemented	Partially Implemented	Not Implemented	TOTAL
High	6	6	0	12
Medium	2	4	2	8
Low	0	0	0	0
TOTAL	8	10	2	20

Overall Assessment of Risk: the combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**. This is an improvement on the previous audit opinion of significant risk.

		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: Isambard Community School Follow-Up 15/16

Follow-Up Action Plan

The purpose of this action plan is to provide an update on the progress of the recommendations made in the initial audit. An updated status and audit finding and recommendation 9if applicable) is given along with an updated management response from the school.

Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
1	Financial Planning - To ensure financial planning is based on accurate and complete information and is aligned to the School's future plans.				
1.1	<p>Schools are required by the LA to set balanced budgets each financial year. The School should therefore prepare a plan that demonstrates how any predicted future deficit will be addressed.</p> <p>The revised three-year budget plan should be based on the most up-to-date and accurate financial information available.</p> <p>Any assumptions made in preparing the three-year budget plan must be documented and justified, with modelling of the budget to demonstrate the impact of any such assumptions on future balances.</p> <p>The revised three-year plan should be presented to Governors for consideration and approval.</p> <p>Priority: High</p>	<p>Head Teacher</p> <p>January 2015</p>	<p>Agreed - A whole school review is underway in order to address the predicted deficit and the school's academic achievement. This review will look at the curriculum, staffing both teaching and non-teaching and the school development plan.</p> <p>The Board of Governors will be involved in all stages of the plan and a task force has been set up with the LA to monitor progress.</p>	<p>Status: Implemented</p> <p>The School's long term financial plans were presented to the Asset Management Committee in November 2014 and again in March 2015. The Business Manager provided narrative with the plans to explain the assumptions behind the figures e.g. pupil numbers, staff expenditure, inflation etc. Due to the timing of the audit the plan had not been updated to reflect the variation in rollover at the end of 2014/15, and the final budget for 2015/16 had not yet been approved.</p> <p>Steps have been taken by the school and the three year plan presented to Governors is no longer predicting a deficit, this has been achieved through the predicted increase in pupil numbers and a reduction in staff costs. The Leadership Team are aware of the continuing 'structural deficit' and acknowledge that further work is needed to address this in future years and have raised this with Governors.</p>	None.
Updated Management Response:		Not applicable			

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Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
1	Risk: Financial Planning - To ensure that financial planning is based on accurate and complete information and is aligned to the school's future plans.				
1.2	<p>The School should outline what action it is taking in order to increase the number of pupils registering with the School, along with the expected effect this will have on pupil numbers.</p> <p>Any assumptions made by the School in terms of future pupil numbers should be clearly reported to Governors, including an explanation if they differ from LA predictions. This should facilitate challenge and highlight the implications of such predictions on future school funding.</p> <p>Priority: Medium</p>	<p>Head Teacher</p> <p>November 2014</p>	<p>Agreed</p> <p>A task force has been set up with the remit to develop and implement plans to make Isambard the school of choice for local primaries and local parents. The first meeting is planned for mid-October.</p>	<p>Status: Implemented</p> <p>The School's financial plan includes the Year 7 pupil number projections provided by the Local Authority. It has also included an in-year increase of five pupils in each year group from 8 to 11, each year when the school currently has an equal in year in-take as in year leavers.</p> <p>The Head Teacher and Chair of Governors confirmed that the School has a strategy for achieving their target numbers, which include the appointment of a Transition and Primary Liaison Officer, and increased marketing.</p> <p>The projected pupil numbers used in the financial plan were presented to Governors at the Asset Management Committee meeting in March 2015. The minutes of this meeting have documented that a lengthy discussion was held on the need to increase pupil numbers until the School is full in all cohorts, but does not go into detail to evidence the key discussions held.</p> <p>In addition, it was identified that minutes of meetings are not produced until a week before the next meeting, which are held approximately every six weeks.</p>	<p>The School should continue to closely monitor pupil numbers to ensure the projected in-year intake increases are achieved.</p> <p>It should be ensured that the financial impacts of any changes from approved plans/projections e.g. failure to achieve in year targets, are highlighted to Governors in a timely manner to ensure that steps to prevent a negative impact on the end of year balance can be planned.</p> <p>Minutes of meetings should be expanded to include details of discussions so that the key points made are documented. In addition, the minutes should be produced in a timelier manner to enable the attendees to check for accuracy while it is still fresh in their minds.</p> <p>Priority: Medium</p>
Updated Management Response:		<p>Agreed. Going forward discussions regarding the monitoring of pupil numbers and the effect on school finances which forms part of a continual review at the Asset Management Committee meetings will be minuted in detail.</p> <p>A new Clerk to Governors is being appointed, the job description for which contains the requirement for minutes to be complete five days after the meeting. Chairs of committees will ensure accuracy and timely distribution of minutes.</p>			

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1	Risk: Financial Planning - To ensure that financial planning is based on accurate and complete information and is aligned to the school's future plans.				
1.3	<p>A full review of the staffing structure and staffing requirements at the School should be conducted to ensure it matches, as closely as possible, the current and future needs of the school which should result in best value being secured for the school.</p> <p>This should be conducted as part of the process to revise the three-year budget plan.</p> <p>The staffing review and its impact in terms of both cost and school improvement should be discussed with Governors and formally approved.</p> <p>Priority: High</p>	<p>Head Teacher</p> <p>December 2014</p>	<p>Agreed</p> <p>See 1.1</p> <p>Any school vacancies will be reviewed in detail before recruitment is started. Any staff reductions that are identified before the end of the school year will be progressed in a timely manner. Governors and the LA will be involved in the process.</p>	<p>Status: Implemented</p> <p>A curriculum review has been carried out by the School which has enabled them to reduce their teaching staff costs. This will come in to full effect in September 2016, when the students currently studying for the year one GCSE's have left.</p> <p>In addition to the curriculum review, the School has recruited two additional Permanent Cover Supervisors to reduce their expenditure on supply teachers and has not filled vacant posts including a Deputy Finance Officer, an Assistant Head Teacher and the Deputy Head Teacher.</p> <p>The outcome of the staffing review, subsequent changes and impact on the School's financial position has been reported to Governors at Asset Management Committee meetings.</p>	None
Updated Management Response:		Not applicable			

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1	Risk: Financial Planning - To ensure that financial planning is based on accurate and complete information and is aligned to the school's future plans.				
1.4	<p>The School should urgently review and revise their SDP to address the strategic challenges they face over the coming year. They should ensure that financial decisions are always made in the context of their plans to improve education outcomes, and equally that their education objectives are costed and regularly reviewed alongside the budget.</p> <p>Objectives within the plan should be costed and linked to the budget.</p> <p>The SDP should be a standing agenda item on committee meetings, encouraging regular monitoring and challenge on the progress made.</p> <p>Governors should be presented with monitoring information summarising progress made in delivering SDP objectives.</p> <p>Monitoring of the SDP should include a year-end summary showing what was delivered /achieved and what was not completed that may need to be carried over to the following year.</p> <p>Priority: High</p>	<p>Head Teacher</p> <p>October 2014</p>	<p>Agreed</p> <p>SDP for 2014/15 has been produced based on an evaluation of 2013/14. The SDP is being reviewed as part of the whole school review (see 1.1). It will be fully costed and reviewed by the School's Senior Leadership Team to monitor both financial integrity and objective progress.</p> <p>The SDP will be reviewed as a standing item at all Governor committee meetings as appropriate</p>	<p>Status: Implemented</p> <p>The Head Teacher has prepared a School Development Plan for September 2014 to July 2015. The plan has five sections for improvement and each section has a number of actions with a completion date, cost (where applicable), impact, success criteria and details of by who, how and when progress will be monitored.</p> <p>Each Sub-Committee has been given responsibility for a section of the plan, and updates are provided at each Committee meeting.</p> <p>Outstanding expenditure on the current plan has been allocated in the 2015/16 budget plan and the Head Teacher and Business Manager are in the process of ensuring that adequate provisions are made in the 2015/16 budget for the 2015/16 School Development Plan.</p>	None.
Updated Management Response:		Not applicable			

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1	Risk: Financial Planning - To ensure that financial planning is based on accurate and complete information and is aligned to the school's future plans.				
1.5	<p>The IT Development Plan should be prepared, reviewed and updated alongside the School Development Plan to ensure that it is aligned to the overarching priorities of the School and to inform the financial planning and budget setting process.</p> <p>Given the size of the IT Development Plan, this should feature on the Finance / Asset Management Committee meetings as a separate agenda item where the progress in its implementation can be monitored by Governors.</p> <p>The IT Development Plan should be set out in financial years so that costs can be linked to the School's three-year budget plan. Items that need replacing but are not funded in each financial year can then be rolled forward to ensure that they can be considered the following year.</p> <p>The IT Development plan should also include some assessment of the impact it will have on teaching and standards at the School to ensure informed decisions can be made on which projects should go ahead.</p> <p>Priority: High</p>	<p>Head Teacher</p> <p>October 2014</p>	<p>Agreed</p> <p>Future IT plans will form part of the SDP and will be reviewed as suggested.</p> <p>The plan will be an agenda item on the Finance/ Asset Management meeting and will be reviewed and amended as appropriate to ensure school budgets reflect the real IT needs of the School.</p>	<p>Status: Partially Implemented</p> <p>The IT Development Plan has been updated and a cost for each year has been set. It was confirmed that these costs have been included in the School's four year financial plan.</p> <p>The IT Development Plan has not been included as a separate item on the Asset Management Committee meeting agenda. It was stated by the Head Teacher that it will be incorporated into the 2015/16 School Development Plan and monitored in this way.</p> <p>There is evidence that Governors have been presented with the reasons for planned expenditure on individual items on the plan, before commitments have been made e.g. wireless upgrade.</p>	<p>It should be ensured that the Governors are provided with monitoring reports of progress made against the IT Development Plan, and the financial and school improvement implications of this.</p> <p>Priority: Medium</p>
Updated Management Response:		Agreed. Going forward this will form part of continual review at the Asset Committee meetings as part of the School Development Plan.			

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1	Risk: Financial Planning - To ensure that financial planning is based on accurate and complete information and is aligned to the school's future plans.				
1.6	Monitoring information should be provided to Governors regularly throughout the year and expanded to highlight any variances above an agreed limit determined by Governors, size of any variance, a narrative covering the reasons for it and options for any action that could or should be taken to bring the budget back on track. Governors should be provided with a breakdown of the projected year end balances at each Finance / Asset Management Committee. Where a surplus is deliberately being accumulated by the School, in agreement with the Governors, there should be a clear and documented plan explaining how this money will be accumulated and used. Any build up in surpluses in excess of the limits agreed for secondary schools at School's Forum should be identified promptly and reported to Governors for approval. Training should be provided to Governors to allow them to challenge the School on the reasons for any significant variances, the impact these have on standards at the School and how such balances could be used. Priority: High	Head Teacher October 2014 & on-going	Agreed The Finance/Asset Management Meeting is now timetabled to meet five times in the School year with the full Governing Body meeting to agree the budget. Budget reporting will be as prescribed with variances explained and actions agreed, as required. Any future surplus will be fully documented and included in the meeting minutes. Bespoke financial training was provided to Governors by the LA at the end of September and will be discussed at the next meeting of the Finance/Asset Meeting.	Status: Partially Implemented The Business Manager provides a report of income and expenditure from the School's Financial Management system to Governors at each Asset Management Committee meeting. In addition to this, he provides a report and supporting narrative on the projected variances from budgets at year-end. It was identified that the budget monitoring report produced from the financial management system does not show year-end projections that are in line with the Business Manager's variance report. All Governors have attended Financial Efficiency training delivered by the LA in order to improve their financial knowledge and allow them to challenge the budget monitoring information provided to them.	The Business Manager should make better use of the School's financial management system by profiling the budgets to allow for reporting of year to date and year-end projections. Priority: Medium
Updated Management Response:		Agreed: The Budget for 2015/16 is currently being entered into the Financial system and spread according to expected income and expenditure dates.			

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1	Risk: Financial Planning - To ensure that financial planning is based on accurate and complete information and is aligned to the school's future plans.				
1.7	Governors should be provided with the Local Authority guidelines regarding financial rollovers. Where the Local Authority recommended limits for the rollover of a surplus at a secondary school are likely to be exceeded, this should be reported to Governors promptly and a decision made on how this will be managed. Priority: High	Head Teacher October 2014	Agreed LA guidelines will be issued and discussed at the October Finance/Asset Management Committee and will form part of the controls provided by the Finance/Asset Management as described in 1.6	Status: Implemented A report from the SBC Director of Children's Services was presented to Asset Management Committee in November 2014. The report sets out that a rollover of £100 per pupil is the LA's suggested reasonable amount. Therefore for Isambard anything above £100,000 will alert the SBC Finance Team. The rollovers projected in the School's financial plan have been agreed by the LA Finance Team and Governors have been informed that the reason for them is to avoid going into a deficit position while the School's expenditure is higher than its income.	None.
Updated Management Response:		Agreed: The Budget for 2015/16 is currently being entered into the Financial system and spread according to expected income and expenditure dates.			

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Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
2	<i>Budget setting - to confirm that the budget set for the current year is based on complete and accurate information and is aligned to the future plans for the school.</i>				
2.1	<p>The School's Scheme of Delegation should be amended to include the financial limits for the authorisation of budget virements to ensure that Governors get an overview of any budget changes.</p> <p>Virements that take place following the approval of the Budget by the Governing Body should be first approved by Governors, in accordance with the School's Scheme of Delegation, and recorded in the minutes of the Finance / Asset Management Committee.</p> <p>Priority: Medium</p>	<p>Head Teacher</p> <p>October 2014</p>	<p>Agreed</p> <p>Will be completed by end October.</p>	<p>Status: Partially Implemented</p> <p>The School's Scheme of Delegation was updated to include the limits for approval of virements. This was approved by the Asset Management Committee at the meeting held on the 3rd November 2014. A number of changes from the approved 2014/15 budget have been made during the year. The Business Manager has acknowledged that the correct virement procedure was not followed.</p> <p>There is a risk that virements could be used to mask cost centre under and overspends, and therefore should be subject to Governor scrutiny.</p>	<p>For all future virements between cost centre budgets, the correct procedure should be followed, as per the School's Scheme of Delegation. A form for recording and approving virements has been provided at Appendix B, which could be adopted by the School.</p> <p>Priority: Medium</p>
Updated Management Response:		Agreed: The form (Appendix B) will be used and Governor approval sought when any future virements are made.			

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2	Budget setting (for current financial year) - to confirm that the budget set for the current year is based on complete and accurate information and is aligned to the future plans for the school.				
2.2	<p>Contracts that have been in place for a number of years should be formally reviewed to ensure they still offer value for money and are appropriate for the School's needs.</p> <p>Priority: Medium</p>	<p>Business Manager</p> <p>March 2015</p>	<p>Agreed</p> <p>All contracts will be reviewed upon renewal or by March 2015.</p>	<p>Status: Partially Implemented</p> <p>The School has a contracts register in place, which details the renewal date and the date that it should be reviewed to ensure that the school achieves value for money. It has been identified that, due to staff absences, the Finance Team fell behind in the review of a small number of contracts that were up for renewal and the majority of contracts were not up for renewal until after the audit was carried out. Therefore there was a lack of evidence available to demonstrate that the recommendation had been fully implemented. However, the School provided evidence of the review of its photocopy contract where three quotes were obtained and the chosen supplier was approved by Governors. In addition, it was stated that the Business Manager was in the process of obtaining quotes for insurance of the School's minibuses.</p>	<p>Contracts that have been in place for a number of years should be formally reviewed to ensure they still offer value for money and are appropriate for the School's needs.</p> <p>Priority: Low</p>
Updated Management Response:		<p>Agreed: Contracts up for renewal will go through the procedure of obtaining alternative quotes and determining value for money. Any contract without an end date will be investigated before end September.</p>			

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Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
3	Budget Monitoring				
3.1	<p>The School should prepare cash flow forecasts to allow Governors to see more clearly the impact of their decisions in terms of rollover, expenditure / income levels and their predicted budget deficits.</p> <p>Familiarity with cash flows will also be crucial if and when the School become an Academy.</p> <p>Priority: Medium</p>	<p>Business Manager</p> <p>December 2014</p>	<p>Agreed</p> <p>Cash flows will be prepared and used to increase bank interest where possible. This will be also monitored at the monthly Finance/Asset Management Meetings.</p>	<p>Status: Implemented</p> <p>The Business Manager has produced a cash flow forecast. This was presented to Governors at the Full Governing Body Meeting held on the 20th April 2015 to gain approval for investment in a higher interest earning account to increase the School's income.</p>	None.
Updated Management Response:		Not applicable			

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3	Budget Monitoring				
3.2	<p>In accordance with the Financial Regulations for Schools, three written quotes should be obtained for all purchases over £5,000 and quotations in writing should be obtained for purchases up to the value of £5,000 with more than one written quotation be obtained if reasonably practicable.</p> <p>Orders should be authorised by an appropriate budget holder within their authorisation limits as set out in the School's Scheme of Delegation.</p> <p>Purchase orders should be raised prior to payment, at the point of order, to ensure commitments are appropriately authorised and accounted for and the School's financial monitoring position is up to date. Where the exact cost of a service / item is not known, an estimated order value can be used to ensure a commitment is recorded on the finance system.</p> <p>Priority: Medium</p>	<p>Business Manager</p> <p>December 2014</p>	<p>Agreed</p> <p>A review of the School Scheme of Delegation will take place and will be agreed with Governors. Once agreed a training session with all budget holders will take place to ensure understanding and compliance across the School.</p> <p>Purchase orders will be raised to ensure financial commitment is recognised in the accounts.</p> <p>All payment will be made on or around payment due date where possible.</p>	<p>Status: Partially Implemented</p> <p>Testing on a sample of three purchases over £5,000 found no evidence that quotes had been obtained prior to choosing the supplier. It is noted that these purchases had been made prior to the school introducing a new procedure for purchasing. An additional two purchases above the £5,000 limit, made since the introduction of the new procedure were tested. These had evidence that three quotes and Governor approval was obtained.</p> <p>From testing on a sample of ten purchases made between 1st October 2014 and 31st March 2015 it was found that each one had appropriate authorisation as set out in the School's Scheme of Delegation. However, for five out of the ten purchases reviewed, the purchase order had been raised on the financial system after receipt of the invoice therefore a commitment had not been made for budget monitoring purposes. It should be noted that the School's Finance Team have had a lack of resources during this period due to staff absence.</p>	<p>Purchase orders should be raised prior to payment, at the point of order, to ensure commitments are accounted for and the School's financial monitoring position is up to date. Where the exact cost of a service / item is not known, an estimated order value can be used to ensure a commitment is recorded on the finance system.</p> <p>Priority: Medium</p>
Updated Management Response:		Agreed: Actioned with immediate effect.			

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3	Budget Monitoring				
3.3	<p>Confirmation that goods or services have been satisfactorily received should not be carried out by an employee who has been involved with authorising the purchase order for that product.</p> <p>Authorisation to pay for the goods and services should always be recorded by an authorised signatory within their authorisation limits.</p> <p>Payments should be made to suppliers within the agreed payment terms unless payment is under dispute, where the reasons for this dispute should also be recorded to explain any payment delays.</p> <p>Priority: High</p>	<p>Business Manager</p> <p>December 2014</p>	<p>Agreed - This will be included as part of 3.2 above.</p>	<p>Status: Partially Implemented</p> <p>The School has issued a new purchasing procedure to staff which complies with the Financial Regulations for Schools.</p> <p>Testing on a sample of ten purchases made between 1st October 2014 and 31st March 2015 found that eight out of ten had the appropriate segregation of duties in the approval of the order, receipting of the goods and approval for payment.</p> <p>Six out of ten payments had been made later than the invoice terms or 30 working days. It is noted that the Finance Team had a lack of resources due to staff absence during this period.</p>	<p>Payments should be made to suppliers within the agreed payment terms unless payment is under dispute. The reasons for disputes should be recorded to explain any payment delays.</p> <p>Priority: Low</p>
Updated Management Response:					
Agreed: Actioned with immediate effect.					

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Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
3	Budget Monitoring				
3.4	<p>The School should devise a Disposal of Assets and Write Off Policy which includes the actions to be taken for obsolete equipment. Decisions to sell equipment should be proposed and formally agreed by Governors with their decision recorded appropriately in the minutes of the relevant Governor meeting. This should record as part of the business case for the sale, both the reason for the sale and the expected sale value / income to be raised.</p> <p>Priority: Medium</p>	<p>Business Manager</p> <p>December 2014</p>	<p>Agreed</p> <p>Policy will be written and agreed by the Governors. All decisions to sell assets will require agreement from the Governors and recorded in the minutes of the Finance/Asset Committee.</p>	<p>Status: Not Implemented</p> <p>The Disposal of Assets and Write Off policy has not been updated since the audit. However, it was confirmed by the Business Manager and Head Teacher that no equipment had been sold to staff members, as was identified in the previous audit.</p>	<p>The School should update their Disposal of Assets and Write Off Policy to include the actions to be taken for obsolete equipment. Decisions to sell equipment should be proposed and formally agreed by Governors with their decision recorded appropriately in the minutes of the relevant Governor meeting. This should record as part of the business case for the sale, both the reason for the sale and the expected sale value / income to be raised.</p> <p>Priority: Low</p>
Updated Management Response:		Agreed: Policy will be rewritten before any assets are sold off.			

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Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
3	Budget Monitoring (continued)				
3.5	<p>School staff, their family or friends should not benefit personally from School Trip arrangements.</p> <p>The School's Policy on Trips should be updated to include the School's approach to the use of volunteers and the participation on trips of staff spouses, partners and families. This should include the payment arrangement should this be deemed appropriate by the School.</p> <p>The staffing arrangements for each trip and the allocation of any free places must be clearly explained on the activities approval form.</p> <p>Any discounts that are received through the organisation of a trip should not be used to the benefit of any of the staff or their partners going on a trip. Other than the staff, all those going on the trip should pay for their proportion of the costs.</p> <p>DBS disclosures should be sought in respect of all adults accompanying pupils on a trip before their tickets and places are arranged in order to avoid the need to cancel a place should a DBS check determine it is necessary.</p> <p>Priority: Medium</p>	<p>Head Teacher</p> <p>November 2014</p>	<p>Agreed</p> <p>School Trip policy will be updated and agreed by the Governors.</p>	<p>Partially Implemented</p> <p>The School has not updated its Charging and Remissions policy since the audit. It was stated that the School's procedure for the use of volunteers, partners and family will be included when the policy is up for review and it was confirmed by the Business Manager and Head Teacher that no volunteer of staff family members have attended any school trips since the previous audit.</p> <p>The School's Educational Visits Policy includes the requirement for all adults who will be alone with groups of students to be DBS cleared and it was confirmed that satisfactory clearances were received for the two non-staff adults that attended the Ski Trip in December 2014.</p>	<p>The School's policy on Trips should be updated to include the School's approach to the use of volunteers and the participation on trips of staff spouses, partners and families. This should include the payment arrangement should this be deemed appropriate by the School.</p> <p>Priority: Low</p>
Updated Management Response:		Agreed: The policy will be rewritten before any volunteers are used on trips.			

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4	Governance/ SFVs.				
4.1	<p>The School should draw up a schedule of documents and decisions that need to be reviewed by the various sub-committees and the Full Governing Body each year so that they can be added to the appropriate meeting agendas by the Clerk to ensure that timely decisions are made all policies and procedures are kept up-to-date. Key decisions and approvals should be discussed and minuted at the relevant committee meetings.</p> <p>Priority: High</p>	<p>Head Teacher</p> <p>November 2014</p>	<p>Agreed</p> <p>The Clerk to the Governors will draw up a schedule by the end of October and ensure items are on appropriate agenda. Key decisions will be discussed and minuted.</p>	<p>Implemented</p> <p>The School has put in place a Governor work programme, which sets out what each Committee should review at each meeting.</p> <p>In addition, there is a 'Policies, Plans, Publications and Duties' document which sets out when each policy, publication or duty needs to be completed and the current status.</p>	None.
Updated Management Response:		Not applicable			

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Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
4	Governance/ SFVS (continued).				
4.2	<p>Benchmarking should be undertaken annually, and also carried out at any time when reviewing school contracts for procuring goods and services. The School should use benchmarking as a contributing factor to:</p> <ul style="list-style-type: none">• planning and managing their budget;• identifying areas and setting targets for improved use of resources;• achieving value for money in expenditure and improving its effectiveness to improve performance; and• delivering educational services to a defined standard <p>The results of such benchmarking should be shared with the Finance / Asset Management Committee to determine how the information may be used to drive School performance.</p> <p>Priority: Medium</p>	<p>Business Manager</p> <p>December 2014</p>	<p>Agreed</p> <p>Discussions with LA will take place to review appropriate benchmarking sources. The result of benchmarking will form part of a regular agenda item on the Finance/Asset Management Meeting.</p>	<p>Not Implemented</p> <p>The school has not yet carried out any benchmarking of the schools finances.</p>	<p>Benchmarking should be undertaken annually, and also carried out at any time when reviewing school contracts for procuring goods and services. The results of such benchmarking should be shared with the Finance / Asset Management Committee to determine how the information may be used to drive School performance.</p> <p>Priority: Medium</p>
Updated Management Response:		Agreed. In line with SFVS action plan benchmarking will be investigated and a plan for it used devised. It will begin with looking at income streams at similar maintained schools.			

Swindon Internal Audit Services: Isambard Community School Follow-Up 15/16

Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
4	Governance/ SFVS (continued).				
4.3	<p>The School should look to increase the involvement of Governors through their Committee meetings, encouraging questions, challenge and guidance on key financial issues such as:</p> <ul style="list-style-type: none"> Financial planning The level of rollover Significant variances to budget Benchmarking Budget setting The School Development Plan. <p>When the Governors skills matrices are next completed, the School should determine what training should be provided to Governors to encourage their involvement, including:</p> <ul style="list-style-type: none"> Governor Support training Support from the LA Finance Team Working with other schools etc. <p>Minutes must clearly reflect the discussions that take place at these meetings, and particularly any challenge provided by Governors on financial matters to demonstrate that they are fulfilling their statutory duties.</p>	<p>Governing Body December 2014</p>	<p>The minutes were not a full and accurate record of the meetings. The person who took those minutes is no longer doing so and the current Clerk to the Governors will be taking these going forward. Previous audit has identified the Clerk takes good quality minutes. Presentations will show changes over time to ensure better challenge by Governors.</p> <p>A skills audit has been completed which identified areas to improve, financial training from SBC booked for 22.09.14. Looking to recruit Associate Governor with accounting skills for 18 months.</p>	<p>Partially Implemented</p> <p>Governors have attended financial training and 'Governing Body Building' training delivered by the SBC Finance Team and Governor Support.</p> <p>Analysis of the minutes found evidence of Governors challenging and questioning the information presented to them and of the Head Teacher and Business Manager inviting them to ask questions. However, as noted in AP 1.2 above, key details of the discussions were sometime missing from the minutes.</p> <p>Since the previous audit three new Governors who have financial knowledge and experience have been appointed. The School intends to complete the Governor skills matrix once all Governors have been appointed.</p>	<p>When the Governors skills matrices are next completed, the School should determine what training should be provided to Governors to encourage further involvement and fulfilment of the 'critical friend' role.</p> <p>Priority: Low</p> <p>See AP 1.2 above for the recommendation regarding details of minutes of Governors Meetings.</p>
Updated Management Response:		Agreed.			

Swindon Internal Audit Services: Isambard Community School Follow-Up 15/16

Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
4	<i>Governance/ SFVS (continued).</i>				
4.4	<p>The frequency of Finance / Asset Management Committee meetings should be increased to ensure Governors have sufficient time to determine what, if any, action they may need to take in relation to the issues raised.</p> <p>Agenda items should be prioritised with sufficient time allocated for a full discussion by the Governors. This will enable a full and open challenge of the financial position of the School.</p> <p>Priority: High</p>	<p>Governing Body</p> <p>October 2014</p>	<p>The Finance and Staffing Committees have been combined so they will now meet 5 times a year (approx. every 2 months). This will also include an autumn work programme for Asset Management. FGB budget approval by FGB April 2014.</p>	<p>Implemented</p> <p>The number of Asset Management Committee meetings has been increased to every two months and meetings are scheduled for longer than an hour to ensure that there is sufficient time for a full discussion.</p>	None.
Updated Management Response:					
4.5	<p>Decisions that are taken by Governors outside of the normal committee meeting cycle should be recorded in subsequent minutes to provide a clear record of any decision made.</p> <p>Action points from meetings should be clearly marked as such with the initials of the person responsible for their implementation.</p> <p>The action points should be followed up at subsequent meetings and marked as resolved when they are completed.</p> <p>Priority: High</p>	<p>Governing Body</p> <p>November 2014</p>	<p>Agreed</p> <p>There will be a standard agenda item called 'Decisions Since Last Meeting' on all Governor committee agendas to detail anything agreed via email. A 'nil report' will be made if that is appropriate.</p>	<p>Implemented</p> <p>The agenda for the Asset Management Committee now includes an item for decisions made outside of meetings.</p> <p>Minutes of meeting include an action plan with a description of the action, who is responsible and a timescale for completion. Minutes note that at the beginning of each meeting previously agreed actions are reviewed to ensure that they have been complete or are on track to be completed by their due date.</p>	None.
Updated Management Response:					
Not applicable					

Swindon Internal Audit Services: Isambard Community School Follow-Up 15/16

Ref.	Recommendations Priority (High/Medium/Low)	Responsible Officer Timescale	Management Response at Time of Audit	Status and Updated Audit Findings	New Recommendations Priority (High/Medium/Low)
4	<i>Governance/ SFVS (continued).</i>				
4.6	<p>The School's SFVS self-assessment should be fully discussed with all Governors to ensure those with responsibility for the financial management of the School have assurance that it is being managed appropriately.</p> <p>The remedial action plan to address any areas requiring attention should be updated to resolve any issues raised in the Action Plan to this report and at Appendix A. This should be monitored by Governors to ensure prompt implementation of agreed actions.</p> <p>Both the SFVS self-assessment and the action plan should be formally approved by the Governing Body.</p> <p>Priority: High</p>	<p>Governing Body</p> <p>November 2014</p>	<p>Agreed</p> <p>SFVS will be discussed at the Finance and Asset Committee along with action necessary to address weaknesses, as highlighted in this report and any other deficient area. Future compliance will be managed through this Committee.</p> <p>The Business Manager and Governing Body will collaboratively work together to complete future SFVS.</p> <p>Completion date – end of March 2015.</p>	<p>Partially Implemented</p> <p>The 2014/15 SFVS return was completed by the Head Teacher, Business Manager and Chair of Governors and was presented to the Full Governing Body (FGB) for discussion on the 20th April 2015. This was after the date that it was submitted to the LA (31st March 2015). It was discussed at the FGB meeting that completion of the 2015/16 return will be scheduled from November 2015 so that sections can be completed at the Asset Management Committee to ensure it is completed by all those with responsibility for the financial management of the School.</p> <p>Where the SFVS return has been completed with an 'In Part' or 'No' answer, an action plan point has been created with action details, responsibility and completion date.</p> <p>The return was reviewed by the Auditor and found to be an accurate reflection of the financial standards at the School.</p>	<p>It should be ensured that the 2015/16 SFVS return is completed with full involvement of those with financial responsibility for the School.</p> <p>The LA Finance Team has issued guidance for schools on the completion of their SFVS, which the School may find useful for the completion of their 2015/16 return.</p> <p>Priority: Medium</p>
Updated Management Response:		Agreed. A plan for improving our response and involvement of the Asset Committee has already been agreed.			

APPENDIX A

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.

VIREMENT FORM

Please keep for your records there is no requirement to send a copy to SBC Finance

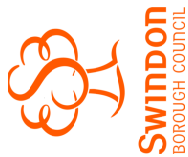
School Name: _____

Capitation No: _____

Capitation No:

Month: _____ Financial Year: _____

Financial Year:

[illegible]

Entered onto SIMS : _____ Signature _____
 _____ Position _____
 _____ Date _____

Authorised By : _____ Headteacher
Date _____

Acknowledgements

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

Name	Job Title
Sue Banks	Isambard – Head Teacher
Robert Shorter	Isambard - Business Manager
Lara Knight	Isambard - Finance Officer
Kevin Gray	Isambard - Chair of Governors
Anne Mackay	SBC Finance Manager - Education
Simon Byford	SBC School Place Planning Information Manager

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Capital Programme Monitoring Outturn & Treasury Performance 2014/15

Committee: Audit Committee

Date: 16 June 2015

Author: Cabinet Member for Finance
Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report sets out the 2014/15 Capital Programme position as at the end of March 2015 and the Treasury Management performance for 2014/15.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the latest 2014/15 Capital Programme position as at financial year end.
- 2.2 Approve the changes to the Capital Programme detailed in paragraphs 3.4 to 3.7.
- 2.3 Note the 2014/15 Treasury Management performance as detailed at paragraphs 3.10 to 3.21 and Prudential Indicators shown at Appendix 2

3. Detail

Capital Programme 2014/15

- 3.1 Table 1 below provides a summary of the forecast out-turn position compared with the approved total scheme budgets, as at the end of March 2015. The projected out-turn position represents the expected total spend for the scheme to completion over all remaining years and includes schemes for 2015/16 approved at February Cabinet.

Capital Programme Monitoring Outturn & Treasury Performance 2014/15

Committee: Audit Committee

Date: 16 June 2015

Table 1 – Budget Forecasts and Variances

	Remaining Budget 14/15	Forecast Spend to completion	14/15 Spend	Forecast Variance
Group	£'000's	£'000's	£'000's	£'000's
Community Works	8,112	8,112	3,738	0
Corporate Projects	26,589	26,323	14,934	(266)
S106	19,240	19,240	4,995	0
Schools	35,297	34,865	18,395	(432)
Social Care	2,743	2,631	919	(112)
Transport	17,422	17,185	8,490	(237)
GF Services	109,403	108,356	51,471	(1,047)
Housing Revenue Account (HRA)	31,651	31,561	12,658	(90)
Service Totals	141,054	139,916	64,128	(1,137)

3.2 Appendix 1 provides a full scheme by scheme breakdown of variances by project, but the key ones relate to:

3.2.1 Savings across several school projects that have been completed under budget:

- £50k relating to the scheme at Red Oaks Primary School.
- £520k relating to the scheme at St Francis Primary School.
- £20k relating to the scheme at Rodbourne Cheney Primary School.
- £41k relating to the scheme at The Ridgeway School.
- £55k relating to the redesign works at Haydonleigh Primary School.
- £32k relating to additional places at Orchid Vale Primary School

3.2.2 Over spend across several school projects:

- £200k for additional external works due to re-measurement of ground works & external works at Even Swindon Primary School.
- £30k for additional works at The Chalet School. These works had to be completed over the Christmas period which incurred additional cost, and adverse weather and ground conditions also contributed to further cost increases

Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

Capital Programme Monitoring Outturn & Treasury Performance 2014/15

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- £25k due to some additional roof works required at Commonweal School.
- £33k to install Fire Doors at Ridgeway School.

3.2.3 Savings across several Corporate projects that are forecasting coming in under budget:

- Disabled Facilities Grant which is demand led and not anticipated to be fully spent, and carried forward to 2015/16 Budget.
- Savings of £227k relating to Davis Place Car Park, which is not proceeding.
- Savings of £112k relating to non-delivery of Extra Care Projects.
- Overspend of £31k for ventilation works at Sanford House.

3.2.4 Savings of £90k for the HRA funded project at The Circle completed under budget will be returned to the HRA Reserves.

3.3 Table 2 below shows how the current approved programme identified at Table 1 is being funded:

Table2: Capital Programme funding

	<u>Current Budget Requirement</u>	<u>Requiring Approval</u>	<u>Future Budget Requirement</u>
Expenditure	£'000s	£'000s	£'000s
Budget	141,053	1,359	142,412
Contingency	3,279	0	3,279
Balance to be financed:	144,332	1,359	145,691
Capital Receipts	6,775	0	6,775
S106 Deposits	31,552	282	31,834
Grant Funding	51,187	377	51,564
Revenue Contributions	2,919	0	2,919
HRA balances	30,351	0	30,351
Borrowing Requirement – CFR increase	21,548	700	22,248
Total	144,332	1,359	145,691

Changes to the Programme

3.4 Cabinet is asked to approve the following Changes to the Programme:

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Capital Programme Monitoring Outturn & Treasury Performance 2014/15

Committee: Audit Committee

Date: 16 June 2015

-
- 3.4.1 Although grant funding is not ring fenced specifically for Education, there is an expectation from the Department of Education that it will be used to support this area. It is recommended that the reported underspend in Table 1 on Schools schemes (£432k) is retained once related schemes have finished to offset either future budget pressures on existing approved schemes or new Education schemes. Use of the under spend will be identified in future reports as it is utilised.
 - 3.4.2 A S106 funded budget of £109k for Wichelstowe Off Site Landscape and Nature Conservation.
 - 3.4.3 A budget of £92k for Pedestrian crossing at The Street & Thames Ave, funded by £81k S106 contributions & £11k from Local Transport Grant.
 - 3.4.4 A S106 contribution of £92k towards improvements to the Sports Hall at Warneford School.
 - 3.4.5 To note a £700k approval under a cabinet member decision note for works to the Dynamatic site and the inclusion from the 2015/16 quarter 1 Capital programme of the £1.9m superfast broadband scheme agreed at March Cabinet, which is part funded by capital grant.
 - 3.4.6 In February 2015, Cabinet approved the inclusion of a number of Strategic Highways Projects, funded through the Growth Deal, in the capital programme. One of these related to Junction 16 works required as a result of the Wichelstowe Development, which attracted grant of £5.92m. The total estimated scheme cost at this stage is £11.54m, with the balance to be funded through the Wichelstowe Joint Venture. It is recommended that the total scheme cost is included in the capital programme.

Waterside

- 3.5 In February 2015, Cabinet noted that between £3m and £4m would be needed in capital investment to ensure that the Waterside Depot site is safe, fit for purpose, compliant and able to meet the increasing demand on the services delivered from the site. The key areas of works included drainage systems, site access, egress and circulation and the condition of buildings and the site in general.
- 3.6 As Cabinet has already approved £1.8m (£800k in February 2014 and £1m in April 2015) to enable work to progress towards identifying appropriate solutions to the issues on the site, Cabinet is now requested to formally agree that a balance of £2m be included within the capital programme, from the £3m to £4m referred to above.
- 3.7 Since the April 2015 Cabinet approval, further work has been undertaken to develop the plans for the site and the tender packages, following the receipt of

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Capital Programme Monitoring Outturn & Treasury Performance 2014/15

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various site surveys (ground conditions, ecological, drainage etc) and consultation with external agencies including SSE. All of this work has enabled firmer costs to be established for undertaking the works required and allow the necessary works to be tendered in June 2015, in order that the works are completed before the peak demand period for the Household Waste Recycling Centre commences, in spring 2016.

Funding Position 2014/15

3.8 The total spend incurred in 2014/15 and how it was funded is shown below:

Table3: Capital Expenditure Funding

	£'000s
Capital Spend 2014/15	64,128
Funded by:	
Capital Receipts	1,506
S106 Deposits	10,259
Grant Funding	33,894
Revenue Contributions	459
HRA balances	11,412
Increase in Borrowing Requirement – General Fund CFR increase	6,598
Total	0

3.9 The overall (General fund and HRA) Capital Financing Requirement, ("CFR" - which represents the long-term borrowing requirement), is estimated to have decreased by £2.1m from the 2013/14 CFR of £457.1m. This is a reduction over the year to £455m, against actual debt of £253.7m. The CFR will be reconciled to the balance sheet after the closing of the accounts, and confirmed post-audit of the financial statements, and may change. Further detail is provided elsewhere within this report.

Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

Capital Programme Monitoring Outturn & Treasury Performance 2014/15

Committee: Audit Committee

Date: 16 June 2015

Treasury Management Performance 2014/15

- 3.10 The Council is involved in two types of treasury activity: Borrowing for capital purposes and for temporary cash flow purposes and the investment of surplus cash.
- 3.11 The activity and performance in respect of each of these two activities is summarised in the sections below.

Borrowing

- 3.12 In 2014/15, no new long-term borrowing was taken out.
- 3.12.1 A number of long-term loans totalling £11.505m matured during the year, which were running at an average rate of 4.17%. Total long term debt has therefore decreased from £253.8m to £242.3m over the year. The average maturity period on all long term debt is 18 years.
- 3.12.2 Short-term borrowing decreased slightly from £12.8m to £11.5m. However, this does fluctuate daily as it is used to manage the Councils daily cash flow requirements.
- 3.12.3 The average rate the Council paid on all external debt (both long term and short term) over the whole of 2014/15 was 3.55%. This is an increase of 0.13% from the previous financial year.

Investments

- 3.13 During 2014/15 there was an average daily investment balance of £64 million which was managed entirely in-house. The balance at year-end of £20.2m was a reduction from £55.4m at the same date of the previous year. This balance is comprised of working capital (where we hold cash temporarily as a result of timing differences between receipts and payments) as well as capital and revenue reserve balances. This balance was sufficient to manage the peaks and troughs of the Council's cash flows and provided the flexibility to choose longer investment periods, which provided higher interest rates.
- 3.14 In total, interest of £410k was earned in 2014/15 on these investments at an average rate of 0.64%. The average investment rate achieved in 2013/14 was 0.71%. Over the full year, this rate exceeded the "benchmark" 7-day rate of 0.34%, as well as the 3-month LIBOR (London Interbank Offer Rate) rate of 0.55%.
- 3.15 The Council's debt and investment position as at 31 March 2015 is summarised in the table below:

Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

Capital Programme Monitoring Outturn & Treasury Performance 2014/15

Committee: Audit Committee

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Table 5 - Analysis of Debt and Investments

Debt & Investments	31/03/2014		31/03/2015	
	£'000	Av. Rate (%)	£'000	Av. Rate (%)
Long Term Debt PWLB	203,764	3.75%	192,259	3.74%
Long Term Debt Market	50,000	3.23%	50,000	3.23%
Total Long Term Debt	253,764	3.65%	242,259	3.64%
<i>Of which HRA</i>	<i>140,532</i>		<i>135,532</i>	
<i>Of which GF</i>	<i>113,232</i>		<i>106,727</i>	
Short-term Borrowing	12,800	0.35%	11,500	0.38%
Total Debt	266,564	3.42%	253,759	3.55%
Investments	(55,440)	0.71%	(20,186)	0.64%
Net Borrowing Position	211,124		233,573	

- 3.16 The paragraphs above detail the actual debt and investment positions at a point in time, but this does not take into account the need for future borrowing to fund existing commitments. As a result of very low interest rates over the past few years, new long-term borrowing has been deferred as it has been more cost effective to temporarily utilise internal balances rather than new loans to fund capital expenditure (due to interest lost on balances being lower than the cost of new loans).
- 3.17 The CFR represents the actual borrowing requirement based on existing capital programme approvals, irrespective of whether the underlying borrowing has actually been taken out or not.
- 3.18 The CFR is always higher than the actual level of borrowing, the difference being “internal borrowing” which represents the temporary funding of capital spend from cash balances in advance of external borrowing being taken out as explained at paragraph 3.17 above. The CFR has decreased from £457.1m to £455m over the year, which indicates a shortfall between the debt actually taken out and that ultimately required to fund existing commitments of £157.3m. At the average long-term debt rate of 3.64%, taking out this further requirement immediately would add around £5.7m to the annual revenue budget requirement and

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therefore this requirement is balanced over time between the cost of the interest payable on new loans against future interest rate forecasts.

- 3.19 The table below compares the CFR with the long-term debt position between the General fund and the Housing Revenue Account (HRA) and the resulting borrowing requirement. This excludes Public Finance Initiative (PFI) liabilities of £56,751k, which are, technically, part of the CFR calculation.

Table 6 – Capital Financing Requirement “CFR”

	GF	HRA	Total
	£k	£k	£k
Actual Long Term Debt	113,232	140,532	253,764
CFR	319,537	135,532	455,069
Further Borrowing Required	157,343	Nil	157,343

Prudential Indicators (PI's)

- 3.20 In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, the code sets out a basket of indicators that must be prepared and used. It should be noted that the prudential indicators are not for comparison between authorities, but are a means to support and record local decision-making. The PI's do not in themselves indicate either a good or bad financial position, they are merely a statement of fact. Further detail is provided underneath each of the PI's on the appendix itself at Appendix 2.

Compliance with Treasury Limits

- 3.21 During the 2014/15 Financial Year all Treasury activity was carried out within the Council's Treasury limits and Prudential Indicators as set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The PI's do not in themselves indicate either a good or bad financial position, they are merely a statement of fact. Further detail is provided underneath each of the PI's on the appendix itself at Appendix 2.

4. Alternative Options

- 4.1 Any alternative options for specific areas are set out within the report.

Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

Capital Programme Monitoring Outturn & Treasury Performance 2014/15

Committee: Audit Committee

Date: 16 June 2015

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

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

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

- 5.3 There are no such direct implications.

Diversity Impact Assessment (DIA)

- 5.4 A Diversity Impact Assessment (DIA) has not been completed as no new schemes requiring DIAs are included in this report.

Risk Management

- 5.5 There are no direct risks arising from this report.

6. Consultees

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

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Capital Monitoring scheme forecast detail.
8.2 Appendix 2 – Prudential Indicators

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

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme / Forward Plan for June 2015.

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Group	Scheme Name	14/15 Budget Remaining £	Projected Outturn for Report £	Total 14/15 Spend	Projected Variance for Report £
Community Works	Kingsdown Cemetery	11,133	11,133	0	0
Community Works	Dorcan Pool - new plant	37,005	37,005	0	(0)
Community Works	Playground Refurb	630,038	630,038	15,019	0
Community Works	Crematorium Replace Cremators	1,175,849	1,175,849	1,006,197	0
Community Works	Kingsdown Crematorium - Replace Cremators	0	0	95,486	0
Community Works	Lydiard Site traffic management	60,128	60,128	29,028	(0)
Community Works	Hay lane Caravan Site	272,543	272,543	15,919	0
Community Works	East Wichel Community Centre	7,389	7,389	(3,193)	(0)
Community Works	Village Centres 13/14	356,362	356,362	245,782	0
Community Works	S106 Redhouse Community Centre	843,481	843,481	125	0
Community Works	S106 Haydon Brook Flood Alleviation	60,000	60,000	0	0
Community Works	Westleaze Canal Emergency Works	14,172	14,172	0	0
Community Works	Dorcan sports centre - Netball funding	93,600	93,600	0	0
Community Works	Link Roof	0	0	8,489	0
Community Works	Private Sector Renewal Grants	284,867	284,867	123,115	1
Community Works	Safe & Warm	0	0	6,728	0
Community Works	Reinvestment in Allotments	107,554	107,554	0	0
Community Works	Flood Defence Grant	141,343	141,343	17,296	(0)
Community Works	Street Smart IT	7,022	7,022	1,589	0
Community Works	Asset Liability Management	128,381	128,381	15,925	(0)
Community Works	Hodson Road embankment stabilisation	349,438	349,438	8,378	0
Community Works	Cricklade Road Footway Reconstruction	202,541	202,541	0	0
Community Works	Mechanics Institute	0	0	3,228	0
Community Works	Shaw Forest Park Restoration Works	0	0	1,714	0
Community Works	Clive Parade re-surfacing	172,309	172,309	161,244	0
Community Works	Rodbourn Lagoon	3,126,504	3,126,504	1,985,995	(0)
Community Works	Town Centre surplus street furniture removal	30,428	30,428	0	(0)
	Sub -Total Community Works	8,112,087	8,112,087	3,738,060	(0)
Corporate Projects	Wichelstowe Infrastructure Expenditure	783,376	783,376	297,767	0
Corporate Projects	Wichelstowe - District Centre associated works	1,434,933	1,434,933	1,129,688	(0)
Corporate Projects	Wichelstowe - East Wichel	377,744	377,744	0	0
Corporate Projects	Wichelstowe J16 Improvements	945,000	945,000	282,806	0
Corporate Projects	Wichelstowe play area	28,600	28,600	0	0
Corporate Projects	Pollution Control - Borough Farms	26,368	26,368	0	0
Corporate Projects	Asbestos Management	301,054	301,054	32,953	0
Corporate Projects	Capital Repairs and Maintenance	1,991,150	1,991,150	737,484	0
Corporate Projects	Non Highways Structures (bridges within parks etc.)	230,000	230,000	36,477	0
Corporate Projects	Town Gardens Footbridge	100,000	100,000	5,000	0
Corporate Projects	Wellington Street	190,000	190,000	0	0
Corporate Projects	Waterside Depot - New Lift (DDA Requirement)	70,000	70,000	0	0
Corporate Projects	Waterside Depot - Proposed New Road Layout	800,000	800,000	246,677	0
Corporate Projects	Feasibility Studies	565,854	565,854	279,490	0
Corporate Projects	Disability Discrimination Act Related Works	117,659	117,659	26,343	0
Corporate Projects	Contribution to Superfast Broadband	240,000	240,000	42	0
Corporate Projects	Oracle Upgrade	8,520	8,520	6,540	(0)
Corporate Projects	Compulsory Purchase 9 Deburgh Street	42,483	42,483	100	(0)
Corporate Projects	Compulsory Purchase 1 Exe Close	0	0	374	0
Corporate Projects	Growth Feasibility	1,000,000	1,000,000	73,221	0
Corporate Projects	Estate Rationalisation Project - Buildings	0	0	126,197	0
Corporate Projects	Swindon Health Centre	0	0	69,282	0
Corporate Projects	NWOW IT	227,285	227,285	52,512	0
Corporate Projects	Localities - buildings	64,890	64,890	0	(0)
Corporate Projects	Localities - IT element	188,642	188,642	0	(0)
Corporate Projects	Strategic Acquisition (Aspen)	813,284	813,284	742,823	(0)
Corporate Projects	Stronger Together	92,002	92,002	76,735	0
Corporate Projects	Adapting Sanford House for 3rd Sector Advice and Information Hub	552,149	583,503	583,502	31,354
Corporate Projects	Museum Artefacts Storage	300,000	300,000	9,848	0
Corporate Projects	Contact point, Clarence House Refurbishment	1,403,222	1,403,222	1,130,770	0
Corporate Projects	Redevelopment of Dorcan House / Eldene Shopping Centre	500,000	500,000	152,207	0
Corporate Projects	'SCS Fleet' 7 Vehicles	645,227	645,227	573,206	0
Corporate Projects	Equity Share Properties	250,000	250,000	0	0
Corporate Projects	Thamesdown Transport	2,000,000	2,000,000	0	0
Corporate Projects	Disabled Facilities Grant	975,373	677,894	677,894	(297,479)
Corporate Projects	Decent Homes Assistance	278,002	278,002	87,919	0
Corporate Projects	Aspen House Public Realm	500,000	500,000	0	0
Corporate Projects	Bowls Club	0	0	2,951	0
Corporate Projects	Universal Technical College	6,883,168	6,883,168	7,410,042	0
Corporate Projects	Kimmerfields Compulsory purchase	1,663,000	1,663,000	83,260	0
spacer	Sub -Total Corporate Projects	26,588,986	26,322,860	14,934,110	(266,125)
HRA	HRA - Aids & Adaptations (was contingency)	900,000	900,000	622,590	0
HRA	HRA - Bathrooms	740,000	740,000	291,375	0
HRA	HRA - Central heating	2,335,000	2,335,000	1,829,897	0
HRA	HRA - Contingent Major Repairs	1,075,000	1,075,000	91,051	0
HRA	HRA - Electrics	1,260,000	1,260,000	583,915	0
HRA	HRA - Environmental & Communal Areas	190,000	190,000	71,528	0
HRA	HRA - Exceptional Extensive	1,290,000	1,290,000	(97,160)	0
HRA	HRA - External/Entrance Doors	780,000	780,000	(57,082)	0
HRA	HRA - External Walls	90,000	90,000	(10,490)	0
HRA	HRA - Improvements	515,000	515,000	378,290	0
HRA	HRA - Kitchens	3,273,000	3,273,000	1,787,639	0
HRA	HRA - Planned Maintenance	3,956,278	3,956,278	2,942,023	0
HRA	HRA - Related assets	305,000	305,000	309,876	0
HRA	HRA - Roofs	1,585,000	1,585,000	800,853	0
HRA	HRA - Windows.	625,000	625,000	343,395	0

Group	Scheme Name	14/15 Budget Remaining £	Projected Outturn for Report £	Total 14/15 Spend	Projected Variance for Report £
HRA	HRA - Regeneration and Acquisition Programme	1,283,719	1,283,719	530,003	0
HRA	Marlowe Ave Residential	0	0	(56,561)	0
HRA	HRA - Sussex Square	9,188,509	9,188,509	1,245,019	0
HRA	HRA - The Circle	800,795	653,987	519,893	(146,808)
HRA	HRA - Bourne Road - Bungalows	408,250	465,000	450,490	56,750
HRA	HRA - Upgrade St Ives Court	600,000	600,000	1,461	0
HRA	HRA - Conversion Baileys Farm Gardens	60,000	60,000	0	0
HRA	HRA - Scooter stores sheltered	390,000	390,000	29,750	0
HRA	HRA Vehicle Acquisitions	0	0	49,720	0
spacer	Sub -Total HRA	31,650,551	31,560,493	12,657,473	(90,058)
S106	S106 Neighbourhood watch scheme signage	4,006	4,006	0	0
S106	S106 Whitehouse Road Cycling Scheme	3,846	3,846	0	0
S106	S106 Moulden Country Park - Provision of Car Park	9,900	9,900	0	0
S106	S106 Mouldon Hill Country Park	234,644	234,644	8,267	0
S106	S106 St Marks Recreation Ground	672,905	672,905	675,157	0
S106	S106 Mannington Recreation Ground - informal footpath works and play area	57,717	57,717	59,012	0
S106	S106 Angel Ridge Public Open Space	413,431	413,431	398,976	0
S106	S106 Great Eastern House Open space	16,361	16,361	0	0
S106	S106 Lawn Park - Improvements to High St Entrance	55,020	55,020	0	0
S106	S106 NDA - Management of Protected Species Reserve	51,999	51,999	8,576	0
S106	S106 New College 2001/02 Open Space and play area improvements	25,000	25,000	0	0
S106	S106 Cavendish Square - Public Open Space and Play Facilities	310,832	310,832	238,117	0
S106	S106 Pre-adoption maintenance period for playgrounds	67,414	67,414	5,616	0
S106	S106 Off Site Playground (Coleview) transfer to Stratton PC	113,000	113,000	0	0
S106	S106 Recreational Improvements at Dorcan College	12,265	12,265	333	0
S106	S106 Catalint UK Ltd Blagrove	21,735	21,735	4,800	0
S106	S106 Town Centre Temporary Site uses	5,877	5,877	2,403	0
S106	S106 Green Spine	10,000	10,000	5,464	0
S106	S106 Tree and Landscape Improvements	40,000	40,000	0	0
S106	S106 Wichelstowe Conservation Project	20,000	20,000	0	0
S106	S106 Wichelstowe Off Site Landscape and Nature Conservation	85,430	85,430	9,916	0
S106	S106 Shaw Road Traffic Regulation	10,551	10,551	3,780	0
S106	S106 Mannington Roundabout Great Western Way Part Time Signals Pilot	20,511	20,511	2,450	0
S106	S106 Thamesdown Drive Speed Amelioration	109,500	109,500	28,922	0
S106	S106 RTPI - Mannington Retail	11,260	11,260	0	0
S106	S106 East Wichel Major Open Space	391,422	391,422	2,943	0
S106	S106 East Wichel Local Open Space	239,335	239,335	218,227	0
S106	S106 Mannington Subway Lighting	3,364	3,364	0	0
S106	S106 Bruce Street Bridges and Baileys Corner	5,353,691	5,353,691	2,962,586	0
S106	S106 North Star roundabout and Cocklebury Roundabout Great Western Way	3,099,625	3,099,625	1,133	0
S106	S106 Mead Roundabout	982,749	982,749	1,133	0
S106	S106 Transfer Bridges	3,186,630	3,186,630	60,659	0
S106	S106 Stratton Woods Public Art	75,421	75,421	11,144	0
S106	S106 LSTF Work Package 4	50,214	50,214	0	0
S106	S106 Moredon Rd Toucan Crossing	85,078	85,078	86,695	0
S106	S106 Christchurch Community Hall (contribution to)	313	313	0	0
S106	S106 Drove Rd / Upham Rd Junction	13,844	13,844	0	0
S106	S106 Town Centre TV	14,849	14,849	25,810	0
S106	S106 Croft School S106 Highways Works	500,000	500,000	0	0
S106	S106 Highway Works in the vicinity of Whalebridge Roundabout	200,000	200,000	0	0
S106	S106 Diamond Jubilee Woodlands	115,454	115,454	0	0
S106	S106 Swindon Urban tree planning programme	66,362	66,362	14,192	0
S106	S106 Stratton & Stanton Woods Access Project	246,083	246,083	20,045	0
S106	S106 Highway works at Islington Street	48,435	48,435	4,015	0
S106	S106 Alley Gate Public Art	10,500	10,500	0	0
S106	Subway at Great Western Way	10,500	10,500	8,697	0
S106	Hesketh Crescent play area improvements	158,946	158,946	6,494	0
S106	St Michaels Ave Lighting	10,309	10,309	0	0
S106	Thamesdown Drive Extension	24,777	24,777	7,027	0
S106	S106 Ermin Street Traffic Management	11,983	11,983	0	0
S106	S106 Highway works in the vicinity of Purton Road Shopping Area	12,014	12,014	0	0
S106	S106 Marshgate Link Improvements	25,454	25,454	0	0
S106	Bus Lane and Gate Enforcement in Swindon Outside Haydon Development Area	170,128	170,128	93,785	0
S106	S106 Queens Drive Amelioration	0	0	25,807	0
S106	S106 Swindon Railway Station Forecourt	0	0	(231,190)	0
S106	Swindon Urban Woodland Management programme	0	0	70,070	0
S106	S106 Comet Way Bus Stop Improvements	0	0	(2,500)	0
S106	All Weather Grass Pitch at Stratton Leisure Centre	14,640	14,640	0	0
S106	Brimble Hill to Alexandra Park	106,029	106,029	16,986	0
S106	Even Swindon School - Highway Works	14,421	14,421	0	0
S106	S106 Enforcement of bus lanes at Mead	14,421	14,421	0	0
S106	Havelock Square - Public Realm	822,906	822,906	41,025	0
S106	Westrop Primary School - Playground Extension	40,000	40,000	40,000	0
S106	Eastrop Infants - Extension	50,000	50,000	50,000	0
S106	Toothill Telford Way to Bodiam Subway Path Upgrade	43,916	43,916	8,359	0
S106	Whitworth Road safety scheme	130,000	130,000	0	0
S106	East Wichel - TRO (Implementation) Additional Funding	0	0	115	0
S106	Great Western Community Forest	512,490	512,490	0	0
	Sub -Total S106	19,239,508	19,239,508	4,995,044	0
Schools	Devolved Formula Capital	0	0	307,859	0
Schools	Red Oaks Special Resource Provision	59,799	10,000	0	(49,799)
Schools	Haydonleigh School expansion	800,808	745,000	739,534	(55,808)
Schools	Swindon Academy - DFE Loan Repayment	1,511,189	1,511,189	383,000	0
Schools	Aiming High Short Breaks	149,207	149,207	111,226	(0)

Group	Scheme Name	14/15 Budget Remaining £	Projected Outturn for Report £	Total 14/15 Spend	Projected Variance for Report £
Schools	St Francis School to become 2FE	550,955	31,775	31,775	(519,180)
Schools	Catherine Wayte - infrastructure works 12/13	16,725	16,725	10,288	0
Schools	Orchid Vale - additional places 13/14	73,000	41,167	41,167	(31,833)
Schools	Rodbourn Cheney - additional places 12/13 & 13/14	32,444	12,444	1,728	(20,000)
Schools	Even Swindon expansion	2,116,248	2,316,248	2,345,439	200,000
Schools	Chalet School ASC	69,670	99,619	99,619	29,949
Schools	Ridgeway school ASC	1,159,952	1,193,095	1,193,095	33,143
Schools	Town Centre Primary School - Holy Cross 2FE	4,350,000	4,350,000	1,548,841	0
Schools	Headlands School	461,965	461,965	1,995	0
Schools	North Swindon Primary School 2FE - New build Tadpole Farm	8,496,994	8,496,994	7,009,741	0
Schools	North Swindon Primary School 1FE - Orchid Vale PFI Expansion	2,999,040	2,999,040	2,710,185	0
Schools	Early Years places - Tick Tock Nursery - Mobile Replacement	100,000	100,000	0	0
Schools	Early Years provision - Grow 2gether dis-advantaged 2 Year Olds	100,000	100,000	0	0
Schools	Physical Disabilities SRP Expansion at Commonweal	565,321	590,000	589,148	24,679
Schools	Crowdy's refurbishment	1,750,000	1,750,000	32,362	0
Schools	Ruskin Special Resource Provision - replacement mobiles	70,000	69,289	69,289	(711)
Schools	Condition Works Identified within the Asset Management Plan	1,213,497	1,213,497	788,590	0
Schools	Primary Complex Needs SRP (Specialist Resource Provision)	636,500	636,500	0	0
Schools	Primary and Early Years provision to serve Commonhead development	3,203,500	3,203,500	0	0
Schools	South Marston Primary School Expansion	3,203,500	3,203,500	5,000	0
Schools	Croft New 2FE School	0	0	(12,024)	0
Schools	Primary BESD	265,000	265,000	0	0
Schools	Expansion of the Chalet Special School	15,000	15,000	0	0
Schools	Tadpole Farm Primary School	153,000	153,000	0	0
Schools	Wichelstowe Primary School - Middle Wichel	153,000	153,000	0	0
Schools	Town Centre Primary School Places	76,500	76,500	7,000	0
Schools	Complex Needs 11-25 provision	50,000	50,000	0	0
Schools	Secondary School Places 1 - 6 FE by Sept 18	139,000	139,000	14,000	0
Schools	Post 16 provision at Crowdys Hill Special School	35,000	35,000	6,250	0
Schools	Plas Pencelli Lodge Extension	167,000	167,000	(0)	0
Schools	Infant Free School Meals	360,965	360,965	359,873	0
Schools	Disadvantaged 2-year Old's Nursery at Tadpole Farm School	150,000	150,000	0	0
Schools	Ridgeway - urgent condition issues (subject to Academy status)	41,721	0	0	(41,721)
spacer	Sub -Total Schools	35,296,499	34,865,218	18,394,977	(431,281)
Social Care	ASC Equipment	318,000	318,000	322	0
Social Care	SAP Equipment	74,171	74,171	0	0
Social Care	Assistive Technology	587,671	587,671	526,000	0
Social Care	H&SC Joint Working Projects	681,596	681,596	110,518	0
Social Care	Wheelchairs & Other Equipment	236,200	236,200	84,744	0
Social Care	Extra care sheltered accommodation	152,891	41,000	20,000	(111,891)
Social Care	Learning difficulties respite care reprovision (Hawthorns)	34,044	34,044	0	0
Social Care	ICES reallocation	0	0	(19,613)	0
Social Care	Estate Rationalisation - CSS systems upgrade	420,545	420,545	92,569	0
Social Care	On line care assessment tool	238,000	238,000	104,474	0
	Sub -Total Social Care	2,743,117	2,631,227	919,014	(111,890)
Transport	LTP Maintenance	3,607,900	3,607,900	1,914,754	0
Transport	LTP Bus Priority & Infrastructure 12/13	72,513	72,513	18,800	0
Transport	LTP Sustainable Transport 12/13	161,213	161,213	98,069	0
Transport	LTP Safety Schemes 12/13	1,090,486	1,090,486	576,584	0
Transport	LTP Integrated - Traffic Management	479,000	479,000	3,081	0
Transport	UNION SQUARE CAR PARK	1,155,797	1,155,797	48,750	0
Transport	NON LTP Maintenance	4,721,483	4,721,483	3,166,715	0
Transport	NON LTP Bridge Maintenance	99,144	99,144	0	0
Transport	NON LTP Traffic Signals	304,960	304,960	170,574	0
Transport	NON LTP Street Lighting	49,879	49,879	119,814	0
Transport	Drainage Schemes	1,052,570	1,052,570	137,119	0
Transport	Demolition of MSCP	900,000	900,000	65,434	0
Transport	Public Realm at Wyvern MSCP Site	48,817	48,817	31,682	0
Transport	Concrete Light Column replacement	426,013	426,013	88,758	0
Transport	Local Sustainable Transport Fund - Access to Stations	470,000	470,000	464,036	0
Transport	Davis Place Car Park	283,828	46,744	22,878	(237,084)
Transport	Highways Asset Management Grant Elements 1 and 2	216,500	216,500	0	0
Transport	Strategic Highways Model update (£200k/£200k/Nil)	400,000	400,000	270,925	0
Transport	Wroughton Park and Ride bus entrance Traffic Signals Removal and other entry mod	120,000	120,000	2,250	0
Transport	Bus lane enforcement infrastructure	110,000	110,000	0	0
Transport	Gateway signage (incl car park directions)	400,000	400,000	14,079	0
Transport	School Safety Zone Signage	30,000	30,000	30,923	0
Transport	Car Parks - Major Maintenance of MSCP	511,558	511,558	538,215	(0)
Transport	DFT Emergency Winter Damage	0	0	(5,000)	0
Transport	Transport	0	0	797	0
Transport	Winter Damage Various Schemes	710,412	710,412	710,412	0
	Sub -Total Transport	17,422,074	17,184,990	8,489,648	(237,084)
	Service Totals	141,052,821	139,916,383	64,128,327	(1,136,438)

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Appendix 2 - 2014/15 Prudential Indicators

		Feb 14 Indicator 14/15	Actual 14/15
<u>Affordability Indicators</u>			
Operational Boundary			
	Borrowing	299,833	253,759
	Other Long term liabilities	46,294	55,541
	Total	346,127	309,300
Authorised Limit			
	Borrowing	405,905	253,759
	Other Long term liabilities	51,294	55,541
	Total	457,199	309,300

The operational boundary is an estimate of the most likely level of external debt, whereas the authorised limit is the absolute approved limit. These are measured against actual external debt which includes all long and short term debt and PFI liabilities, but excludes investments. The PFI figure, shown in Other Long Term Liabilities, was recalculated at 13/14 year end following audit and there is therefore a significant difference between that which was detailed in the February 2014 Treasury Strategy Report and actual.

Ratio of financing costs to net revenue stream

HRA	39.27%	38.12%
Non HRA	6.95%	6.12%

The key reason for the reduction in the ratio for Non HRA was due to a deferment of new external long-term borrowing. For the HRA, the reduction is primarily as a result of higher income due to lower voids and lower employee costs than estimated.

Capital Financing Requirement:

HRA	135,532	135,532
Non-HRA	270,373	263,996
PFI	46,294	55,541
Total	452,199	455,069

Capital Expenditure 14/15

HRA	31,750	12,658
Non-HRA	66,776	51,451
Total	98,526	64,109

Note: 14/15 PI's were set in February 2014 before 14/15 out-turn known, therefore differences between estimates and actuals will partly reflect 13/14 and 14/15 capital programme slippage

Prudence Indicators

Net Borrowing and the CFR

Net Borrowing	279,833	233,573
CFR (incl PFI)	452,199	455,069

The Capital Financing Requirement (CFR) represents the underlying need to borrow. Net Borrowing should not exceed, except in the short-term, the CFR.

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Draft Annual Statement of Accounts 2014/15

Committee: Audit Committee

Date: 16 June 2015

Author: Board Director Resources

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To provide an update on the position of the 2014/15 statement of accounts.
- 1.2 The audit committee is the designated body for approval of the Council's final accounts due for sign off by the end of September.

2. Recommendations

The Committee is recommended to:

- 2.1 Note the content of this report.

3. Detail

Update on the Draft Accounts

- 3.1 The accounts are required to be signed off by the Council's S151 officer, the Board Director Resources, by the end of June. The draft accounts are still being compiled; however, there is no expectation that the accounts won't be sign-off within statutory deadlines.
- 3.2 The timetable for the year aimed to have the core Swindon Borough Council section of the accounts (i.e. excluding group statements) completed by the end of May. This is now targeted for the 12th June due to delays in closing the accounts. The delays were mainly due to external information being unavailable under planned timescales. This has been a national difficulty for valuation office data that feeds in to appeals calculations for the Collection Fund. There were also difficulties in accessing the asset register which hindered the capital adjustments needed for the accounts. The combination of these two events added two weeks to planned timescales.
- 3.3 It is not expected that such delay for the valuation office data will occur in future as it was related to a year-end rush by organisations to send claims to the valuation office. The valuation office subsequently had significantly more claims to process and extended their timescales of when data was available.
- 3.4 Within the draft accounts there are three areas where significant judgement has taken place more than usual. These are commented on within the relevant disclosure in the accounts, but are presented here:

Further information on the subject of this report can be obtained from Darren Stevens, 07769281659, dstevens@swindon.gov.uk.

Draft Annual Statement of Accounts 2014/15

Committee: Audit Committee

Date: 16 June 2015

Investments Assets

- 3.4.1 From further reflection of the Code, it has been concluded that the nature of assets held by the General Fund that bring in income are not investments. The classification of investment assets under the Code is strict, relating only to items that are held solely for income generation or capital appreciation. For the Council, General Fund assets that have brought in income are not held solely for this purpose, but also for regeneration, community benefit, and employment benefits, amongst others. These assets are shown as being reclassified to operational assets.

Voluntary Aided/Controlled Schools

- 3.4.2 In its role as a local education authority the Council oversees a range of Voluntary Aided and Voluntary Controlled schools. The different form of school affects the make-up of their governing body, the admissions policy, funding arrangements and the legal ownership of assets. The conclusion of a national review on such schools' assets was the expectation that these assets would not be part of Local Authority balance sheets. From consideration of the information available it has been concluded that this is the local position and such school assets remain off balance sheet.

Leisure Assets

- 3.4.3 The Authority transferred the operating of its leisure services to third party providers during 2014/15. On review of the status of the long-term assets connected with the transfer, it has been concluded that they should remain on the Local Authority balance sheet as operational assets. This is in line with requirements of the Code criteria.
- 3.5 There is not expected to be any change to investment or leisure asset classifications, however, if additional information becomes available around voluntary schools, the position would be reviewed and may change the balance sheet.
- 3.6 The external audit of the accounts will progress through the summer with the final accounts coming to Audit Committee in September. Members will be presented with a separate report from the external auditor at that time.

4. Alternative Options

- 4.1 None – the annual statement of accounts is a statutory process.

Draft Annual Statement of Accounts 2014/15

Committee: Audit Committee

Date: 16 June 2015

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

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

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

- 5.3 There are no such direct implications.

Links to One Swindon, Strategic Objectives, Plans and Policies

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

Diversity Impact Assessment

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

6. Consultees

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

7. Background Papers

- 7.1 None.

8. Appendices

- 8.1 None.

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**Internal Audit reports identifying ‘significant’ risk or ‘of concern’:
Corporate Buildings: Statutory Compliance**

Audit Committee

Date: 16th June 2015

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. At the April meeting Members requested that the Internal Audit report on *Corporate Buildings: Statutory Compliance* be presented at their June meeting.
- 1.3 Since the April meeting a follow-up review has been carried out by Internal A

2. Recommendations

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

3. Detail

Background

- 3.1 This audit review was requested by the Head of Property Maintenance following transfer of responsibility of these services to him following the reintegration of Swindon Commercial Services in November 2013.
- 3.2 The Council owns some 274 corporate buildings (not including schools), as part of its portfolio valued at £136bn as at 2013/14. Schools are not classified as corporate buildings and as such were outside the scope of this review.
- 3.3 Since early 2013 Property Services has had responsibility for providing the corporate buildings statutory compliance function, which prior to this date was delivered by Capita Services. From 1st November 2013, following Swindon Commercial services reintegration, property Services also became responsible for the asbestos removal team at the Waterside depot. Property Services work with Property Assets and the Corporate Health and Safety Team to control and manage compliance issues relating to corporate buildings. Responsibilities within Property Services are split into two key areas:

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’: Corporate Buildings: Statutory Compliance

Audit Committee

Date: 16th June 2015

- Asbestos
- Other compliance disciplines which include legionella, gas, electrical testing, fire alarms, lifts, hoists and lifting equipment etc.

Key Findings (initial report)

3.4 The key findings from the report are as follows:

(a) Asbestos

Of the 274 corporate buildings on the asbestos inspection plan, 63 (approximately 23%), have been inspected for asbestos during 2014. These properties represent the larger buildings. However, the remaining 211 corporate buildings, which are mainly shops, have not been inspected or monitored for asbestos in the past twelve months and some not since 2006/07.

At this time, the Council as landlord cannot demonstrate that there are effective arrangements in place and operating to provide management with assurance that all Council owned buildings meet the statutory asbestos compliance requirements.

Performance monitoring of the in-house asbestos removal team is not in place to demonstrate effective use of resources.

(b) Statutory compliance regarding ‘other disciplines’

Testing of statutory compliance for other disciplines found a good level of compliance. The Senior Services Building Engineer’s management system supports a programme of planned inspections for corporate properties. Remedial works have been procured promptly to address defects raised following inspections.

(c) General

A number of general issues were also found during the course of the audit. These issues included:

- Policies and procedures
- Lease agreements
- Operational buildings
- Information systems
- Performance indicators
- Insurance; and the
- Procurement of statutory inspections

More detail of these issues can be found in the attached report (Appendix 1).

Internal Audit reports identifying 'significant' risk or 'of concern': Corporate Buildings: Statutory Compliance

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Follow-up Review

- 3.5 Since the issue of the initial report, Internal Audit has completed a follow-up review. The results of this audit are included as Appendix 2 attached.
- 3.6 The Auditor completing the follow-up review was pleased to report that the audit recommendations have been taken forward positively by the Head of Property Maintenance and his team. Considerable progress has been achieved on implementing all key recommendations. Completion of over 200 annual asbestos surveys has been progressed. The remaining 35 properties are scheduled for inspection by August 2015.
- 3.7 The Auditor completing the follow-up review was pleased to report that the audit recommendations have been taken forward positively by the Head of Property Maintenance and his team. Considerable progress has been achieved on implementing all key recommendations. Completion of over 200 annual asbestos surveys has been progressed. The remaining 35 properties are scheduled for inspection by August 2015.
- 3.8 The Head of Property Maintenance will be at Audit Committee to answer any questions that Members may have.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

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

- 5.3 None

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

Internal Audit reports identifying 'significant' risk or 'of concern': Corporate Buildings: Statutory Compliance

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Links to One Swindon, Strategic Objectives, Plans and Policies

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

Diversity Impact Assessment

- 5.5 Not Applicable

Risk Management

- 5.6 Not applicable

6. Consultees

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

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Internal Audit report: *Corporate Buildings: Statutory Compliance* (March 2015)
- 8.2 Appendix 2 – Internal Audit follow-up: *Corporate Buildings: Statutory Compliance* (June 2015)

Corporate Buildings Statutory Compliance

March 2015

Final

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Report Distribution – Final Report issued on 25th March 2015 to:	
Gerry O'Connor	Head of Property Maintenance
Sue Mendham	Corporate Buildings: Head of Infrastructure Assets
Bernie Brannan	Board Director: Delivery
Gavin Jones	Chief Executive
Councillor Brian Ford	Cabinet Member
Councillor Steve Weisinger	Chair: Audit Committee
Paul Smith	Head of Technical Finance
Rob Richards	Head of Property Assets
Peter Greer	Insurance Manager
Richard Kemp	Health and Safety Lead

Executive Summary

Background

This review has been carried out, at the request of the Head of Property Maintenance, as part of the agreed Internal Audit Plan for 2014/2015 in order to provide that the Council is effectively managing the statutory compliance requirements for corporate buildings. That is to ensure compliance with legislation including the Health and Safety at Work Regulations 1999, approved codes of practice, guidance documentation and Council policies.

The Council owns some 270 corporate properties as part of its property portfolio valued at £136bn as at 2013/14. Schools are not classified as corporate buildings and as such are outside the scope of this review.

Since early 2013 Property Services has had responsibility for providing the corporate buildings statutory compliance function, which prior to this date was delivered by Capita Services. From 1st November 2013, following Swindon Commercial Services reintegration, Property Services also became responsible for the asbestos removal team based at the Waterside Depot. Property Services work with Property Assets and the Corporate Health and Safety Team to control and manage compliance issues relating to corporate buildings. Responsibilities within Property Services are split into two key areas:

- Asbestos
- Other compliance disciplines which include legionella, gas, electrical testing, fire alarms, lifts, hoists and lifting equipment etc.

Compliance with the Disability Discrimination Act 2005 and Building Regulations 2000, which requires reasonable provision to be made for access to a building and use of facilities within a building, is the responsibility of the Head of Property Assets and does not form part of this review.

Audit Opinion

The impact and materiality of statutory compliance for corporate buildings is considered to be **high** and combined with the auditor's opinion that system controls have **fundamental weaknesses**, gives an overall risk to the Council of '**significant**'.

Key Messages

This review was requested by the Head of Property Maintenance following transfer of responsibility of these services to him following the reintegration of Swindon Commercial Services in November 2013. The review is to provide management with an independent level of assurance identifying any issues and risks relating to the statutory compliance of buildings, in the light of a recent reorganisation and the subsequent and on-going rationalisation of service delivery. Following the reorganisation mentioned above, Property Services is developing and refining a control framework to ensure delivery of an effective corporate building statutory compliance function. This

framework needs to ensure that there is clarity and consistency of the roles and responsibilities of officers for ensuring statutory compliance for corporate buildings. The key issues are set out below under three headings i.e. asbestos, other disciplines and general.

Asbestos

Of the 274 corporate buildings on the asbestos inspection plan, 63 (approximately 23%), have been inspected for asbestos during 2014 and these properties represent the larger buildings. However, the remaining 211 corporate buildings, which are mainly shops, have not been inspected or monitored for asbestos in the previous twelve months. From an analysis of these shops the date of last asbestos inspection dates back to 2006/07. The Property Maintenance Asset Manager advised that further asbestos surveys have been suspended during 2014/15 to enable officer time to be spent on asset management, decent homes standard work, Standard Assessment Procedure (SAP) rating for dwellings and developing programmes of works.

An audit sample test of six properties for asbestos inspections found four of these had an asbestos management inspection in 2014 and works are in hand to deal with defects. The remaining two properties had not been inspected by Property Services. However, the Auditor subsequently established that one, a multi-storey car park, had been inspected during 2014. This inspection (along with inspections of all other multi-storey car parks in Swindon) had been commissioned by Highways and Transport. Property Services had not realised that the car parks were not their responsibility. The remaining property tested, Enterprise Works, had not been inspected as the asbestos team advised this was the tenant's responsibility i.e. SEQOL. However, on review of the lease agreement the auditor established that it states this to be the landlord's responsibility. This was later confirmed with the Head of Operational Property.

At this time, the Council, as landlord, cannot demonstrate that there are effective arrangements in place and operating to provide management with assurance that all Council owned buildings (e.g. community buildings), including corporate buildings meet the statutory asbestos compliance requirements.

The in-house asbestos removal team based at the Waterside depot is managed by the Property Maintenance Asset Manager however performance monitoring of the team is not in place to demonstrate effective use of resources.

On completion of the audit fieldwork the Property Maintenance Asset Manager provided the Auditor with an asbestos management action plan dated August 2014. However, the plan has not been put into effect and is missing action owners and dates for implementation.

Statutory compliance regarding 'other disciplines'

Testing of six corporate buildings for statutory compliance for other disciplines (i.e. legionella; gas; electricity; lifts, hoist and lifting equipment; CCTV and Intruder alarms etc.), found a good standard of compliance. Much of this achievement has been attained through the Senior Services Building Engineer putting in place a management system supporting a programme of planned inspections for corporate properties. This demonstrated that statutory compliance checks for corporate properties are being conducted for each of the relevant disciplines and the frequency set out in the relevant statutory requirements. Remedial works have been procured promptly to address defects raised following inspections.

General

A number of general issues were also found during the course of the audit:

- *Policies and procedures:* although the Corporate Health and Safety Team produced a set of corporate health and safety policies, including requirements for the key statutory building compliance disciplines i.e. asbestos, fire and legionella, they have yet to be reviewed by Property Services and supported by best practice procedures.
- *Lease agreements:* the responsibility for the 'Statutory Compliance' for corporate buildings is specified in property lease agreements. However, lease agreements do not have standard terms and conditions for statutory compliance and in some cases the Council as landlord has responsibility and in others this is allocated to the tenant. For larger corporate buildings i.e. office accommodation, the roles and responsibilities of the Council as landlord are better understood, however, this is not the situation for smaller corporate buildings i.e. shops and community buildings. The risk around discharge of statutory compliance where a lessee is responsible for a corporate building is not monitored between Property Assets (Service Delivery) and Property Services (Economy and Skills). Therefore, any non-compliance could go undetected and the Council could suffer reputation damage, financial loss, individual officers could be faced with legal proceedings and in the worst case, lives of building users could be lost.
- *Operational buildings:* for operational buildings i.e. multi storey car parks, there is a lack of clarity and consistency of responsibilities and arrangements within Property Services and Streetsmart/Highways and Transport.
- *Information systems:* there is a lack of compatibility between information systems used by the different functions within Property services. This does not allow for easy management or monitoring of service delivery.
- *Performance indicators:* in place to monitor the service do not provide a full performance dashboard for statutory inspections, e.g. level of inspections, remedial works for defects identified in inspection reports and the age and risk relating to outstanding inspections.
- *Zurich Municipal Ltd (the Councils' insurer) commissions independent statutory compliance equipment inspections of SBC corporate buildings:* The inspectors 'electronically post' these reports into the company's CRIMSON IT system which is accessible by the Council. However, at the time of the audit these reports, including those with defects logged, were not being managed or monitored by designated officers responsible for corporate premises. Many of the designated officers were no longer responsible for premises which they were assigned on the system. However, during the course of this review recommendations have been agreed with the Council's Insurance Officer and are being implemented to address this aspect going forward.
- *The procurement of statutory inspections* had not been tendered prior to the transfer of service responsibilities to Property Services. There was one contract, entered into by Capita for lift services, which although used by the Council was not formally assigned. Tenders for lift services and water quality are in progress and expected to be in place from 1st April 2015. However, tendering of the remaining statutory compliance inspections and services has yet to be timetabled.

Context

The audit review of statutory compliance relating to corporate buildings was requested by the Head of Property Maintenance to determine how effectively the Council is managing its corporate building statutory compliance responsibilities following the service reintegration. The scope of the review included reviewing whether:

- Policies and procedures for corporate buildings statutory compliance meet the relevant statutory regulations and best practice standards.
- Statutory compliance is achieved for corporate buildings. This includes completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defect as necessary.
- Relevant performance information and records are kept up to date from which to monitor and manage statutory compliance requirements in corporate buildings.

A range and diversity of corporate buildings was selected for audit testing of statutory compliance and included:

- Civic Offices Main Building,
- Link Centre (prior to transfer of service to Greenwich Leisure Ltd),
- Enterprise Works (leased by SEQOL),
- Brunel West Multi-storey car park,
- Savernake Street Community Building (in the process of transfer to a community group)
- Pembroke Gardens Park changing rooms.

The type and frequency of statutory compliance inspections for each building is dependent on its age (i.e. asbestos was not permitted to be used in the construction of properties after 2000), use and equipment content. Statutory building compliance inspections are set out in the relevant legislation and these are summarised in Appendix C. For the purpose of this audit a list of statutory inspections has been prepared from lease and building records and used as a test sheet from which to evidence inspection records, relevant certificates and remedial repairs etc. The type of inspections tested by Officers in Service Delivery includes asbestos which is managed by the Property Maintenance Asset Manager and 'other disciplines' managed by the Electrical and Mechanical Engineer. Other discipline inspections are arranged by Service Delivery i.e. by the Senior Building Services Engineer include gas, legionella and water quality, electrical installation, fire alarm, emergency lighting systems and fire fighting equipment, intruder detection system and CCTV equipment lifts hoists and lifting equipment, heating, ventilation and air conditioning systems and lighting conductors.

The Head of Property Maintenance is responsible for line management of staff in Service Delivery undertaking corporate buildings statutory compliance duties.

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 Property Maintenance.

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 for corporate buildings statutory compliance meet the relevant statutory regulations and best practice standards.</p> <ul style="list-style-type: none"> • Policies supporting the key statutory compliance requirements for corporate buildings were put in place by Corporate Health and Safety in December 2013. This provided an overarching policy and gave the Council direction in terms of compliance. However, Property Services have yet to take forward and review these policies and provide specific management procedures that they as a team would undertake for Corporate and other Council owned buildings. 	<p>Significant improvements required</p>
<p>Risk: Demonstrate that statutory compliance is achieved for corporate buildings. This includes completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defect as necessary</p> <ul style="list-style-type: none"> • A planned programme of asbestos inspections is not in place for corporate buildings. Although the properties are listed and the date of last inspection is evident, some 211 properties from a portfolio of 274 corporate properties (i.e. 77%) have not been surveyed annually as required by the Control of Asbestos Regulations. A significant number of these properties, mainly small shops, were these last surveyed some seven years ago during 2006/07. A date of next inspection survey has not been set and the periodic monitoring of asbestos containing materials in these premises is not evident. This is a breach of the statutory requirements. • Asbestos inspections have been postponed to focus management time on asset management, decent homes standards, Standard Assessment Procedure (SAP) rating for dwellings and to develop programmes of works. • There is a lack of standard terms and conditions in corporate building leases which clearly set out the landlord and tenant roles and responsibilities with regard to statutory compliance. • From testing, the statutory compliance responsibilities in corporate buildings for disciplines other than asbestos have been satisfactorily demonstrated. Inspections have been carried out satisfactorily by accredited suppliers in accordance with frequencies set in accordance with the relevant regulations. Any defects identified from inspections 	<p>Fundamental weaknesses identified</p>

<p>and necessary remedial works have been found to be commissioned on a timely basis.</p> <ul style="list-style-type: none"> • The procurement of suppliers to conduct statutory compliance inspections were not in place before Property Services became responsible for the service which was previously delivered by Capita and Swindon Commercial Services. A lifts service contract entered into by Capita has not been assigned to the Council and expires on 31st March 2015. This has continued to be used for the order of lift service inspections. The Council is currently tendering the lifts and water quality statutory compliance inspections from 1st April 2015. Contracting of inspection services for the remaining statutory compliance disciplines have yet to be put to market. • Financial Regulations are not being complied with as part of the certification of payment process. Post inspections of remedial works are not being conducted to ensure that works are satisfactory completed before payment. 	
<p>Risk Area Examined and Findings</p>	<p>Audit Conclusion</p>
<p>Risk: Relevant performance information and records are kept up to date from which to monitor and manage statutory compliance requirements in corporate buildings.</p> <ul style="list-style-type: none"> • There is a range of paper, spreadsheet and management information systems used for managing and monitoring corporate building statutory compliance. This compromises the quality of reporting, monitoring and management information in place and from which to provide an assurance to management on the level of assurance, or non-compliance. From this review disparate working is evident and good practice is not demonstrated. • Key performance indicators and management of the service is in place but requires enhancement to provide more meaningful information from which to monitor corporate buildings statutory compliance and identify any deviations or patterns of emerging risks or issues. Performance management and monitoring of the in-house asbestos removal team also needs improvement to demonstrate effective use of resources. • A quality assurance process is not in place to provide independent assurance to management that arrangements are operating effectively for statutory compliance of corporate properties. • A service risk register is not in place to manage emerging risks or issues. 	<p>Significant improvements required</p>

Overall Opinion

Materiality and impact: High. The Council has some 270 corporate properties which consist of a range of sizes and complexities with regard to statutory compliances requirements. The asset value of these buildings is £136bn as at 2013/14. Materiality is therefore **high**. The Council as owner and landlord of these properties has responsibility for effectively discharging the statutory compliance requirements for these buildings and keeping them safe. Impact is therefore also **high**.

Opinion on system controls: Fundamental weaknesses identified (see Appendix A) 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

Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Corporate Buildings Statutory Compliance, 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	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
1	<i>Risk: Policies and procedures for corporate buildings statutory compliance meet the relevant statutory regulations and best practice standards.</i>			
1.1	<p>The Corporate Health and Safety Team produced a set of overarching health and safety policies (HSP) and have published them on the Council's Intranet in December 2013. These were put in place to give the Council direction in terms of compliance with the relevant regulations, including statutory compliance for corporate buildings.</p> <p>The policies set out the statutory requirements, roles and responsibilities and in some cases an indication of inspection frequency and maintenance. The published policies include:</p> <ul style="list-style-type: none"> HSP 015 Legionella Management, HSG 015 Legionella Management in Hot and Cold Water Systems Guidance HSP 018 Electrical Safety HSP 021 Gas Safety Management HSP 023 Asbestos Management <p>Whilst these policies cover key health and safety risks for corporate buildings other legislation, approved Codes of Practice (CoP) and guidance are not specified i.e. Lift Operations and Lifting Equipment Regulations 1998, Emergency Lighting in premises CoP and Fire detection and alarm systems CoP.</p> <p>Property Maintenance is responsible for ensuring policies relating to their service are specific and have supporting procedures. However, policies have yet to be reviewed for appropriateness and supporting procedures are not published.</p>	<p>Relevant property compliance health and safety policies should be reviewed at least annually for appropriateness.</p> <p>This review should ensure that the policies reflect all statutory compliance responsibilities and are fit for purpose for the range of corporate properties.</p> <p>Procedures should be produced to support the policies and be published on the Intranet and Swindon Borough Council's Internet so all stakeholders have access and are aware of whom to contact.</p> <p>Evaluate and benchmark premises management handbooks etc. produced by other organisations to assist in implementing the above recommendations. The Cornwall Council Premises Management was found to be a good reference for this review and can be found at:</p> <p>www.cornwall.gov.uk/.../land...property/.../property.../premises-management-handbook-and-log-book</p> <p>Priority: High</p>	<p>Head of Property Maintenance</p> <p>September 2016</p>	<p>The corporate health and safety team have agreed to put together a programme to review policies and compliance with statutory requirements, which is to include testing to identify gaps in roles and responsibilities.</p> <p>Procedures are to be put together and published on the Intranet and SBC's website for statutory requirements listed as follows:</p> <ul style="list-style-type: none"> Asbestos Management Electrical Safety Management Fire Safety Management Gas Safety Management Water Hygiene Management

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
1	<i>Risk: Policies and procedures for corporate buildings statutory compliance meet the relevant statutory regulations and best practice standards.</i>			
1.2	<p>The asbestos Health and Safety Policy (HSP 023), published on the Intranet, states that the responsibility for ensuring statutory building compliance for multi storey Car Park buildings falls to Property Services. However, leases are not required for these buildings as they are operational and instead responsibility for their statutory compliance rests with Streetsmart (Transport and Highways).</p> <p>There is a Service Level Agreement (SLA), dated 25th March 2010, between Car Parks Services and Property Services (previously Capita). This is for the provision of a professional service in relation to the management of a comprehensive lift servicing contract. However, the Senior Services Building Engineer (Property Services) provides a statutory compliance service to Car Parking Services for all disciplines (with the exception of asbestos management which is the responsibility of the Property Maintenance Asset Manager). This wider provision of building statutory compliance service is not specifically provided for in the lifts SLA i.e. periodic testing of the fire alarm system, emergency lighting, legionella and water quality analysis, electrical installation condition etc.</p> <p>The SLA has not been reviewed periodically to ensure it remains relevant.</p> <p>Regular contract management meetings for statutory compliance (not asbestos) are held between Property Services and Car Parking Services. These are documented with actions logged and implemented to agreed dates. Charges are made directly to Car Parking Services for the provision of this service.</p>	<p>Review whether the multi storey car parks should be classified as a corporate building for the purpose of statutory compliance responsibilities.</p> <p>A matrix schedule of properties should be produced. This should set out the roles and responsibilities for all statutory compliance functions in relation to corporate properties.</p> <p>Review the relevant building statutory compliance health and safety policies, published on the intranet following the outcome of the ownership of responsibility for statutory compliance of multi-storey car parks. This is to ensure that responsibility for statutory compliance of car parks is clearly classified i.e. is it a corporate building in which case Property Services will be responsible or is it an operational building for which Highways and Transport are responsible.</p> <p>Priority: Medium</p>	<p>Head of Property Maintenance</p> <p>March 2017</p>	<p>Resources still to be identified for surveys to all corporate and operational buildings.</p> <p>It is proposed that a risk based approach is to be undertaken to survey premises with the objective to identify components that need servicing, testing or inspection in accordance with statutory requirements.</p> <p>A statutory requirement checklist or register is to be maintained for premises on the Open IT system.</p> <p>It is to include items for servicing, testing and inspection along with frequency rates and responsible persons.</p> <p>Documented records from servicing, testing and inspection are to be held electronically on the Open IT system for premises.</p> <p>The asbestos surveys for multi-storey car parks are to be carried out by Property Maintenance with management plans being reviewed at contract management meetings with Car Parking Services.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.1	<p>Asbestos – Performance of surveys.</p> <p>Some asbestos surveys deemed 'high priority', by the Property Maintenance Asset Manager had been conducted in early 2014/15. However, the Property Maintenance Asset Manager advised the Auditor that further property asbestos surveys had been postponed so that officer time is focussed on producing the housing capital programme of works.</p> <p>The Auditor was provided with the asbestos performance statistics for the end of September 2014. The information showed 63 of a total 294 corporate properties, i.e. 21.4%, (excluding Recreation properties which transferred out of Council control of 1st November 2014) have been inspected for asbestos within the previous 12 month period.</p> <p>The large majority of overdue asbestos inspections relate to shops. These have not been surveyed or monitored for asbestos since 2007/08.</p> <p>A lack of comprehensive asbestos inspections and monitoring is compromising the documentation necessary to fulfil the Council's duty to manage the asbestos in its premises. This means that up to date asbestos registers may not be available at each building to checks if any proposed building works may disturb asbestos materials.</p> <p>This represents a health and safety risk which could be life threatening to operators, contractors and building users. The Council could be subject to a Corporate Manslaughter Charge.</p>	<p>A planned programme of asbestos surveys and monitoring must be devised to ensure that all corporate buildings are inspected by an accredited supplier and evidenced by a certificate of inspection.</p> <p>Any asbestos defects and subsequent remedial works should be recorded and prioritised.</p> <p>Corporate Buildings' asbestos registers should be promptly updated to ensure all stakeholders and building repairs and maintenance contractors are made aware of any asbestos containing material.</p> <p>A performance target of 100% should be put in place and used to monitor that asbestos surveys have been completed for all corporate properties within the last twelve months or sooner if indicated by a risk assessment. This reinforces the requirements set in both the Health and Safety at Work Act and Control of Asbestos Regulations.</p> <p>Priority: Critical</p>	<p>Head of Property Maintenance</p> <p>May 2015</p> <p>September 2015</p>	<p>A base position has been put together to show the status on compliance for asbestos surveys.</p> <p>Orders have been raised with a survey contractor to undertake outstanding inspections and any defects or remedial works will be carried out by our in-house asbestos removals team.</p> <p>A reporting mechanism and protocol will be put in place to monitor compliance with asbestos re-inspections.</p> <p>It is recognised that the vacant asbestos manager post does not provide sufficient capacity to manage surveys and asbestos management plans. A restructure is planned to take place to assist with recruitment for the asbestos manager post with the overall aim to increase capacity for the management of asbestos</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.2	<p>Asbestos</p> <p>Of the six properties tested during the audit for up to date asbestos surveys, four were completed in 2014 and meet the Health and Safety at Work Act and Control of Asbestos Regulations. The provision of asbestos surveys required for testing proved difficult to obtain from Property Services and testing was re-performed after more recent surveys were located.</p> <p>Details of the two outstanding surveys are as follows:</p> <p>i. Enterprise Works. The Asbestos Surveyor advised the Auditor that it was the tenant's responsibility (i.e. SEQOL) to conduct this survey as it was not a corporate property. However, the Auditor established from the lease and checked with the Head of Operational Property that this is a corporate property. The Auditor checked the asbestos management information spreadsheet of properties and found Enterprise Works classified as a miscellaneous property. It was showing an overdue status i.e. the last survey was conducted in December 2006. A new survey was to be carried out in February 2014; however this was showing overdue as at the end of September 2014.</p> <p>ii. The other property not shown as surveyed for asbestos by Property Services was the Brunel West multi-storey car park. However, the Auditor contacted the Transport and Highways section and established that the Asset Manager had arranged asbestos surveys for all car parks during 2014, in the absence of any current surveys. Prior to this the Auditor found the previous asbestos survey to have been conducted on the 19th October 2004. This finding highlights a lack of clarity of responsibilities.</p>	<p>The filing of asbestos surveys should be held by property and in date order. All surveys should be recorded on the asbestos data base promptly following completion.</p> <p>Awareness and training should be undertaken to ensure that all staff responsible for asbestos management are aware of the Council's asbestos responsibilities as a landlord of buildings which make up the corporate buildings portfolio.</p> <p>Update the asbestos key performance indicator property data base following the determination of whether multi-storey car parks are deemed corporate buildings (see the recommendation at action plan 1.3)</p> <p>Priority: High</p>	<p>Head of Property Maintenance June 2016</p> <p>September 2015</p>	<p>Asbestos reports are to be compiled from the Teams survey software and asbestos records are to be held on the Open IT system to maintain an Asbestos Register.</p> <p>A review is to be undertaken to check that all Property Maintenance technical officers have undertaken asbestos awareness training in last 2 years and specific training need to be identified for asbestos management team.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.3	<p>Statutory Compliance responsibilities for corporate buildings are specified in each property lease. To improve visibility of these a list of the individual statutory compliance responsibilities has been produced in the last 3 – 4 years i.e. for legionella, statutory examination and testing of lifts, hoists, boilers and compressors etc. Against each of these responsibilities is a tick to indicate whether this is a landlord or tenant responsibility. However, lease agreements do not have standard statutory compliance responsibilities hence in some cases the Council as landlord has responsibility and in others this is allocated to the tenant e.g. including community buildings.</p> <p>Failure to make clear the statutory compliance responsibilities for corporate buildings between the landlord and tenant could result in statutory non-compliance. In the event that discharge of statutory compliance, where a lessee is responsible for a corporate building, is not monitored this could go undetected and compromise the Council's position in the capacity of landlord.</p> <p>Whilst school buildings, both local authority controlled and academies, are not classified as corporate buildings there is an inconsistency and a lack of assurance in place to ensure statutory compliance with asbestos and other statutory building compliance requirements. In the event of a major building statutory compliance defect or related health and safety incident the Council could be either directly or indirectly liable as the building owner e.g. academy schools, community buildings etc.</p>	<p>Evaluate providing a full statutory compliance service for all Council owned buildings including corporate buildings, local authority and academy schools and community buildings etc. regardless of responsibilities set out in lease agreements. This will provide assurance with an overall level of management on corporate buildings statutory compliance.</p> <p>Priority: High</p>	<p>Board Director: Service Delivery in conjunction with Corporate Board March 2016</p>	<p>Property Assets and Property Maintenance to review corporate property leases and record where there is still a requirement to undertake statutory compliance works.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	<i>Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.</i>			
2.4	<p>Prior to transfer of the statutory compliance service from Capita back to the Council there were no contracts in place to support the procurement of statutory compliance inspection surveys.</p> <p>A lifts contract was entered into by Capita until March 2014 but was not been assigned to the Council on transfer of the service back to the Council. However, the contract continues to be used by Property Services to call off lift inspections and remedial work.</p> <p>Following reorganisation Property Services have had a large amount of works, services and supplies that need to be put out to the market. At this time statutory inspection contracts are being tendered for lifts and water quality. However, a programme of other disciplines pending going out to tender is not in place. In the meantime orders are placed for statutory inspections that are not supported by relevant terms and conditions to ensure that statutory compliance standards are met.</p> <p>From testing accredited suppliers have been used to conduct statutory compliance inspections and remedial works across a sample of six corporate buildings. However, there is no specification or evaluation process in place to ensure that accredited suppliers are used for all statutory compliance inspections and remedial works.</p>	<p>Produce a procurement plan to include the tendering of the corporate buildings statutory compliance inspections and remedial works.</p> <p>A procurement specification and evaluation process should be put in place to ensure that only accredited suppliers conduct corporate building statutory inspections.</p> <p>Appropriate terms and conditions should be affixed to contracts to ensure inspections and remedial works are performed to the relevant statutory standard and frequency.</p> <p>Priority: High</p>	<p>Head of Property Maintenance</p> <p>June 2015</p>	<p>A procurement plan is to be put together for statutory compliance works, which will be monitored on a quarterly basis to check on progress and implementation.</p> <p>Internal trade resources are to be increased to deliver non-specialist servicing, testing and inspection in-house.</p> <p>Specification and evaluation of tenders is to be supported by the Property Maintenance Capital Contract Management team.</p> <p>Contracts are to include details on the minimum standard and frequency times for the different elements of work..</p> <p>Monitoring is to be undertaken to check that accredited suppliers carry out all statutory compliance servicing, testing and inspection works.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.5	<p>General – Compliance with Financial Regulations</p> <p>It is evident from checking the certification of supplier invoice payments that pre and post remedial work inspections are not being conducted. It is therefore not possible to ensure that remedial works in the first instance or to justify the subsequent payment of supplier invoices.</p> <p>Invoice payments are being authorised in the absence of goods/services being certified as satisfactory. The requirement to certify works as being satisfactorily completed has not been completed in accordance with Financial Regulations.</p> <p>The Senior Services Building Engineer has attributed this to a lack of staff capacity.</p> <p>This represents a risk of fraud, corruption and bribery.</p>	<p>A sample of defects arising from inspections and remedial works should be inspected to ensure that remedial works are justified before placing orders for remedial works.</p> <p>Post inspection checks should be conducted on a sample of remedial works completed to ensure these are delivered to a satisfactory standard. This is required to support the certification of payment.</p> <p>Priority: High</p>	<p>Head of Property Maintenance</p> <p>April 2015</p> <p>December 2015</p>	<p>A post-inspection regime is to be introduced as part of the contract management.</p> <p>Documented records are to be held on the Open IT system.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.6	<p>Zurich Municipal statutory inspections.</p> <p>Zurich Municipal (ZM) is the Council's insurer. ZM is also commissioned through the corporate insurance agreement to conduct independent and periodic statutory inspections for boiler, lifting and fragmentation equipment insured at Council corporate premises, to demonstrate due diligence.</p> <p>In the event that there are any serious defects of equipment inspected by ZM the company will decommission it and withdraw insurance indemnity until the necessary remedial action is taken. To date ZM has not needed to take this action for any equipment on the Council's corporate building premises.</p> <p>ZM provide on-line statutory inspection reports to the Council, using their web-based CRIMSON management information system. There are named responsible officers who have been given access to the CRIMSON system, however the reports are not being managed and monitored by designated officers to ensure and any defects are effectively managed. At the time of field work in October 2014 none of the inspection reports across corporate properties had been effectively treated to demonstrate that any defects identified by ZM had been satisfactorily resolved.</p>	<p>Implement the following actions which were determined and agreed during the audit:</p> <ul style="list-style-type: none"> Property Services should receive any relevant defect reports following ZM inspections at corporate properties. A designated officer in Property Services should amend the status report on CRIMSON to 'complete' once defects works are finalised satisfactorily. Any other property reports should be managed initially by the Insurance and Claims Officer who will e-mail these onto the relevant officer responsible for the respective site. The Insurance and Claims Officer should set the status for these defects to 'requires action' and request an e-mail response from the responsible person to confirm satisfactory completion of the works. On receipt of the confirmation notice the relevant inspection report in CRIMSON should be changed to status 'complete' by the Insurance and Claims Officer. An annual report should be generated from CRIMSON for corporate buildings to demonstrate that any defects identified during the year have been remedied. <p>Priority: High</p>	<p>Head of Property Services in conjunction with the Insurance Manager</p> <p>August 2015</p>	<p>Actions to be implemented as per recommendations.</p> <p>First annual report and review meeting planned to take place with Infrastructure Assets team Aug 2015.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.7	<p>General finding</p> <p>In the event that a statutory inspection identifies that a boiler needs attention this work is currently not linked to the property condition survey. The property condition survey may show that the boiler is at the end of its life and therefore not economically viable to repair. If a replacement boiler is programmed as part of a capital programme bid this could be timed to replace the defective boiler.</p> <p>At present any defects identified from inspections are undertaken as they are reported but this may be at odds with the ranking criteria in the condition survey and conducted at the cost of higher priority works. This could result in inconsistent treatment of risks and not achieving the most effective use of resources within the Council.</p>	<p>The awareness and benefits of linking corporate buildings statutory compliance inspections and defects work with the property condition surveys should be communicated to all relevant staff.</p> <p>The means of effectively securing this process should be determined so to ensure a standard and consistent approach is adopted to secure effective use of resources.</p> <p>Priority: Medium</p>	<p>Head of Property Maintenance in conjunction with the Head of Operational Property</p> <p>September 2015</p>	<p>Pro-forma to be developed to itemise and refer components to be replaced on the capital repairs and maintenance programme from statutory servicing, testing and inspection regimes.</p> <p>Service area leads for statutory compliance and capital contract management are to review risks arising from statutory servicing, testing and inspection regimes on a monthly basis and re-prioritise capital repairs and maintenance works as necessary.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.8	<p>General finding – clarity of building statutory compliance responsibilities</p> <p>From sample testing of six buildings deemed as corporate buildings by Property Services the lease agreements were found for all except one building i.e. Brunel West multi-storey car. Tracing this car park back to the property asset register it was found to be an Operational Property so does not require a lease. The building statutory compliance responsibility is shown to be with Highways and Transport.</p> <p>In testing of landlord statutory compliance responsibilities set out in the Enterprise Works lease there was a clarification raised during the audit by the tenant organisation, SEQOL. This was regarding responsibility for conducting statutory compliance checks for ventilation equipment that SEQOL installed for operating a workshop on site. Whilst the lease states the landlord is responsible for ventilation extraction equipment this relates to landlord only equipment. The Head of Operational Property advised the Auditor that this matter had been previously queried by SEQOL and she had verbally confirmed that SEQOL is responsible for statutory compliance of workshop ventilation equipment which they have installed to conduct their business.</p>	<p>See recommendations in action plan points 1.1 regarding the classification of multi-storey car parks and also 1.2 for production of a matrix setting out roles and responsibilities for Council owned building statutory compliance roles and responsibilities.</p> <p>The Head of Operational Property should confirm, in writing, to SEQOL that as tenant of Enterprise Works they are responsible for the statutory compliance of ventilation equipment which they have installed for the purpose of operating a workshop.</p> <p>For information, provide a copy of this correspondence to the Senior Services Building Engineer, Property Services.</p> <p>Priority: Medium</p>	<p>Head of Operational Property</p> <p>February 2015</p>	<p>Clarification on the responsibility for statutory requirement checks for the ventilation system at Enterprise Works is to be confirmed.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
2	Risk: Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.9	The in-house asbestos removal team based at the Waterside Depot reports to the Property Maintenance Asset Manager. However, performance monitoring of the team's works is not formally reported to demonstrate effective use of resources.	<p>Evaluate a means of measuring and monitoring the effectiveness of the in-house asbestos team to measure the effective use of resources.</p> <p>In light of a large number of corporate buildings pending asbestos surveys, evaluate whether the smaller property surveys i.e. shops, could be effectively inspected by the in-house asbestos team to fit around work demand.</p> <p>Priority: Medium</p>	<p>Head of Property Maintenance December 2015</p>	<p>Performance monitoring reports will be implemented as part of the new Open IT system.</p> <p>The restructure of the team for the management of asbestos will increase capacity and improve performance monitoring.</p> <p>A review will take place when the new asbestos manager is appointed to assess the level of resources required for asbestos removal type works.</p> <p>The asbestos removal manager has reviewed the capacity, capability and flexibility of the asbestos removal team, and concludes that they could not effectively undertake re-inspections.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
3	<i>Risk: Relevant compliance information and records are kept up to date for statutory compliance requirements in corporate buildings.</i>			
3.1	<p>As part of the transfer of Capita Services back to the Council the data base of property compliance information did not transfer as this was held on a Capita Services, companywide management information system, Infomatrix. Currently, two separate spreadsheets are maintained for corporate properties statutory compliance i.e. one by the asbestos team (Waterside) and the other by the Property Services Statutory Compliance Officer. The spreadsheets can be used to report the performance of inspections conducted. However, it does not have the functionality to plan, monitor, report and track statutory compliance requirements for all corporate buildings. Copies of inspection reports/certificates are filed independently of the spread sheets. Whilst these documents could be found for the test sample it is a labour intensive process and prone to time delays in receipt and recording of information.</p> <p>At this time, it is not possible to provide assurance to management that risks/issues are effectively managed and mitigated or escalated on a timely basis for executive decision making. The Council could be subject to and found guilty of a Corporate Manslaughter Charge.</p> <p>Property Services raised orders to contractors for the supply of corporate buildings statutory compliance inspections through the Open Housing system. The service is currently acquiring a new module to apply to this system to manage information system for corporate buildings statutory compliance. This is expected to bring into operation a system which will be used to plan and arrange inspections with contractors, performance track and report and monitor the status of the various statutory compliance inspections and defects for corporate properties. However, the Property</p>	<p>Evaluate and implement the most effective integrated / operable management information system(s) to plan, monitor, report and track statutory compliance requirements, including asbestos, for all corporate buildings.</p> <p>The status and level of risk for compliance against each corporate property and relevant disciplines (to comply with legislation and approved codes of practice and guidance) should be provided.</p> <p>Standard and regular management reports should be produced and monitored by responsible officers and action taken where necessary.</p> <p>Priority: High</p>	<p>Head of Property Maintenance December 2015</p>	<p>The Open IT system is currently used for initiating statutory compliance work orders for premises.</p> <p>The Open IT system is to be used to plan works for servicing, testing and inspection regimes for corporate and operational premises.</p> <p>The Master query function or bespoke reports are to be put together to monitor and track progress with statutory compliance works.</p> <p>Quarterly reports are to be put together and monitored through Property Assets Infrastructure team with exception reports to Corporate Board.</p>

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
3.1 cont.	<p>Maintenance Asset Manager has advised that this system is not ideal for the management of asbestos albeit that this has not been formally documented as to the reasons.</p> <p>The former management of Swindon Commercial Services procured a specific asbestos management system called Teams which has not yet been utilised. The Property Maintenance Asset Manager would like to utilise and link the Teams application to the Open Housing System. However, this would need to be linked with the Open Housing system and currently it is outside the scope of the systems reintegration work.</p>		March 2016	Asbestos reports are to be compiled from the Teams survey software and asbestos records are to be held on the Open IT system to maintain an Asbestos Register.

Ref.	Finding	Recommendations Priority (High/Medium/Low)	Responsible Officer and Timescale	Management Response
3	<i>Risk: Relevant compliance information and records are kept up to date for statutory compliance requirements in corporate buildings.</i>			
3.2	<p>Currently, statutory compliance performance indicators are produced periodically by Property Services i.e. percentage of corporate and operational buildings with a:</p> <ul style="list-style-type: none"> • valid gas certificate • valid electrical certificate in accordance with BS7671 • fire alarm testing carried out in accordance with BS5839 • Passenger Lifts tested in accordance with the Lifting Operations and Lifting Equipment (LOLER) regulations <p>In addition to the above there is also performance information available for the number /percentage of asbestos surveys completed. However, there is no performance reporting and monitoring of defects following statutory compliance inspections to ensure these are managed appropriately.</p> <p>Also, monitoring and management of corporate buildings asbestos registers is not reported to indicate the level of compliance or any action planning where necessary.</p> <p>A Property Services risk register is not in place to capture emerging risks and issues including any relating to corporate buildings statutory compliance.</p>	<p>Based on the level and nature of recommendations made in this report implement a robust quality assurance process. This should form an integral part of the management assurance process for the service in reporting, monitoring and managing performance and risk.</p> <p>Implement and maintain a service risk register to effectively manage emerging risks and issues.</p> <p>Review the appropriateness of the set of performance indicators for the statutory compliance of corporate buildings and benchmark other organisations for best practice.</p> <p>Evaluate producing performance indicators for all relevant building statutory compliance inspections by discipline and recommended inspection frequencies.</p> <p>Ensure performance is measured and monitored against:</p> <ul style="list-style-type: none"> • the agreed plan of inspections • defects for remedial action and maintaining up to date asbestos registers on sites. <p>Priority: High</p>	<p>Head of Property Maintenance December 2015</p>	<p>The statutory requirement for servicing, testing and inspection for corporate premises is currently reported through quarterly Housing LPAR meetings.</p> <p>Reporting and monitoring is to be undertaken through the newly formed Infrastructure Assets team.</p> <p>Performance indicators are to be reviewed and updated in line with other good practice.</p> <p>Dashboard to be reported to Delivery Leadership Group on a monthly basis</p> <p>Quarterly review meetings are to be held with the Infrastructure Assets team.</p>

Standard Audit Opinions

The audit opinion is based on two different criteria the first is the materiality of the system and its impact on the Council if there was a system failure. This has been 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 weakness. Each of these categories has a standard opinion (see below).

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

Standard Audit Opinions on System Control	
Audit Opinion 1. High standard	The auditor completing the review concluded the significant system 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.

Acknowledgements

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

Name	Job Title
Gerry O'Connor	Head of Property Maintenance
Keith Hooker	Electrical and Mechanical Engineer
Richard Burgess	Senior Services Building Engineer
Lester Powell	Compliance Officer
Paul Yeomans	Property Maintenance Asset Manager
David Huckin	Asbestos Surveyor
Chris Harvey	Asbestos Removal Manager
Richard Kemp	Health and Safety Lead
Lunsworth McKenzie	Health and Safety Advisor
Kieran Cole	Health and Safety - Business Services and Support
Dean Williams	CDMC/Health and Safety Advisor
Michelle Kendall	Systems Development Manager
Kathy Sherratt	Head of Operational Property
Claire Thompson	Insurance and Claims Officer
Marcus Szczepanek	Principal Quantity Surveyor
Alan Frost	Bridges and Structures Engineer
Dawn Woollard	Head of Parking Services
Dave Smith	Link Centre Maintenance Manager
Simon Billingham	SEQOL, Community Equipment and Wheelchair

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Swindon Borough Council

Civic Offices, Euclid Street, Swindon, SN1 2JH

Swindon Internal Audit Services

Memorandum to: Bernie Brannan

Board Director: Service Delivery

Copies to: Gerry O'Connor

Head of Property Maintenance

Sue Mendham

Head of Infrastructure Assets

Gavin Jones

Chief Executive

Councillor Brian Ford

Cabinet Member: Street Smart

Councillor Steve Weisinger

Chair: Audit Committee

Paul Smith

Head of Technical Finance

Rob Richards

Head of Property Assets

Peter Greer

Insurance Manager

Richard Kemp

Health and Safety Lead

From: Nick Hobbs

Head of Internal Audit

Date: 4th June 2015

Your Reference:

Our Reference: SD/CPSC/LS

Telephone: 01793 463940

Fax: 01793 464603

Internal Audit Corporate Buildings – Statutory Compliance Follow-up review

An Internal Audit review of Corporate Buildings, Statutory Compliance was completed in March 2015. The audit opinion was that fundamental weaknesses were identified resulting in an overall 'Significant' risk assessment to the Council. Due to the level of audit opinion a copy of the initial report was sent to you all and you have therefore been copied in on the update report.

A follow up audit has since been carried out to establish what progress has been made in implementing agreed recommendations.

Internal Audit is pleased to report that the audit recommendations have been taken forward positively by the Head of Property Maintenance and his team. Considerable progress has been achieved on implementing all key recommendations by the agreed dates.

Implementation of the 'critical priority' recommendation regarding the completion of annual asbestos surveys for over 200 corporate buildings has progressed. To date, asbestos surveys are in place for all but 35 premises and these outstanding surveys have been rescheduled for completion by August 2015.

As you are aware Audit Committee has asked that these reports be presented to their meeting on 16th June, 2015. The Head of Property Maintenance has confirmed his attendance at this meeting.

I would like to take this opportunity to thank you and your staff for the help given and courtesy shown to Lorraine Sarson during the course of both of her reviews.

Many thanks,

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UPDATED MANAGEMENT RESPONSE

AUDIT	Corporate Buildings Statutory Compliance	PREPARED BY	Lorraine Sarson	DATE	4 th June 2015
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Please note: The updated management responses have been provided by the Head of Property Maintenance, Service Delivery - Property Maintenance. A follow-up audit is included in the 2015/16 Internal Audit plan.

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
1	<i>Risk: Policies and procedures for corporate buildings statutory compliance meet the relevant statutory regulations and best practice standards.</i>			
1.1	<p>Relevant property compliance health and safety policies should be reviewed at least annually for appropriateness.</p> <p>This review should ensure that the policies reflect all statutory compliance responsibilities and are fit for purpose for the range of corporate properties.</p> <p>Procedures should be produced to support the policies and be published on the Intranet and Swindon Borough Council's Internet so all stakeholders have access and are aware of whom to contact.</p> <p>Evaluate and benchmark premises management handbooks etc. produced by other organisations to assist in implementing the above recommendations. The Cornwall Council Premises Management was found to be a good reference for this review and can be found at: www.cornwall.gov.uk/.../land...property/.../property.../premises-management-handbook-and-log-book</p> <p>Priority: High</p>	<p>Head of Property Maintenance</p> <p>September 2016</p>	<p>The corporate health and safety team have agreed to put together a programme to review policies and compliance with statutory requirements, which is to include testing to identify gaps in roles and responsibilities.</p> <p>Procedures are to be put together and published on the Intranet and SBC's website for statutory requirements listed as follows:</p> <ul style="list-style-type: none"> • Asbestos Management • Electrical Safety Management • Fire Safety Management • Gas Safety Management • Water Hygiene Management 	<p><u>Head of Property Maintenance</u></p> <p>The review of property compliance health and safety policies has been started by the Corporate Health and Safety team, prioritising policies considered to be of most importance.</p> <p>Risk assessments will be used at premises to guide on site staff. This will be supplemented by help and guidance from the Property Maintenance team and Corporate Health and Safety.</p> <p>Work is in progress to produce and align procedures to support the overarching health and safety policies. The revised policies will be published on the Intranet.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
1.2	<p>Review whether the multi storey car parks should be classified as a corporate building for the purpose of statutory compliance responsibilities.</p> <p>A matrix schedule of properties should be produced. This should set out the roles and responsibilities for all statutory compliance functions in relation to corporate properties.</p> <p>Review the relevant building statutory compliance health and safety policies, published on the intranet following the outcome of the ownership of responsibility for statutory compliance of multi-storey car parks. This is to ensure that responsibility for statutory compliance of car parks is clearly classified i.e. is it a corporate building in which case Property Services will be responsible or is it an operational building for which Highways and Transport are responsible.</p> <p>Priority: Medium</p>	<p>Head of Property Maintenance March 2017</p>	<p>Resources still to be identified for surveys to all corporate and operational buildings.</p> <p>It is proposed that a risk based approach is to be undertaken to survey premises with the objective to identify components that need servicing, testing or inspection in accordance with statutory requirements.</p> <p>A statutory requirement checklist or register is to be maintained for premises on the Open IT system.</p> <p>It is to include items for servicing, testing and inspection along with frequency rates and responsible persons.</p> <p>Documented records from servicing, testing and inspection are to be held electronically on the Open IT system for premises.</p> <p>The asbestos surveys for multi-storey car parks are to be carried out by Property Maintenance with management plans being reviewed at contract management meetings with Car Parking Services.</p>	<p><u>Head of Property Maintenance</u></p> <p>Classification of multi-storey car parks for the purposes of conducting and managing statutory compliance is still to be determined.</p> <p>Work has commenced to compile a matrix schedule of properties i.e. to set out the roles and responsibilities for all statutory compliance functions in relation to corporate properties.</p> <p>Repairs and maintenance to car parks is carried out by the existing service area with support for statutory compliance works such as testing of dry risers, fire alarm systems, passenger lifts and water hygiene, where appropriate from the Property Services Team.</p> <p>Asbestos surveys have been carried out to car parks and reviewed by Property Maintenance.</p> <p>We still need to determine whether we have capacity to undertake surveys or requirement to appoint a specialist consultant.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.	Risk - Demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.			
2.1	<p>A planned programme of asbestos surveys and monitoring must be devised to ensure that all corporate buildings are inspected by an accredited supplier and evidenced by a certificate of inspection.</p> <p>Any asbestos defects and subsequent remedial works should be recorded and prioritised.</p> <p>Corporate Buildings' asbestos registers should be promptly updated to ensure all stakeholders and building repairs and maintenance contractors are made aware of any asbestos containing material.</p> <p>A performance target of 100% should be put in place and used to monitor that asbestos surveys have been completed for all corporate properties within the last twelve months or sooner if indicated by a risk assessment. This reinforces the requirements set in both the Health and Safety at Work Act and Control of Asbestos Regulations.</p> <p>Priority: Critical</p>	<p>Head of Property Maintenance May 2015</p> <p>September 2015</p>	<p>A base position has been put together to show the status on compliance for asbestos surveys. Orders have been raised with a survey contractor to undertake outstanding inspections and any defects or remedial works will be carried out by our in-house asbestos removals team.</p> <p>A reporting mechanism and protocol will be put in place to monitor compliance with asbestos re-inspections.</p> <p>It is recognised that the vacant asbestos manager post does not provide sufficient capacity to manage surveys and asbestos management plans. A restructure is planned to take place to assist with recruitment for the asbestos manager post with the overall aim to increase capacity for the management of asbestos.</p>	<p><u>Head of Property Maintenance</u></p> <p>A total of 211 corporate properties require an asbestos re-inspection on an annual basis to comply with the asbestos regulations. The planned programme for re-inspections is being delivered through an accredited supplier and has been accelerated to ensure that we have an up to date asbestos certificate of inspection for all premises. To date, 35 premises which are more than 3 months overdue still require a re-inspection. Attempts have been made to contact the key-holders for all the outstanding premises by phone, email, letter and cold-calling, including evenings and weekends. The outstanding premises have been rescheduled with target dates for asbestos re-inspections. We will investigate whether premises still require a re-inspection with our corporate Property Services team and compile an issues log to record reasons for no access etc.</p> <p>Revised target date August 2015</p> <p>Asbestos reports are held on the IT Open system and it is intended that all sites are issued with the latest re-inspection records or new asbestos survey report. We will continue to ensure that asbestos refurbishment surveys and any necessary remedial works are carried out prior to any major works.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
				<p>Performance indicator LPI86 measures and monitors the number of premises with a compliant inspection record for asbestos. The performance target is 100% with performance being monitored from April 2015. Any defaults are being investigated to establish the reason for no access. All re-inspections or asbestos survey reports are being reviewed by the Asbestos Removal Manager to ensure remedial works are put in place. No significant issues have been identified from asbestos re-inspections and the risk remains low. Defect works are logged through the Open IT system for completion. We are to report statutory compliance and progress with delivery of asbestos re-inspections to the Delivery Leadership Team (DLT) on a monthly basis.</p> <p>The role profile for the Asbestos Manager role is to be updated and re-evaluated prior to advertising the vacancy. This post will provide 100% for the management of asbestos across all Council assets.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.2	<p>The filing of asbestos surveys should be held by property and in date order. All surveys should be recorded on the asbestos data base promptly following completion.</p> <p>Awareness and training should be undertake to ensure that all staff responsible for asbestos management are aware of the Council's asbestos responsibilities as a landlord of buildings which make up the corporate buildings portfolio.</p> <p>Update the asbestos key performance indicator property data base following the determination of whether multi-storey car parks are deemed corporate buildings (see the recommendation at action plan 1.3)</p> <p>Priority: High</p>	<p>Head of Property Maintenance June 2016</p> <p>September 2015</p>	<p>Asbestos reports are to be compiled from the Teams survey software and asbestos records are to be held on the Open IT system to maintain an Asbestos Register.</p> <p>A review is to be undertaken to check that all Property Maintenance technical officers have undertaken asbestos awareness training in last 2 years and specific training need to be identified for asbestos management team.</p>	<p><u>Head of Property Maintenance</u></p> <p>The implementation of dedicated IT asbestos management software package (TEAMS) has almost been completed with training scheduled to be delivered in early June 2015. Electronic data i.e. copies of current and historical data, surveys and certificates, is being gathered from contractors and directly upload to TEAMS and then loaded on to the OPEN IT system, used within Property Maintenance.</p> <p>Asbestos awareness training is being undertaken by all trained operatives working in Council premises; refresher courses are scheduled every two years.</p> <p>The updating of the asbestos key performance indicator with multi-storey car parks will be dependent on the outcome of the recommendation at action plan point 1.3; this is yet to be determined.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.3	<p>Evaluate providing a full statutory compliance service for all Council owned buildings including corporate buildings, local authority and academy schools and community buildings etc. regardless of responsibilities set out in lease agreements. This will provide management with an overall level of assurance on corporate buildings statutory compliance.</p> <p>Priority: High</p>	<p>Board Director: Service Delivery in conjunction with Corporate Board</p> <p>March 2016</p>	<p>Property Assets and Property Maintenance to review corporate property leases and record where there is still a requirement to undertake statutory compliance works.</p>	<p><u>Head of Property Maintenance</u></p> <p>The Council will not undertake statutory compliance checks for Academy schools.</p> <p>All leases will be reviewed; however, Council buildings will be assessed based on likely risk of compliance not being met. For example a community centre will receive regular review by Property Services and in many instances the Council retains responsibility for ensuring statutory compliance is met. However, in the case of a building such as the Link Centre which transferred to a major leisure organisation in November 2014, the responsibility for compliance safety inspections and works transferred to the organisation.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.4	<p>Produce a procurement plan to include the tendering of the corporate buildings statutory compliance inspections and remedial works.</p> <p>A procurement specification and evaluation process should be put in place to ensure that only accredited suppliers conduct corporate building statutory inspections.</p> <p>Appropriate terms and conditions should be affixed to contracts to ensure inspections and remedial works are performed to the relevant statutory standard and frequency.</p> <p>Priority: High</p>	<p>Head of Property Maintenance</p> <p>June 2015</p>	<p>A procurement plan is to be put together for statutory compliance works, which will be monitored on a quarterly basis to check on progress and implementation.</p> <p>Internal trade resources are to be increased to deliver non-specialist servicing, testing and inspection in-house.</p> <p>Specification and evaluation of tenders is to be supported by the Property Maintenance Capital Contract Management team.</p> <p>Contracts are to include details on the minimum standard and frequency times for the different elements of work.</p> <p>Monitoring is to be undertaken to check that accredited suppliers carry out all statutory compliance servicing, testing and inspection works.</p>	<p><u>Head of Property Maintenance</u></p> <p>A procurement plan has been drafted and procurement has commenced in the higher risk areas. Progress is reviewed monthly at the HRA Delivery Team meeting.</p> <p>The procurement specification will ensure that we only appoint accredited suppliers for statutory inspection works. Contract terms and conditions will require safety checks are carried out in accordance with relevant approved codes of practice.</p> <p>Recruitment has been undertaken for gas fitters and all posts now recruited to. In other areas, the Council was not competitive with the market and work has been undertaken to review pay and grading, the outcome of which has now been agreed with TU's and staff, allowing recruitment to commence.</p> <p>A post inspection regime is being developed for existing contracts on a risk based approach to sampling and this will be extended to the contracts which are subsequently awarded.</p> <p>Revised target date December 2015</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.5	<p>A sample of defects arising from inspections and remedial works should be inspected to ensure that remedial works are justified before placing orders for remedial works.</p> <p>Post inspection checks should be conducted on a sample of remedial works completed to ensure these are delivered to a satisfactory standard. This is required to support the certification of payment.</p> <p>Priority: High</p>	<p>Head of Property Maintenance</p> <p>April 2015</p> <p>December 2015</p>	<p>A post-inspection regime is to be introduced as part of the contract management.</p> <p>Documented records are to be held on the Open IT system.</p>	<p><u>Head of Property Maintenance</u></p> <p>An inspection regime is now in place and a pro forma is being developed to consistently record results and ensure defects are treated effectively. The pro forma to be in place by end May/early June 2015.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.6	<p>Implement the following actions which were determined and agreed during the audit:</p> <ul style="list-style-type: none"> Property Services should receive any relevant defect reports following ZM inspections at corporate properties. A designated officer in Property Services should amend the status report on CRIMSON to 'complete' once defects works are finalised satisfactorily. Any other property reports should be managed initially by the Insurance and Claims Officer who will e-mail these onto the relevant officer responsible for the respective site. The Insurance and Claims Officer should set the status for these defects to 'requires action' and request an e-mail response from the responsible person to confirm satisfactory completion of the works. On receipt of the confirmation notice the relevant inspection report in CRIMSON should be changed to status 'complete' by the Insurance and Claims Officer. An annual report should be generated from CRIMSON for corporate buildings to demonstrate that any defects identified during the year have been remedied. <p>Priority: High</p>	<p>Head of Property Services in conjunction with the Insurance Manager</p> <p>August 2015</p>	<p>Actions to be implemented as per recommendations.</p> <p>First annual report and review meeting planned to take place with Infrastructure Assets team Aug 2015.</p>	<p><u>Head of Property Services in conjunction with the Insurance Manager</u></p> <p>A dedicated Property Services officer has been identified to be responsible for all ZM inspection reports to ensure these are responded to appropriately.</p> <p>Regular meetings to monitor inspections and defects have been diarised with representatives from the Council's Insurance team. The Insurance team is reviewing how inspection and defects information might be gathered to produce an annual report.</p> <p>All new compliance contractors (e.g. Stannah Stair Lifts) are given access to and training for the use CRIMSON. Monitoring will be undertaken by Property Services to ensure contractor compliance.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.7	<p>The awareness and benefits of linking corporate buildings statutory compliance inspections and defects work with the property condition surveys should be communicated to all relevant staff.</p> <p>The means of effectively securing this process should be determined so to ensure a standard and consistent approach is adopted to secure effective use of resources.</p> <p>Priority: Medium</p>	<p>Head of Property Maintenance in conjunction with the Head of Operational Property</p> <p>September 2015</p>	<p>Pro-forma to be developed to itemise and refer components to be replaced on the capital repairs and maintenance programme from statutory servicing, testing and inspection regimes.</p> <p>Service area leads for statutory compliance and capital contract management are to review risks arising from statutory servicing, testing and inspection regimes on a monthly basis and re-prioritise capital repairs and maintenance works as necessary.</p>	<p><u>Head of Property Maintenance in conjunction with the Head of Operational Property</u></p> <p>Work in progress.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.8	<p>See recommendations in action plan points 1.1 regarding the classification of multi-storey car parks and also 1.2 for production of a matrix setting out roles and responsibilities for Council owned building statutory compliance roles and responsibilities.</p> <p>The Head of Operational Property should confirm, in writing, to SEQOL that as tenant of Enterprise Works they are responsible for the statutory compliance of ventilation equipment which they have installed for the purpose of operating a workshop.</p> <p>For information, provide a copy of this correspondence to the Senior Services Building Engineer, Property Services.</p> <p>Priority: Medium</p>	<p>Head of Operational Property</p> <p>February 2015</p>	<p>Clarification on the responsibility for statutory requirement checks for the ventilation system at Enterprise Works is to be confirmed.</p>	<p>Head of <u>Operational Property</u></p> <p>Recommendation implemented.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
2.9	<p>Evaluate a means of measuring and monitoring the effectiveness of the in-house asbestos team to measure the effective use of resources.</p> <p>In light of a large number of corporate buildings pending asbestos surveys, evaluate whether the smaller property surveys i.e. shops, could be effectively inspected by the in-house asbestos team to fit around work demand.</p> <p>Priority: Medium</p>	<p>Head of Property Maintenance</p> <p>December 2015</p>	<p>Performance monitoring reports will be implemented as part of the new Open IT system.</p> <p>The restructure of the team for the management of asbestos will increase capacity and improve performance monitoring.</p> <p>A review will take place when the new asbestos manager is appointed to assess the level of resources required for asbestos removal type works.</p> <p>The asbestos removal manager has reviewed the capacity, capability and flexibility of the asbestos removal team, and concludes that they could not effectively undertake re-inspections.</p>	<p><u>Head of Property Maintenance</u></p> <p>An additional Asbestos Surveyor was appointed early 2015 to undertake low risk surveys.</p> <p>All asbestos surveys now initiated within the Open IT System with reports available for review.</p> <p>The asbestos team is fully employed conducting encapsulation and asbestos removal works. We are planning to move the asbestos team to mobile working with diarised appointments as part of the IT improvement project for the Open system.</p> <p>An independent Asbestos Removal Contractors Association (ARCA) site audit was undertaken on the in-house asbestos removal team, this was to assess the team's compliance with regulations for the removal of asbestos from a Council property. The Council has been awarded grade A (referred to as 'Gold Standard').</p> <p>Capacity in removal team will be reviewed as demand for the service has been expanding e.g. review of Brindley Close (ex Averies waste disposal) site.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
3	Risk: Applications and Renewals Risk: Relevant compliance information and records are kept up to date for statutory compliance			
3.1	<p>Evaluate and implement the most effective integrated / operable management information system(s) to plan, monitor, report and track statutory compliance requirements, including asbestos, for all corporate buildings.</p> <p>The status and level of risk for compliance against each corporate property and relevant disciplines (to comply with legislation and approved codes of practice and guidance) should be provided.</p> <p>Standard and regular management reports should be produced and monitored by responsible officers and action taken where necessary.</p> <p>Priority: High</p>	<p>Head of Property Maintenance December 2015 March 2016</p>	<p>The Open IT system is currently used for initiating statutory compliance work orders for premises.</p> <p>The Open IT system is to be used to plan works for servicing, testing and inspection regimes for corporate and operational premises.</p> <p>The Master query function or bespoke reports are to be put together to monitor and track progress with statutory compliance works.</p> <p>Quarterly reports are to be put together and monitored through Property Assets Infrastructure team with exception reports to Corporate Board.</p> <p>Asbestos reports are to be compiled from the Teams survey software and asbestos records are to be held on the Open IT system to maintain an Asbestos Register.</p>	<p><u>Head of Property Maintenance</u> The Open IT system has gone live for management and booking of annual domestic gas servicing, this will be rolled out to all other relevant compliance services over the coming months with the next priority (lift maintenance) already identified and underway.</p> <p>Building compliance performance reports are currently under development with Asbestos reports now on the Open IT system.</p>

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER/DATE TO BE ACTIONED	ORIGINAL MANAGEMENT RESPONSE	UPDATED MANAGEMENT RESPONSES
3.2	<p>Based on the level and nature of recommendations made in this report implement a robust quality assurance process. This should form an integral part of the management assurance process for the service in reporting, monitoring and managing performance and risk.</p> <p>Implement and maintain a service risk register to effectively manage emerging risks and issues.</p> <p>Review the appropriateness of the set of performance indicators for the statutory compliance of corporate buildings and benchmark other organisations for best practice.</p> <p>Evaluate producing performance indicators for all relevant building statutory compliance inspections by discipline and recommended inspection frequencies.</p> <p>Ensure performance is measured and monitored against:</p> <ul style="list-style-type: none"> the agreed plan of inspections defects for remedial action and maintaining up to date asbestos registers on sites <p>Priority: High</p>	<p>Head of Property Maintenance December 2015</p>	<p>The statutory requirement for servicing, testing and inspection for corporate premises is currently reported through quarterly Housing LPAR meetings.</p> <p>Reporting and monitoring is to be undertaken though the newly formed Infrastructure Assets team.</p> <p>Performance indicators are to be reviewed and updated in line with other good practice.</p> <p>Dashboard to be reported to Delivery Leadership Group on a monthly basis</p> <p>Quarterly review meetings are to be held with the Infrastructure Assets team.</p>	<p><u>Head of Property Maintenance</u> This recommendation is work in progress.</p> <p>A quality assurance process being developed, including the implementation of a service risk register.</p> <p>To date the following progress has been achieved in developing the performance indicator set:</p> <ul style="list-style-type: none"> LPAR targets for 2015/16 developed and reviewed by the Housing Property Forum. Monitoring to commence from May 2015. Statutory compliance works and asbestos re-inspections have been identified as Key Performance Indicators and issues of concern will be escalated to the Service Delivery Leadership Team and Corporate Board as appropriate. <p>Revised target date March 2016</p>

Audit Committee: Annual Report 2014/15

Audit Committee

Date: 16th June 2015

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

1. Purpose and Reasons

- 1.1 To present Members with the Audit Committee's annual report for 2014/15.
- 1.2 It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. The Audit Committee is a source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 1.3 The annual report sets out the role of the Committee and the work it has undertaken during 2014/15.

2. Recommendations

The Committee is recommended to:

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

3. Detail – Annual Report

Introduction

- 3.1 The Council established the Audit Committee as a full Committee with effect from May 2006, it formerly being a Sub-Committee of Scrutiny. Whilst there is no statutory obligation to have such a Committee, they are widely recognised as a core component of effective governance and internal control.

Terms of Reference

- 3.2 The Council has a duty to ensure that it is fulfilling its responsibility for having adequate and effective risk management, internal control and governance arrangements for the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this

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

Audit Committee: Annual Report 2014/15

Audit Committee

Date: 16th June 2015

responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.

3.3 The Committee's Terms of Reference are to provide independent assurance to the Council in relation to:

- The effectiveness of the Council's risk management, internal control and its overall assurance framework.
- The effectiveness of the Council's financial and non-financial performance to the extent that it might impact on the above.
- Reviewing the performance of the Council's Internal Audit section
- Receipt and review of External Audit reports and liaison with external auditors on significant matters identified.
- Advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview and Scrutiny and Regulatory Committees.
- To consider, accept and take a view on the Statement of Accounts and the Annual Governance Statement.
- Oversight of Treasury Management activities.

3.4 The Committee's Terms of Reference are reviewed annually to ensure that they reflect best practice.

Membership

3.5 The membership of the Audit Committee has comprised of the following Elected Members:

Councillor Steve Weisinger (Chair)
Councillor Steve Allsopp
Councillor Oliver Donachie
Councillor Mark Edwards
Councillor Neil Heavens
Councillor Nick Martin
Councillor Des Moffatt

3.6 The Board Director: Resources and the Head of Internal Audit regularly attend meetings of the Committee. The Council's External Auditor Grant Thornton also attends meetings on a regular basis. Steve Jones (Senior Committee Clerk) supports the committee.

Audit Committee: Annual Report 2014/15

Audit Committee

Date: 16th June 2015

The Committee met five times during 2014/15. Committee agenda papers and minutes are available on the Council's website at: www.swindon.gov.uk

What did we do in 2014/15?

Internal Audit Assurance:

- 3.7 Internal Audit is a key source of assurance for both Members and officers on the effectiveness of the Council's governance, risk management and internal control arrangements. The Audit Committee has a responsibility for ensuring the effectiveness of Internal Audit in providing this assurance.
- 3.8 The Committee has received regular reports from the Head of Internal Audit including:
- Annual Internal Audit Plan 2014/15
 - Annual Governance Statement 2013/14
 - Effectiveness of the system of internal audit
 - Head of Internal Audit's annual report
 - Strategic Fraud Update
 - Audit Committee: Terms of Reference and Work Plan
 - Internal Audit Charter
 - Regular progress reports
- 3.9 The Committee has also received full Internal Audit reports on the following service areas where an audit has been carried out and an opinion of 'significant' or 'of concern' risk has been identified. For all these reports relevant Members and officers have attended to provide explanations and details of progress made in implementing agreed audit recommendations:
- Tenancy Engagement
 - Housing Asset Management
 - Isambard School
 - Licencing: Private Hire and Taxis
- 3.10 The Committee's terms of reference also include responsibility for oversight of the treasury management function. Therefore an audit report on Treasury Management was also presented to the Committee. The report identified that there was a high standard of internal control within the system resulting in only a moderate risk to the Council.

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

Audit Committee: Annual Report 2014/15

Audit Committee

Date: 16th June 2015

External Audit Assurance – Governance and Statement of Accounts:

- 3.11 External Audit is an essential part of the assurance process providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management as well as arrangements for securing economy, efficiency and effectiveness across the Council. External Audit works closely with Internal Audit to ensure that statutory responsibilities are delivered.
- 3.12 The following reports were received from External Audit during 2014/15:
- Swindon Certification Work plan
 - Certification annual report
 - Annual Audit Letter
 - Annual Statement of Accounts and External Audit findings
 - Audit Plan
 - Briefing notes and regular progress update reports.

Other reports:

- 3.13 The Committee have also considered the following reports:
- The Audit Committee's Annual report for 2013/14
 - Letter to those charged with governance
 - Risk Management: Prevention of Child Sexual Exploitation
 - Corporate Risk Management Update
 - The draft and final Statement of Accounts 2013/14

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

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

Audit Committee: Annual Report 2014/15

Audit Committee

Date: 16th June 2015

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 governance 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 Not applicable

6. Consultees

6.1 Councillor Steve Weisinger (Audit Committee Chair 2014/15)

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 / Background papers

None

9. Key Decision/Decision in Forward Plan

Not Applicable

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Audit Committee: Terms of Reference and Work Plan

Audit Committee

Date: 16th June 2015

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 To present the Audit Committee terms of reference and updated work programme for approval.
- 1.2 It is important that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, governance, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 1.3 It is therefore essential that the terms of reference and work programme ensure that the Committee receives information on assurance regarding the above areas so that it is in a position to provide assurance itself.

2. Recommendations

The Committee is recommended to:

- 2.1 It is recommended that the Audit Committee approves the terms of reference and updated work programme.

3. Detail

- 3.1 The terms of reference for Audit Committee are reviewed on an annual basis to ensure that they comply with best practice and legislation.
- 3.2 CIPFA issued updated guidance regarding local authority audit committees in December 2013 in their publication *Audit Committees: Practical Guidance for Local Authorities and Police*. This still remains the most up-to-date guidance.
- 3.3 The Head of Internal Audit has reviewed the terms of reference for the Audit Committee in light of this guidance and recommends that the terms of reference remain as they are. The current terms of reference are attached as Appendix 1.
- 3.4 The draft work programme for the Committee for 2015/16 is attached as Appendix 2.

4. Alternative Options

- 4.1 Not Applicable

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

Audit Committee: Terms of Reference and Work Plan

Audit Committee

Date: 16th June 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 2015. The Internal Audit service also provides assurance to the Board Director: Resources (in his role as 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 governance 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 Not applicable

6. Consultees

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

7. Background Papers

- 7.1 None

8. Appendices / Background papers

Appendix 1 – Audit Committee terms of reference

Appendix 2 – Draft work programme

Audit Committee – Terms of Reference (June 2015)

Purpose

The Audit Committee is a key component of Swindon Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the audit committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The core functions of the Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance and professionalism
 - Support the effectiveness of the internal audit process
 - Promote the effective use of internal audit within the assurance framework
- Consider the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Accountability

- The Audit Committee will be a stand-alone Committee of the Council independent of both the executive and scrutiny functions. All Audit Committee Members will act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.
- The Chair of the Audit Committee will be appointed by Full Council, who will ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny and Regulatory Committees or Full Council.
- The Chair of the Audit Committee will present an annual report on the work of the Audit Committee to Full Council.

Authority and Access

The Audit Committee:

- Has a right to request relevant information from any Members/officers.
- Can require any member of the Cabinet or senior officer i.e. Chief Executive, Board Directors, Head of Service, to attend before it to facilitate consideration by the Committee of matters within the remit of such Member or officer.
- Has rights of access to other committee/functions and other strategic groups
- Have access to in-house legal and other professional advice.
- Will not be able to transact the powers, functions and duties reserved to the Council, the Cabinet, Overview and Scrutiny and other Regulatory Committees.

- Will be able to meet privately and separately with the external auditor and with the Head of Internal Audit.

Any Member, officer or member of the public, who has any concern covered by the terms of reference of the Audit Committee, may raise the matter with the Chair of the Committee who will obtain, if necessary relevant advice from the Monitoring Officer or the Section 151 Officer before taking any action with regard to the same.

Membership

Audit Committee members will be appointed by the Council and consist of at least five members in accordance with the rules governing political balance. A member of the Cabinet shall not be eligible to be a member of the Audit Committee. The Council may co-opt other non-voting members as required.

The decisions of the Audit Committee will not be of an executive nature, and like other Regulatory Committees, the decisions will not be the subject of Scrutiny call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chair of the Audit Committee, the Monitoring Officer, or the Section 151 Finance Officer and/or ask an oral question of the Chair of the Audit Committee at the Council meeting in accordance with relevant Standing Orders.

Attendance and Meetings

Subject to there being sufficient business to transact, the Audit Committee will meet, at least, four times a year. The External Auditor, or Head of Internal Audit may request a meeting if they consider it necessary.

Council officers and others may attend all or part of the meeting at the invitation of the Committee.

Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Committee can meet, at least, annually with:

- the external and internal auditors together; and/or
- in private, with the external auditor

Appendix A contains an outline Audit Committee timetable.

The members of the Audit Committee will commit to receiving appropriate training and development necessary to fulfil their roles.

The quorum for any meeting will be in accordance with the Council's Standing Order 26 (Council Procedure).

Regular attendees at Audit Committee will include the Chief Financial Officer or appropriately qualified substitute, the Head of Internal Audit and the appointed external auditor. Other attendees may include the Chief Executive and the Monitoring Officer. These officers should also be able to access the Committee or the Chair as required.

Work Profile of the Audit Committee

The Audit Committee will take a strategic view on the Council's assurance framework and to this end is likely to receive and advise upon the following areas of work:

- Whether there is an appropriate culture of risk management and related control throughout the Council
- The Annual Governance Statement (AGS)
- The Annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit
- Significant changes required to Financial Regulations and the Accounting Procedures Manual

- The framework and processes for risk assessment, analysis and management within the Council;
- The effective co-ordination between internal and external audit
- The budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee
- Agreement of the annual Internal Audit Plan and monitoring the performance against the completion of this plan
- Ensuring effective scrutiny of treasury management policies and practices including the annual investment strategy
- Generally, on how the Audit Committee could add value to the Council and how it can best work with other Council bodies such as Overview and Scrutiny and Standards

Consideration of core functions

When considering its core functions the Committee should review the following:

- **Annual Governance Statement (AGS)**

In relation to the AGS the Committee should undertake the following activities to discharge their responsibilities:

- Review the local code of governance and any changes to the arrangements in the year
- Ensure that the AGS is underpinned by a framework of assurance
- Over the course of the year, receive reports and assurances over the application of the governance framework in practice
- Monitor implementation of action plans or recommendations to improve governance arrangements
- Consider how the organisation applies governance principles in practice during the Committee's review of other agenda items

Given its role in overseeing the local code of governance and the AGS, the Audit Committee has an opportunity to promote the implementation of the principles of good governance across the authority.

- **Internal Audit**

The Audit Committee has a clear role in relation to oversight of the authority's internal audit function.

In relation to overseeing the independence, objectivity, performance and professionalism of the function the following activities are the functional reporting arrangements set out in the Public Sector Internal Audit Standards (PSIAS):

- to review or approve the internal audit charter; risk-based internal audit plan; internal audit budget and resource plan
- make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations
- to receive the annual report, which includes the annual audit opinion on the overall adequacy and effectiveness of governance, risk and internal control
- to discuss with the Head of Internal Audit the form of the external assessment of internal audit and the qualifications and independence of the assessor.
- the Head of Internal Audit should have free and unfettered access to the Chair of the Audit Committee.

The Audit Committee has an important role in supporting the process of internal audit i.e.

- Receiving updates on the work of internal audit including key findings, issues of concern, and action in hand as a result of internal audit work
- Receiving reports on instances where the internal audit function does not conform to PSIAS and considering whether non-conformity is sufficiently significant so that it must be included in the AGS

- Overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates

- **Risk Management**

The role of the Audit Committee in relation to risk management covers three major areas:

- Assurance over the governance of risk, including overseeing the authority's risk management policy and strategy
- Keeping up-to-date with the risk profile and the effectiveness of risk management actions by reviewing arrangements to co-ordinate and lead risk management and following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

- **External Audit**

The Audit Committee's role should include receiving and considering the work of the external auditor. The Committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work in order to monitor the action to be taken. The Committee should also contribute to the authority's response to the annual audit letter.

- **Financial Reporting**

Audit Committee should carry out a review of the financial statements and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices.

The Committee should consider, accept and respond to the external auditor's report on the statement of accounts.

- **Treasury Management**

The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. The Audit Committee is the nominated committee responsible for the effective scrutiny of the treasury management strategy and policies.

- **Countering Fraud and Corruption**

The Audit Committee's role should be to have oversight of the authority's strategy to counter fraud – assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.

- **Value for Money**

The role of Audit Committee is to focus on whether the authority's overall approach to value for money is in line with governance objectives and to receive assurances on this to underpin the AGS.

One specific area of activity for the Committee is to consider the external audit opinion on value for money.

- **Assurance Frameworks and Assurance Planning**

The Audit Committee has a responsibility to understand what assurance is available to support the AGS and to enable it to meet its terms of reference.

Review

These terms of reference will be reviewed on at least an annual basis to ensure that they comply with best practice and reflect any changes in legislation.

Audit Committee – Draft Work Plan for 2015/16

	Agenda Item / Issue	April	June	September	November	February
1	Review of internal audit annual plan.	X				
2	Review of internal audit progress reports and summary of key findings.	X	X	X	X	X
3	Review of final accounts timetable, plans, progress and any updates on changes to financial procedures.					X
4	Review of draft final accounts and financial statements.		X			
5	Review and approval of audited final accounts and financial statements			X		
6	Review of the draft (June), and approval of the final (September), Annual Governance Statement		X	X		
7	Review of external audit annual plan (April) and their annual letter (January).	X				X
8	Receipt of Head of Internal Audit's annual report.		X			
9	Self-assessment of Audit Committee's effectiveness and review its terms of reference.		X			
10	Risk Management update			X		X
11	Review of Internal Audit's terms of reference and the Council's Audit Strategy				X	
12	Review of other reports and policies as appropriate e.g. Internal audit reports identifying significant risks, changes to Financial Regulations, Inspection Reports.	X	X	X	X	X
13	Scrutiny of treasury management policies and practices including the annual investment strategy, annual and half yearly report.	X	X		X	
14	Risk Owner responsible for a Corporate Risk			X	X	X
15	Private discussions with internal and external audit.	As / if required				

Note: Training to be provided by Members in accordance with their need.

Head of Internal Audit Annual Report

Audit Committee

Date: 16th June 2015

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

1. Purpose and Reasons

- 1.1 To present Members with the Head of Internal Audit's annual report for 2014/15.
- 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. It is therefore essential that this Committee seek assurance from the Head of Internal Audit regarding the work of the Internal Audit section and his opinion with regard to the Council's overall arrangements for internal control.
- 1.4 It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit delivers an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
 - the opinion
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

2. Recommendations

The Committee is recommended to:

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

3. Detail

- 3.1 This annual report provides a summary of the work completed by Swindon Internal Audit Services for 2014/15 and provides the Head of Internal Audit's overall opinion on the Council's system of internal control.
 - 3.2 Our aim is to help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the Council's internal
-

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 Annual Report

Audit Committee

Date: 16th June 2015

control environment, risk management and governance arrangements. This then allows us to provide assurance and support to the:

- Audit Committee in discharging its responsibilities as set out in their terms of reference.
- Council Leader and Chief Executive in their certification of the Annual Governance Statement
- Board Director: Resources (in his role as Chief Finance Officer), in discharging his responsibilities under Section 151 of the Local Government Act
- Board Director: Resources, in his capacity as lead Board Member for risk management
- External Auditor in relation to their audit of the Council's financial statements through our audit work on the Council's main financial systems.

3.3 Summaries of every internal audit finalised during the year have been presented to the Council's Audit Committee.

3.4 The internal control arrangements relating to the Council's main financial systems during 2014/15 were found to be satisfactory resulting in an overall risk assessment to the Council as being 'moderate'.

3.5 The Head of Internal Audit's annual report is included as Appendix 1.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

5.3 It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit delivers an annual audit opinion.

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 Annual Report

Audit Committee

Date: 16th June 2015

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

5.4 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.5 Effective systems of governance 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

5.6 None

Risk Management

5.7 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 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


8. Appendices / Background papers

Appendix 1 – Head of Internal Audit's Annual report: 2014/15

9. Key Decision/Decision in Forward Plan

Not Applicable

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A hand is shown holding a piece of bright green paper that has been torn from a larger sheet. The paper is held against a white background. The text on the green paper is white and reads: "Head of Internal Audit", "Annual Report", and "2014 - 2015".

Head of Internal Audit Annual Report 2014 - 2015

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Appendix 1: Audits completed during 2014/15

Executive Summary

This annual report provides a summary of the work completed by Swindon Internal Audit Services for 2014/15 and provides the Head of Internal Audit's overall opinion on the Council's framework of governance, risk management and control. It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit should give this opinion.

Based on our work carried out during the year, my overall opinion is that the Council's framework of governance, risk management and control during 2014/15 are considered to be **satisfactory**, resulting in a '**moderate**' level of risk.

More detail as to how this opinion has been reached is contained later in the report.

Introduction

The aim of Internal Audit is to help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the internal control environment. This then allows us to provide assurance and support to the:

- Audit Committee in discharging its responsibilities for:
 - (a) Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of The Accounts and Audit Regulations 2015.
 - (b) Supporting the Board Director: Resources with his delegated responsibility for ensuring arrangements for the provision of an adequate and effective internal audit.
 - (c) Monitoring the adequacy and effectiveness of the Internal Audit Service and Director's/Heads of Service responsibility for ensuring an adequate control environment.
- Council Leader and Chief Executive in their annual certification of the Annual Governance Statement.
- Director of Finance in discharging his statutory responsibilities under Section 151 of the Local Government Act 1972.
- External Auditor in relation to our work on the main financial systems audits.

Statutory Framework

Internal Audit is a statutory requirement for local authorities. There are two principal pieces of legislation that impact upon internal audit in local authorities:

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
- Section 5 of the Accounts and Audit Regulations 2015 (England and Wales) states that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Regulations also require the Council, each year, to conduct a review of the effectiveness of its system of internal control.
- All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).
- The CIPFA statement on the Role of the Chief Financial Officer in Local Government states that the chief financial officer must:
 - Ensure an effective internal audit function is resourced and maintained
 - Ensure that the authority has put in place effective arrangements for the internal audit of the control environment
 - Support the authority's internal audit arrangements; and
 - Ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively

Definition of Internal Audit

Internal Audit is 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (source: Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector).

Annual Governance Statement

The outcome of the audits performed during 2014/15 help to inform Internal Audit's overall opinion on the adequacy of the Council's systems of governance, risk management and internal control which will then feed in to the Council's Annual Governance Statement. Internal Audit is only one of a number of areas of assurance that contribute to the Council's Assurance Framework.

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published, in accordance with proper practices, following the Council's review of its system of internal control. The AGS is required to include the following disclosures:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
- A brief description of the key elements of the governance framework, including reference to group activities where those activities are significant.
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

Audit Committee

It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In turn Internal Audit provides a key source of assurance to the committee as to whether controls are operating effectively. Audit Committees are not just the concern of auditors; they are about the governance, financial reporting and financial performance of the whole authority.

Effective corporate governance depends, in part, on a systematic strategy, framework and processes for managing risk. Governance is also about increasing public confidence in the objectivity and fairness of financial and other reporting. This in turn depends upon assurance that issues raised in preparing and auditing annual accounts and other reports have been dealt with. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

The existence of an independent and effective audit committee helps to convey to staff and to the public the importance Members and Officers attach to governance arrangements and internal control.

The Council has adopted best practice in implementing a stand-alone Audit Committee that is independent of the Executive. Members promote the need for internal control and risk management. The Chief Executive, Board Directors, Heads of Service and other relevant officers have attended meetings of the Committee to update Members on the progress in implementing audit recommendations thereby helping to raise the profile of the work of internal audit.

The Committee has an agreed set of terms of reference that encompass the recommendations/guidance issued by CIPFA and External Audit. These terms of reference set out the following main responsibilities of the Audit Committee:

- (a) The effectiveness of the Council's risk management, internal control and its overall assurance framework.
- (b) The effectiveness of the Council's financial and non-financial performance to the extent that it might impact upon (a) above.
- (c) Reviewing the performance of the Council's Internal Audit section; enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence.
- (d) Receipt and review of External Audit's reports and liaison with external auditors on significant matters identified.
- (e) Advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview and Scrutiny and Regulatory Committees.
- (f) Ensuring effective scrutiny of treasury management policies and practices including the annual investment strategy.

The Committee also has the responsibility of agreeing the Council's statement of accounts and the Annual Governance Statement.

Members have self-assessed the Audit Committee arrangements against the *Toolkit for Local Authority Audit Committees* produced by the CIPFA Better Governance Forum.

Meetings of the Committee have been well attended and Members have ensured that there has been debate on a range of topics. The Committee has produced an annual report to Council setting out their activity over the past year.

External Audit

The Council's External Auditors, Grant Thornton, examine the work of Internal Audit on an annual basis and seek to place reliance on that work when they come to audit the Council's financial statement of accounts.

External Audit are only required to carry out a high level review of Internal Audit and only report on Internal Audit by exception, in any of their external reporting i.e. their Annual Governance Report or Annual Audit Letter.

However, Grant Thornton were able to state that 'from a review of internal audit plans, on-going discussions with Internal Audit, attendance at the Audit Committee and review of Internal Audit reports and consideration of the impact on the control environment there are no matters we wish to raise'.

The standards the section works to are the Public Sector Internal Audit Standards. These standards set out:

- The definition of internal auditing
- Code of ethics
- International standards for the professional practice of internal auditing. These standards cover the following areas:
 - Purpose, authority and responsibility
 - Independence and objectivity
 - Proficiency and due professional care
 - Quality assurance and improvement programme
 - Managing the internal audit activity
 - Nature of work
 - Engagement planning
 - Performing the engagement
 - Communicating results
 - Monitoring progress
 - Communicating the acceptance of risks

The section works closely with the Council's External Auditor to ensure that we can provide the required assurance both as far as coverage and quality of our work.

Internal Audit Coverage

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides.

Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit plan for 2014/15 was based to a large extent on the Council's corporate risk register. These were complemented by:

- Priorities identified by Board Directors
- Heads of Service key risks
- The requirements of the Board Director: Resources in his role as Section 151 Officer
- External Audit and;
- Those concerns/issues raised by Internal Audit in previous audits and our knowledge of potentially high-risk areas.

The plan was submitted to Corporate Board before being approved by the Council's Audit Committee.

We managed to complete 83% against a target of 94% of the number of audits included in the plan. This coverage included 100% of the main financial system audits that provide the Board Director: Resources with assurance regarding the Council's these key financial systems.

During the final three months of the year the section also covered the risk management function as the Risk Manager left the Council.

Details of all the internal audit reports issued during 2014/15 are set out in [Appendix 1](#).

Internal Audit – Overall Opinion

It is a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit should give an opinion regarding the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Our overall opinion on a system is based on both the materiality and impact of the system and our opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in *Table 1* below:

		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

Our work in 2014/15 identified that four (Treasury Management, Council Tax, NNDR and Housing Rents) were found to have a high standard of internal control. Seven (Main Accounting, Creditors, Debtors Housing Benefits, Payroll, Asset Management and Risk Management) were found to have had a satisfactory level of system control. In the opinion of the auditor all eleven of the main financial systems audited were found to present only a **moderate** risk to the Council.

Therefore, based on our work carried out during the year, my overall opinion is that the Council's overall internal control arrangements during 2014/15 are considered to be **satisfactory**, resulting in a '**moderate**' level of risk.

A number of the other areas audited during 2014/15 did indicate an 'Of Concern' risk to the Council. However, it should be noted that as the audit plan is risk-based and has been compiled with input from Board Directors and Heads of Service, on areas that they had concern with, then it is to be expected that the level of audit opinion for these areas would be lower.

Those systems reported during the year where an '**of concern**' risk to the Council was reported were: Reduction in energy use; Engagement of consultants; Tenancy Engagement; Hillmead; Oracle system control and integrity; Highways asset management; Right to buy; Workforce engagement; Business continuity; Emergency out of hours and Compliance check of HR data.

The key recommendations relating to these systems have been reported to Audit Committee and full reports, with agreed action plans, have been reported to the relevant Board Director/Head of Service.

Internal Audit – Successes

In addition to achieving 100% of the fieldwork on the main financial systems as required by External Audit, some of our other successes during 2014/15 include:

- External Audit assessment – External Audit have been able to place reliance on our work and assessed our work as complying with the standards set out in the Public Sector Internal Audit Standards.
- 95.45% of the feedback from our customers rated the audits as GOOD or EXCELLENT, the remaining audits were ranked between good and average, none were rated as 'poor'.
- Internal Audit was successful in obtaining funding from the DCLG for Counter Fraud work. The funding only runs until 31st March 2016. The funding has been used to appoint a Corporate Fraud Investigator and a Corporate Fraud Support Officer on fixed term contracts to set up a Corporate Fraud team.
- We continue to provide an excellent internal audit provision at Wiltshire and Swindon Fire Authority as per customer feedback received from the Fire Authority and their External Auditor (KPMG).
- We have been successful in obtaining further 'external' work from Public Power Solutions Ltd and Academy schools.
- We have continued to support our staff in their continuing professional development (CPD). One of our Senior Auditors has successfully completed the final Member of the Institute of Internal Auditors (MIIA) examination, whilst another Senior Auditor has recently obtained both the Certified Information Systems Auditor (CISA) and Certified Penetration Testing Engineer qualifications. One of the Principal Auditors is currently studying for a risk management qualification and both our new Audit Trainees will be shortly starting to study for their PIIA examinations.
- The Head of Internal Audit continues to be on the Board of the National Anti-Fraud Network (NAFN).

- Internal Audit again successfully took on the Risk Management function (for the final three months of 2014/15) when the Council's Risk Manager left the Council. Feedback from the Chief Executive was that the service provided was of a high standard and had provided significant challenge to Corporate Board. We continue provide this function whilst the appointment process for a new Risk Manager is completed.
- Internal Audit's Senior Auditor (ICT) has provided significant advice and assistance in order to help the Council during the absence of a Head of ICT. Since the subsequent appointment of a new Head of ICT the Senior Auditor has worked closely with them regarding ICT risks, controls, policies etc.
- Internal Audit has started to develop IDEA to allow the data matching of Council data. Duplicate payments of over £46,000 were found during 2014/15. Internal Audit will continue to run this data match on a regular basis. Data matching with other key internal data sets will also be carried out during 2015/16.

Internal Audit – Whistleblowing and Investigations

The Internal Audit section continues to support the Council's Whistleblowing process in liaison with the Director of Law and Democratic Services. The section received seven new whistleblowing cases during the year and a further eighteen separate investigations were also carried out during 2014/15.

Reports are issued to Standards Committee on the progress of the Whistleblowing investigations. The investigations can be both time consuming, and lengthy. A fraud/Investigation update is presented to Audit Committee on an annual basis. A report will be presented to the Committee meeting in June 2015. Internal Audit carried out 25 investigations in 2014/15 of which seven were a result of concerns/allegations received through the Council's whistleblowing process.

Internal Audit – Other Activity

- **Annual Governance Statement** – the Head of Internal Audit has been tasked by Corporate Board to co-ordinate the compilation of the Council's Annual Governance Statement including the co-ordination of the Group Directors/Head of Services' assurance questionnaires.
- **Anti-Fraud** - the Internal Audit section continues to assist in promoting an anti-fraud and corruption culture. We have issued Fraud Bulletins to all staff highlighting recent scams and frauds that had occurred in both the public and private sectors. In

conjunction with the Director of Law and Democratic Services and the Head of Children, Families and Community Health, we have reviewed the Council's anti-fraud and corruption strategy and whistleblowing policy.

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

For the 2014 exercise, data sets in respect of the following sources were nationally obtained and matched:

Housing Benefit; Housing Tenancy; Student Loans; Payroll; Illegal immigrants; Individuals with no recourse to public funds; Pensions; Licence holders - Taxi Drivers, Market Traders and Alcohol; Blue Badge Records; Deceased persons; Concessionary fares; Residential Care; Insurance and Creditor Records.

- **Raising Fraud Awareness** – in addition to the Fraud Bulletins regular use of the Council's Core Brief has also been used to raise staff awareness of the Council's anti-fraud and corruption strategy and whistleblowing policy.
Internal Audit staff continue to make use of fraud awareness groups, both nationally and regionally, to maintain awareness of frauds occurring that could affect the Council.
- **Fraud Benchmarking and Fraud Statistics** – The annual Audit Commission survey was completed and submitted in May 2014. The survey was used as an additional source of information to inform Internal Audit's proactive fraud work.
- **Advice and consultancy** – members of Internal Audit continue to provide advice both during the course of audits and responding to ad-hoc queries.
- **Attendance at and contribution to, working groups etc.** – members of the section continue to contribute to the development of the Council and ensuring that we are up-to-date with best practice by attending the following committees, working groups etc.
 - Audit Committee
 - Standards Committee
 - Resources Senior Management Team (as a guest)
 - West of England Chief Internal Auditors Group and its sub groups – Children Services, Adult Services, Contract Audit, I.T. Audit and Fraud
 - Western Unitaries Audit Group
 - National Anti-Fraud Network (Head of Internal Audit is a member of the Board)
 - Risk Management ALARM Group

Internal Audit – Review of Performance Management and Quality Assurance Framework

The Public Sector Internal Audit Standards requires that the Head of Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The section has a ‘*Performance Management and Quality Assurance Framework*’ that has been presented to, and approved by, the Audit Committee.

- (a) **Performance Management** – the section’s key performance indicators are set out in the section below.
- (b) **Quality Assurance** – each individual audit report and supporting working papers/documents are reviewed by either a Principal Auditor or the Head of Internal Audit. Appropriate standards have been set by the Head of Internal Audit in accordance with the Code of Practice. The file reviews ensure the audits comply with the code’s requirements and where necessary corrective action is taken.

Internal Audit – Performance Indicators

The section had three key performance indicators in 2014/15:

- **The percentage of audits completed against the number identified in the agreed Audit Plan.**

Justification for this performance indicator: to ensure that Internal Audit provides sufficient coverage to ensure that the requirements of the Council's section 151 Officer and External Audit are met and that Internal Audit can give sufficient assurance to the Audit Committee regarding the Council's systems of internal control and the completion of the Annual Governance Statement.	
Target: 92%	Achievement: 83%
Therefore target not achieved in 2014/15	
The Audit Committee, Chief Executive and Board Director: Resources were kept informed of progress against the audit plan throughout the year. The section had a number of vacancies during the year, one Senior Auditor took a career break for a year another Senior Auditor and an Auditor were both promoted to roles outside Internal Audit. Also, Internal Audit provided the Council's Risk Management function for the last three months of the financial year.	

- ***The percentage of audits of the Council's main financial systems completed against the number identified in the agreed Audit Plan.***

Justification for this performance indicator: <i>to ensure that Internal Audit provides sufficient coverage and assurance to the Council's Section 151 Officer that appropriate External Auditors regarding the systems of controls in place in relation to the main financial systems.</i>	
Target: 100%	Achievement: 100%
Therefore target achieved in 2014/15	

- ***85% of feedback forms rated the audit as GOOD or EXCELLENT.***

Justification for this performance indicator: <i>to ensure that Internal Audit provides sufficient the level of service required by its clients.</i>	
Target: 85%	Achievement: 95.45% (the other 4.55% rated the service as good/average)
Therefore target exceeded in 2014/15	

Acknowledgement

I would like to take this opportunity to thank all Members and Officers for their help in putting the audit plans together and for the courtesy shown to members of the audit section during the course of our reviews.

We do try and make the audit process as constructive and positive as possible by working with Members and Officers. I would welcome any feedback you may have on our performance both on individual audits (where customer feedback forms are provided), or generally. We are always looking to improve our service.

Many thanks,

Nick Hobbs

Head of Internal Audit

SUMMARY OF 2014/15 INTERNAL AUDIT WORK

SYSTEM CONTROL	MATERIALITY AND IMPACT			
	High	Medium	Low	
High Standard	<ul style="list-style-type: none">Housing rentsTreasury managementCouncil TaxNNDR	[Moderate risk]	[Minimal risk]	[Minimal risk]
Satisfactory	<ul style="list-style-type: none">Corporate manslaughterHousing benefits: claim processingAdult safeguardingCreditorsTreasury management: system control and integrityOpen Housing: system control and integrityPayroll: system control and integrityMain accountingCar Parking: follow-upMain Payroll systemAsset Management (Property)Health & Safety: Leisure (The Link) pilot reviewRating of capital programmeHousing capital programme: follow-up (improved audit opinion)Risk managementNorthgate & Anite: system control and integrityDebtors	[Moderate risk]	<ul style="list-style-type: none">Sheltered Housing: Cash handling (follow-up)RIPA compliancePayroll: Starters & LeaversCouncil tax discounts	[Minimal risk]
Significant improvements required	<ul style="list-style-type: none">Housing capital programmeReduction in energy useEngagement of consultantsTenancy engagementHillmeadOracle: system control and integrityHighways asset managementRight to buyWorkforce engagementBusiness continuityEmergency out of hoursCompliance check of HR data	[Of Concern risk]	<ul style="list-style-type: none">Council's relationship with Capita and UK BroadbandCommunity equipment storeEmergency accommodationHealth and safety: Leisure (The Link) pilot review	[Moderate risk]
Fundamental weaknesses	<ul style="list-style-type: none">Licensing: Private hire and taxisIsambard SchoolCorporate Buildings: Statutory compliance	[Significant risk]	[Of Concern risk]	[Moderate risk]

Non-opinion audits:

- Library strategy
- VFM review: Oasis leisure centre transfer
- SEN transitions

Grants:

- Dept of Transport Highways grants
- Carbon Reduction Claim

ICT Consultancy/Guidance:

- Information Governance Policy
- Mobile device management system
- Protective marking

Investigations: 25 Investigations inc. Whistleblowing (7)

Other: SCS Policies and Procedures; SCS SRF/Weighbridge

- Duplicate payments
 - Streetsmart: Waste services
 - Annual Governance Statement
 - Corporate Value for Money
 - National Fraud Initiative
 - STEAM follow-up
 - Public Health grant
 - Penetration testing
 - PCI Compliance
- Debtors under query
 - Troubled Families: follow-up
 - Troubled Families grant claim (4)
 - NHS Toolkit
 - DP questionnaire and guidance
 - Policy review
 - Healthwatch
 - Adoption Reform grant claim
 - Information Security breach policy
 - ICT key controls (External Audit)

DRAFT Annual Governance Statement

Audit Committee

Date: 16th June 2015

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 It is a requirement of the Accounts and Audit Regulation 2015 that the Council prepares an Annual Governance Statement.
- 1.2 The purpose of this report is to provide Audit Committee with details of the draft Annual Governance Statement for comment.
- 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 properly.
- 1.4 The Annual Governance Statement sets out the Council's governance arrangements and is therefore a key source of assurance for the Audit Committee.

2. Recommendations

The Committee is recommended to:

- 2.1 It is recommended that the Audit Committee reviews the content of the draft Annual Governance Statement and identifies any additional significant control issues that it would like to be considered for inclusion in the Annual Governance Statement prior to sign off by the Leader and Chief Executive in September 2015.

3. Detail

- 3.1 The Annual Governance Statement (AGS) is the formal statement that recognises records and publishes an authority's governance arrangements.
- 3.2 It is designed not only to give an opportunity for authorities to consider the robustness of their governance arrangements, but also provide an accurate representation of arrangements in place during the year and to identify areas where improvement is required.
- 3.3 The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government.
- 3.4 The Annual Governance Statement explains how the Council has complied with the local code and also meets the requirements of the Accounts and Audit

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

DRAFT Annual Governance Statement

Audit Committee

Date: 16th June 2015

Regulations 2015 in relation to the publication of an annual governance statement.

- 3.5 The guidance for the AGS requires the Council to set out its governance arrangements and key elements of internal control and the sources of assurance; a review of the effectiveness of those governance and internal controls and a requirement to identify significant governance issues. The Council must ensure that it can provide evidence for any of the systems of internal control included in the AGS.
- 3.6 Guidance issued by CIPFA regarding the statement also recommends that a suitable independent management group should review the content of the AGS. The Council's Audit Committee will undertake this role. The Chief Executive and the Leader of the Council will sign the statement once the Audit Committee has approved it in September 2015.
- 3.7 The draft Annual Governance Statement is set out in Appendix 1 to this report.
- 3.8 As part of the document the Council must identify any areas of significant governance or internal control issues that have occurred during 2014/15. Potential areas for inclusion were discussed at Corporate Board. This included a review of last year's statement and agreeing whether any issues raised for 2013/14 could be taken off and whether any new issues needed to be included.
- 3.9 It is recommended that the following issues could be removed from the statement:
- ☐ Ofsted Inspection
 - ☐ Swindon Commercial Services reintegration
 - ☐ Council Leisure Services
- 3.10 Further progress is still required in the following areas before it can be taken off the statement:
- ☐ Information Governance and Security
 - ☐ Financial relationships with wholly owned subsidiaries
 - ☐ Capacity and capability in the context of large scale change
- 3.11 The following additional areas are recommended for inclusion in the statement for 2014/15:
- ☐ Licensing: Private Hire and Taxis
 - ☐ Isambard School
 - ☐ Community Buildings: Statutory Compliance
- These have all been included following Internal Audit reviews the outcomes of which have been presented to Audit Committee. Other additional areas included in the statement are:
- ☐ Supporting Vulnerable Children
 - ☐ Waterside depot improvement plan

DRAFT Annual Governance Statement

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- ☐ GCSE attainment
- ☐ ICT provision

3.12 There are various sources of assurance that can inform both Corporate Board and Audit Committee on how the governance arrangements and systems of internal control within the Council have been operating (see Appendix 2).

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

5.2 This statement explains how the Council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

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 governance 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 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 Corporate Board

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

DRAFT Annual Governance Statement

Audit Committee

Date: 16th June 2015

7. Background Papers

7.1 None

8. Appendices / Background papers

Appendix 1 – The Annual Governance Statement 2014/15

Appendix 2 – Assurance Framework

9. Key Decision/Decision in Forward Plan

Not Applicable

SWINDON BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT: 2014/15

1. Scope of responsibility

Swindon Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework for Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The following section of the statement summarises Swindon Borough Council's governance framework that has been in place for the year ended 31st March 2015 and up to the date of approval of this Statement and the Statement of Accounts. The framework described reflects the arrangements in place to meet the six core principles of effective governance.

3. The Council's framework for ensuring compliance with the core principles of effective governance:

(a) *The Council's purpose, outcomes for the community and creating and implementing a vision for the local area.*

We are committed to an ambitious strategy of achieving excellence for our residents and their communities. We demonstrate this by publishing:

- Our Corporate Plan and One Swindon Delivery Plan.
- Our Health and Wellbeing Strategy

We will regularly review the vision for our local communities, as it is set out in these documents, and its implications for the Council's governance arrangements.

We will ensure that this vision is shared with our partners through the One Swindon Partnership Board, the Swindon Strategic Partnership, the Health and Wellbeing Board, the Swindon and Wiltshire Local Enterprise Partnership.

The Council will aim to deliver high quality services that make the best use of resources and are value for money. The Council will do this by:

- Delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice.
- Determining local needs and targeting resources according to the Corporate Plan.
- Developing effective relationships and partnerships with
 - other public sector agencies, including integration with local NHS bodies.
 - voluntary and community organisations.
 - the private sector, including our strategic partnership with Capita.
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions.
- Carrying out an approved value for money review programmes to benchmark our services, and ensure best use is made of the resources available to the Council.
- Delivering specific projects within an effective, corporate programme management framework, as appropriate.

(b) *Members and Officers working together to achieve a common purpose with clearly defined functions and roles.*

The Council will ensure that the necessary roles and responsibilities for its governance are identified and allocated so that it is clear who is accountable for decisions that are made. The Council will do this by:

- Appointing a Leader of the Council, and defining the executive responsibilities of Cabinet Members.
- Agreeing a scheme of delegated executive responsibilities to Board Directors, Directors and Heads of Service, and protocols that make clear the respective roles of members and officers and ensure effective communication between them.
- Annually appointing committees to discharge the Council's regulatory responsibilities.
- Annually appointing committees to discharge the Council's overview and scrutiny responsibilities.
- Setting clear role definitions for chairs of committees and councillors in their different roles.
- Undertaking an annual review of the operation of the Council's constitution.
- Making the Chief Executive (the Head of Paid Service) responsible and accountable to the Council for all aspects of operational management.
- Making a senior officer (the Monitoring Officer) responsible to the authority for ensuring the lawfulness and fairness of decision-making, and that agreed

procedures are followed and that all applicable statutes and regulations are complied with.

- Making a senior officer (the Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Ensuring partnerships and contracts with other public bodies, voluntary and community organisations, and the private sector have clear governance accountabilities, including effective and equitable financial arrangements.
- Having in place effective and comprehensive arrangements for the scrutiny of services.

(c) *Promoting our values and upholding high standards of Conduct and behaviour.*

The Council promotes and maintains high standards of ethical conduct of members and officers through the work of its Standards Committee.

The Council will foster a culture of behaviour based on shared values, ethical principles and good conduct.

The Council will do this by establishing and keeping under review:

- The Council's Constitution.
- A Members' Code of Conduct.
- An Officer's Code of Conduct.
- A protocol governing Member/Officer Relations.
- A Members' Planning Code of Good Practice.
- Monitoring Officer Protocol.
- Media Guidelines.
- Contract Standing Orders and Financial Regulations.
- A strategy for combating fraud and corruption.
- A whistle blowing policy.
- Behavioural Framework Principles

(d) *Taking informed and transparent decisions that are subject to effective scrutiny and managing risk.*

The Council has ensured that the decision-making process includes a rigorous risk assessment including:

- Financial, legal and staffing implications
- Sustainability implications
- Health Impact and Promotion implications
- Value for Money
- Implications for Partnerships
- Implications for Community Safety
- Impact on Rural Communities.
- Diversity and racial impact assessment
- Risks, mitigations and opportunities

The Council has been rigorous and transparent about how decisions are taken and recorded. The Council has:

- Ensured the Cabinet make decisions in an open and transparent way and that information relating to those decisions is made available to the public, unless statutory rules provide otherwise
- Ensured that all decisions of regulatory committees of the Council are made in public and that information relating to those decisions is made available to the public, unless statutory rules provide otherwise
- Ensured that legal and financial implications are recognised in all reports on which decisions are based
- Recorded all decisions that are made by committees and executive decisions made by Lead Members and officers (where applicable).
- Rules and procedures, which govern how decisions are made.
- Developed and maintained an effective overview and scrutiny function which encourages constructive challenge
- Maintain an effective Standards Committee and Audit Committee

The Council has continued to develop its risk management strategy to enable the Council to manage and control risks in order to maximise the quality of its service provision and uphold its reputation and the achievement of best value.

The Council has ensured that the risk management system:

- Formally identifies and manages risks
- Involves elected Members in the risk management process
- Includes the undertaking of a risk assessment of every key or strategic decision
- Reflects business continuity planning; and
- Reviews and, if necessary, updates its risk management processes at least annually.

(e) *Developing the capacity and capability of Members and officers to be effective.*

The Council will ensure that those charged with the leadership and governance of the Council have the skills, knowledge and experience they need to perform to a high standard. The Council will do this by:

- Maintaining Member training and development through the Member Development Advisory Group.
- Developing leadership skills and capacity across the Council.
- Developing our approach to workforce planning.
- Encouraging quality mark accreditation.
- Maintaining and developing our personal development through regular development planning and performance review systems.
- Cascading regular information to Members and staff by paper and electronic means, having regard to diversity issues.
- Engaging with local people and other stakeholders to ensure robust public accountability.

(f) *Engaging with local people and other stakeholders to ensure robust public accountability.*

The Council is committed to increasing public involvement in decision-making and devolving power to individuals and local organisations. We will seek and respond to the views of stakeholders and the community. The Council will do this by:

- Forming and maintaining relationships with the leaders of other organisations.
- Ensuring openness and accessibility to citizens, service users and staff, including partner organisations.
- Implementing the Council's corporate Consultation Policy and utilising an appropriate range of consultation methods.
- Making use of local forums at ward, parish, locality and neighbourhood level to maintain communication with all the Borough's communities and other stakeholders.
- Encouraging and supporting the public in submitting requests for Scrutiny.
- Maintaining and reviewing an effective complaints procedure.
- Developing One Swindon and the Stronger Together Locality programmes.

4. Review of effectiveness

Swindon Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Board Directors and relevant Heads of Service have completed a detailed questionnaire reviewing the control environment within their directorate and the results of the questionnaire have been used to help inform our assessment of significant control issues for the Council.

The following process has been applied in maintaining and reviewing the effectiveness of the system of internal control. Both in-year and year-end reviews processes have taken place.

In year review mechanisms include:

- The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It also receives reports relating to risk management and monitors the corporate risk register, as well as being responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- The terms of reference for the Audit Committee reflect CIPFA guidance best practice. The Committee is a full committee of the Council emphasising the commitment to ensuring that there are high standards of internal control within the Council. The Committee is responsible for reviewing the financial performance, risk management, has an oversight of Treasury Management and both, Internal and External Audit performance and their findings and recommendations.
- The Board Director: Resources role as Section 151 Officer has been assessed by Internal Audit against CIPFA's statement on the Role of the Chief Financial Officer

in Local Government. It was found that the requirements of the CIPFA statement are being met.

- A self-assessment of the Head of Internal Audit's role has been assessed against CIPFA's statement on the Role of the Head of Internal Audit in Public Service organisations. It was found that the requirements of the CIPFA statement are being met.
- Information governance and security: A significant amount of work was undertaken in 2014/15 to develop Information Governance policies and supporting processes. The Council's Information Governance and Security Policy has been approved by Corporate Board and published for staff on the Council's Intranet. The Information Governance and Security Group is increasing in maturity and the Information Governance and Security Group has met regularly throughout 2014/15. Improvements achieved by the group and supporting staff include achieving Level 1 requirements of the NHS Information Governance Toolkit, with an agreed improvement plan to meet Level 2 requirements, in place by May 2015. A review of the Council's off-site storage facility for archived paper records has been undertaken and improvements have been made to retention and disposal processes. ICT Security policies (for example access control) have been comprehensively updated and are ready for implementation, following appropriate consultation and approval. There has been a significant increase in the number of staff who have undertaken Information Security training. Information risks have been identified, to support roll-out of a corporate information risk management process. Areas of improvement for 2015/16 include:
 - Enforcing compliance with mandatory training on core topics, e.g. Information Security, Data Protection and Freedom of Information.
 - Continuing to develop the Council's Information Risk Management process and risk registers.
 - Providing Information Asset Owner training and supporting development of these roles.
 - Publication of a protective marking policy and introduction of supporting processes.
 - Achieving Level 2 requirements for the NHS Information Governance Toolkit.
 - Carrying out required remedial actions to ensure PSN Code of Connection compliance for 2015/16 and beyond.
- Information security incidents are managed as part of the Council's information governance processes. The Council's Data Protection Officer has reported that there have been no serious breaches of the Data Protection Act in 2014/15.
- Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion on the internal control environment in the areas examined. Their reviews include examination of the main financial systems, enabling them to provide the Section 151 Officer with an overall opinion on the main financial controls in place as well as risk management, internal control and governance arrangements across the authority. The Head of Internal Audit's opinion for 2014/15 is that there are satisfactory internal control arrangements in place resulting in a 'moderate' risk to the Council. In addition the Section undertakes fraud investigation and proactive fraud detection work. Internal Audit report to each Audit Committee summarising audits finalised since the previous meeting. Audit

Committee has called in relevant Group Directors and Heads of Service to update them on the progress in implementing agreed audit recommendations. The Audit Committee also reviews the effectiveness of the Council's system of internal audit including an assessment against the Public Sector Internal Audit Standards (PSIAS). The latest review found the system of internal audit to be effective and that the requirements of the PSIAS were being largely met and an action plan is in place to address any outstanding issues.

- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2014/15. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified no material issues in their audit of the financial statements and issued an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2013/14.
- A Corporate Governance Working Group, consisting of both Members and officers including the Monitoring Officer, reviews the effectiveness of the Council's corporate governance arrangements by reference to the CIPFA/SOLACE corporate governance standards and other best practice. The Group has streamlined the Council's decision-making process ensuring that agreed decisions could be implemented promptly and some decision making has been devolved locally. It has also looked at devolving some powers to localities and how this can be achieved.
- The Council has also adopted a Local Code of Corporate Governance.
- Risk Management – the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Board and presented to both Cabinet and Audit Committee.
- The Council's Performance Framework is led by the Head of Business Services and Support the framework includes the Business Review process. Business Reviews are carried out quarterly at Corporate Board and these are used to review risks identified either through performance, Internal Audit or through the Corporate Risk Register.

A year-end review of governance arrangements and the control environment has also been completed which included:

- Obtaining assurances from all Board Directors and Heads of Service that key elements of the control framework were in place during the year in their departments. They were also asked to identify areas where control weaknesses had resulted in a significant issue arising for the department.
- Reviewing the Head of Internal Audit's annual audit report presented to Audit Committee.
- Obtaining specific assurances from Heads of Service with regard to the governance arrangements in place for key partnerships.

The review has identified that a number of the areas included in last year's statement have progressed sufficiently for them not to be included as areas of focus in this year's statement:

- Swindon Commercial Services reintegration
- Transfer of Council Leisure Services

5. Governance: Key Areas of Focus

The review process has highlighted a number of significant areas for enhanced focus regarding the governance and internal control environment and these are described briefly below. For each one, action plans have been determined by a responsible officer and are under implementation or are in the process of being prepared and a summary of the key elements of these are included below:

- **Information governance and security** – An updated suite of information governance and security policies has been developed and is going through final review before being rolled out. Information Asset Owner role description being developed and will be rolled out alongside appropriate training. More staff are undertaking the core e-learning modules for DP / FOI / Information governance and security, but still less than two-thirds of staff have completed in the last 12 months. Tracking of completion will be held within the new HR system that will facilitate managers being held to account for their and their staff's performance. A new post of Information Governance Manager has recently been recruited to and will provide the dedicated capacity needed to maintain and build on recent improvements in this area.
- **Financial relationships with wholly owned subsidiaries** – Swindon Borough Council are the sole shareholder of Thamesdown Transport Ltd (TT) and Public Power Solutions (PPS). There are close financial links between the Council and both companies, which mean there is a degree of inter-dependence.

SBC funds some subsidised routes and pays reimbursements for concessionary fare usage to TT and has entered into an arrangement to "buy out" the company's local government pension scheme deficit, with resulting payments due each year from the company to the Council. Recent trading conditions have led the company to request deferring some of these payments, for the foreseeable future, in order to reduce cash-flow burdens.

During 2014/15 the Council also agreed to purchase the Company's interest in its operational depot building, in return for an increased rent. SBC has lent around £8m to SCS for the capital purchase of a plant to convert waste into fuel, thereby reducing the Council's landfill burden. The company's future profit levels are critical to ensuring repayment of the loan within the period of the contract between the Council and the company for treatment of household waste. The plant has experienced operational difficulties in its first year of operation and its financial performance has not been as expected. It is likely that an additional loan will be requested from the Council to undertake further works to the plant. While the potential income from developing PV arrays looks positive, it is uncertain whether this will be sufficient to secure positive cash flows overall in the near future. For these reasons, it is important that the Council retains a particularly close oversight of the financial performance of its subsidiaries at this time, as part of its overall financial risk management arrangements.

- **Supporting Vulnerable Children** - the 2013/14 Annual Governance Statement highlighted the Ofsted Inspection as a key area of focus, as this took place in March/April 2014. An implementation/action plan was then developed and subsequently monitored by a Scrutiny Committee task group and signed off in February 2015. A number of areas have been subsequently identified for improvement, which are being implemented and/or incorporated into the new change programme being developed. Issues of focus remain around filling critical vacancies, developing the experience of managerial social work posts and social

workers; improving the electronic ICS system; managing caseloads; strengthening our quality assurance processes/IRO system and council wide work on child sexual exploitation.

One of the change programmes is related to safeguarding children and this programme will be focussed upon helping to embed systems to enable compliance and streamlining processes. We will be confident that this programme has been successful when:

- Children and families feel supported by a strong safeguarding environment
 - Our internal measures and external inspections report that we are meeting our regulatory requirements
 - Services are resilient, compliant, safe and sustainable
 - We are designing and delivering services on an increasingly complete understanding of customers
 - Service users, partners and staff report satisfaction with services they receive
- ***Capacity and Capability in the context of large scale change*** – During 2013-14, Cabinet approved a strategy to deliberately deliver annual budget savings early to create some in-year funding capacity to fund future years' transformation. This strategy has continued since that date and has led to transformational funding being available on the Council's balance sheet to fund new posts.

During 2014-15, the organisation ran a targeted recruitment campaign to bring new transformation skills and capacity into the organisation and successfully recruited four new senior change leaders and additional support posts to deliver specific change programme work.

Further recruitment is underway in early 2015, to bring in some targeted posts to supplement the skills in the organisation and fill capacity gaps identified on specific change programmes.

- ***Licensing: Taxis and Private Hire*** – An Internal Audit review of the taxi and private hire licensing service was commissioned by the Head of Service on taking over responsibility for the service area. The audit found a number of significant weaknesses including a lack of staff awareness of processes and procedure, storage solutions, security and accuracy of data entry. Each of these concerns has been addressed with all staff signing to confirm awareness of processes, additional storage being secured, passwords to secure IT updated and the rectification of the instances of inaccurate data.

The finding that caused most concern was that DBS (CRB) checks for license holders were obtained only on first registration, which presented a security risk. Moving forward DBS checks will be undertaken every three years in line with the DBS Code of Practice.

The audit also recommended a review of fees, along with a simplification and cleaning of the budget system to enable better reconciliation of income received, these are on-going.

- ***Isambard Community School*** – An Internal Audit of this PFI School was carried out during 2014/15. At the time of the audit the school faced a number of significant changes that would affect the school going forward. These included a change of Headteacher and Business manager, falling pupil numbers, falling academic standards, 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 the auditors were unable to confirm that effective financial management was 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.

Since the audit a substantive head teacher appointment was made in March when the acting head teacher was appointed. The school has made effective use of the support provided by Faringdon Community School to build capacity to bring about improvements in teaching and learning. The impact of this support has been evaluated by an independent Consultant, (and ex HMI), the detail of which is reported to the Quality Improvement Group (QIG).

The Local Authority's Finance Team has visited the school on a number of occasions since the audit to support the leadership team in preparing their staffing budget and also to discuss the school's draft three year plan. The School Business Manager has been able to balance the draft school's budget in 2015/16, 2016/17 and it is only in 2017/18 that the school are showing a deficit balance; the LA will continue to work with the school to review this position and establish what the school's plan for the deficit recovery will be.

The school's revenue balance at year end was £115,000 higher than their estimated balance on the December return. The school has provided the LA with a breakdown of the significant variances included in the £115,000. There will be further discussions with the school to understand this position.

- **Corporate buildings: statutory compliance** – an Internal Audit was undertaken at the request of the Head of Property Maintenance to provide assurance that the Council is effectively managing the statutory compliance requirements for corporate buildings. That is to ensure compliance with legislation including the Health and Safety at Work Regulations 1999, approved codes of practice, guidance documentation and Council policies.

The audit identified fundamental weaknesses, representing a 'significant' level of risk for the Council. Key risks included:

- Policies and procedures for corporate buildings statutory compliance did not meet the relevant statutory regulations and best practice standards.
- Unable to demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.
- Unable to demonstrate that relevant compliance information and records were kept up to date for statutory compliance requirements in corporate buildings.

The Internal Audit report provided a management action plan containing thirteen key actions to be undertaken commencing in 2015/16 and to be completed in 2016/17. For each of the thirteen actions a service improvement plan will be developed and embedded throughout the service.

The Internal Audit findings have been reported to the Council's Audit Committee and Corporate Board – both forums will now monitor progress against the agreed

actions. The Cabinet Member for the service is also fully briefed and will be updated on a quarterly basis on progress.

- ***Waterside Depot improvement plan*** – A Waterside Integration programme is in place to improve the processes, compliance and customer service provided from Waterside Depot. Key outcomes from the programme include:
 - Services are resilient and compliant, safe and fit for purpose
 - Increased customer and staff satisfaction
 - Neighbourhoods are clean and well cared for
 - Achieve a value for money service that enables a choice about our future operating model

During 2014/15 an interim operational plan was implemented for the Household Waste Recycling Centre (HWRC) to manage peak season demand safely, effectively and reduce significant queues experienced in 2014. A capital project is being implemented to improve the access, site circulation, capacity and egress of the HWRC for peak demand period in 2016. Continued sustained focus on improving health and safety capability and compliance across all services operating on, or from Waterside is on-going.

Operational efficiency will be reviewed along with a programme of change over the coming 12 months to improve this, including:

- One value for money stores service
 - Improved management information and business processes
 - Improved procurement and use of fleet
 - Full review of fleet management and usage
 - Improved cross-site communications to enable staff to work from anywhere
 - Clear, consistent service standards that are well communicated
 - Appropriate staffing structures in place
 - Over-time and allowances reviewed and standardised
 - Reduced operating costs of £1m in 2016-17
- ***GCSE attainment***

High levels of educational performance are critical to opening up a wide range of life chances for young people, including employment and higher education. The Council's commitment to residents is that all parents and carers will have access to a good school. Currently, there is performance above the national average across the key stages reflected in the Early Years and at Primary schools, which is also seen in an appropriate choice of good educational provision.

Performance by the ages of 16 and 19 is weak and whilst there is good quality provision post-16, parents and carers only have a one in two chance of sending their children to a good or better secondary school/Academy.

The future risk is that poor performance by ages 16 and 19 will have a range of adverse impacts including narrowing life chances for young people, failing to meet a commitment to residents, deterring new businesses from re-locating to Swindon and increasing the possibility of existing businesses leaving Swindon.

An Education Strategy Board has been established to increase accountability in the education system, involving both academies and maintained schools, to help challenge and monitor this performance going forward

- **IT Service**

The current IT service is failing to deliver an appropriate service fit for the current and future needs of the Council. The service is under review and a new management team is working on a plan to turn the service round. Work is already underway by Capita to move the core infrastructure to a modern, virtual environment, removing the reliance on ageing servers and bringing the necessary stability to allow the Council to plan for a more transformational use of IT in the near future. However, the desktop refresh project which has also been commissioned from Capita has failed to upgrade the Swindon desktop estate in a timely manner and is creating financial pressures to ensure that the Council can continue to meet the Government security requirements for its IT estate.

6. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year although we recognise the areas for additional focus identified in section 5. We are satisfied that these enhancements will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

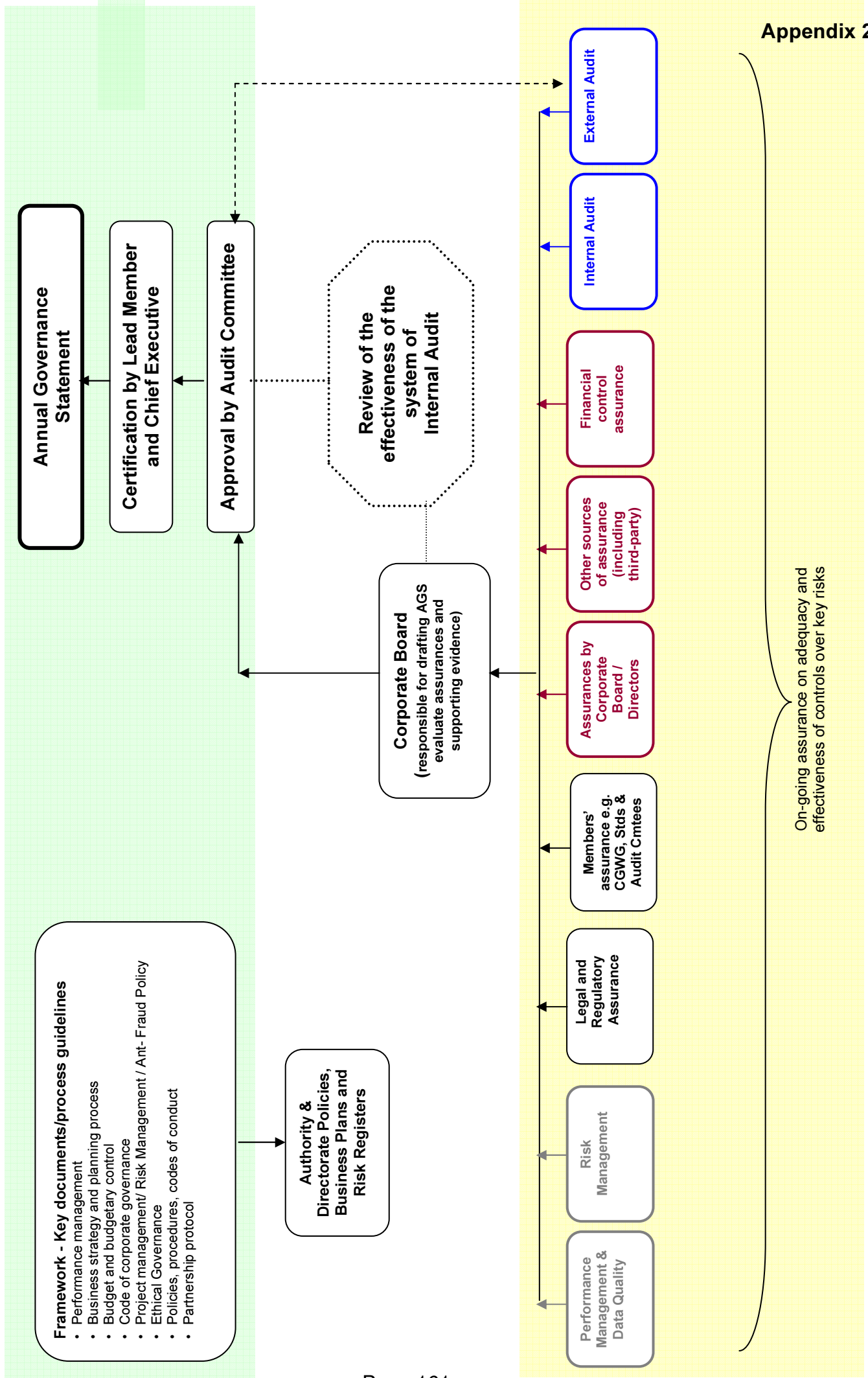
Signed:

Signed:

Councillor David Renard
Leader of the Council

Gavin Jones
Chief Executive

ANNUAL GOVERNANCE STATEMENT FRAMEWORK (FLOWCHART)





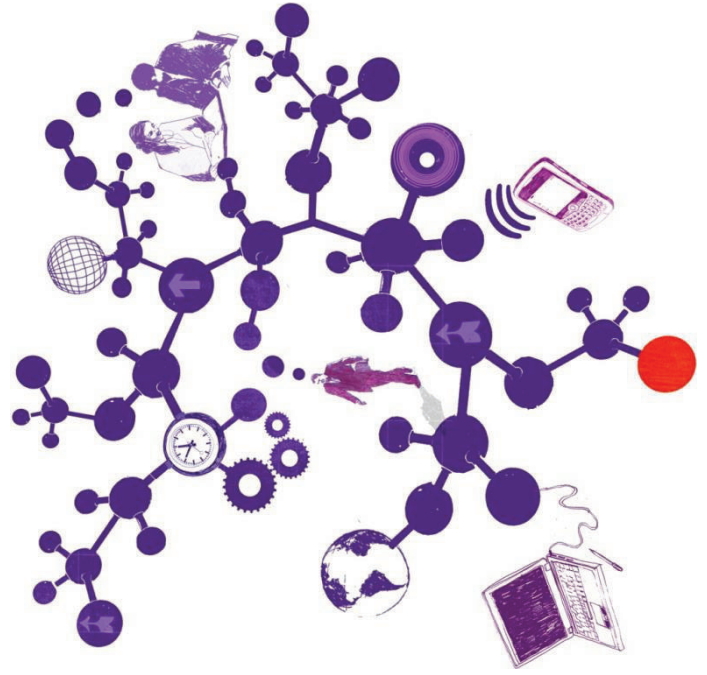
The Audit Plan for Swindon Borough Council

Year ended 31st March 2015
4th June 2015

Liz Cave
Engagement Lead
T +44 (0)117 3057885
E Liz.A.Cave@uk.gt.com

Chris Hackett
Audit Manager
T +44 (0)117 3057876
E Chris.I.Hackett@uk.gt.com

Sophie Morgan
Executive
T +44 (0)117 305 7757
E sophie.j.morgan@uk.gt.com



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

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Appendices

- A. Action plan

Up-date to the Audit Plan

Our 2014/15 Audit Plan was presented to the Audit Committee at its meeting on 21st April 2015. Since then we have made one amendment to our Plan which were are required to report to you.

In our initial Plan we identified Welfare Expenditure (Housing Benefits) as a transaction stream where there is a reasonably possible risk of material misstatement. This assessment reflected the large volume and cumulatively the large value of transactions. Having considered further our risk assessment it is our expectation that there is a good control environment and there has not been a history of material errors or issues with Welfare payments in the past. Therefore Welfare is no longer identified as a risk on page 9.

However, we are still completing work on this area to support our Opinion on the Council's Accounts including substantive testing and review of controls on the computer system. This work is being completed in June. On October, after we have given the opinion on the Council's accounts we will complete further testing to enable us to certify the Housing Benefit Grant claim.

Otherwise this Plan is unchanged from the Audit Plan presented in April.

Understanding your business

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

Challenges/opportunities

1. LG Finance Settlement and Financial Planning

- The local government spending settlement showed local authorities nationally are facing a cash reduction in their spending power of 6% in 2015-16.
- Locally Swindon currently faces a budget gap of £20m for 2016/17, although the Council has a good track record of identifying savings.
- However, in common with all local authorities Swindon are facing increasing demands for services, for example in adult social care services



2. Service transformation and Commissioning

- Moving from the provision to the commissioning of services
- Delivering efficiency savings through improved procurement



3. Wichelstowe

- The Council is tendering for a partner arrangement to take forward a major housing development. A complex financial model was developed to support the tendering. It will involve setting up a joint venture partnership between the Council and the key partner. The scheme is innovative and highly material. The Council hopes to generate significant funds over 20 years also recovering debt relating to costs already incurred. The scheme, due to its complexity and scale, inevitably contains risks.



Our response

- We will review your Medium Term Financial Plan and financial strategy as part of our work on your arrangements for financial resilience.

- We will review the progress you have made in delivering your transformation programme.
- We will review the transfer of the Council's leisure facilities to an external provider.

- We will review tender documentation and the governance arrangements around the tendering process.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice (the code¹) and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Changes to the recognition of school land and buildings on local authority balance sheets
- Adoption of new group accounting standards (IFRS 10, 11 and 12)

2. Legislation

- Local Government Finance settlement

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- schools are accounted for correctly and in line with the latest guidance
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

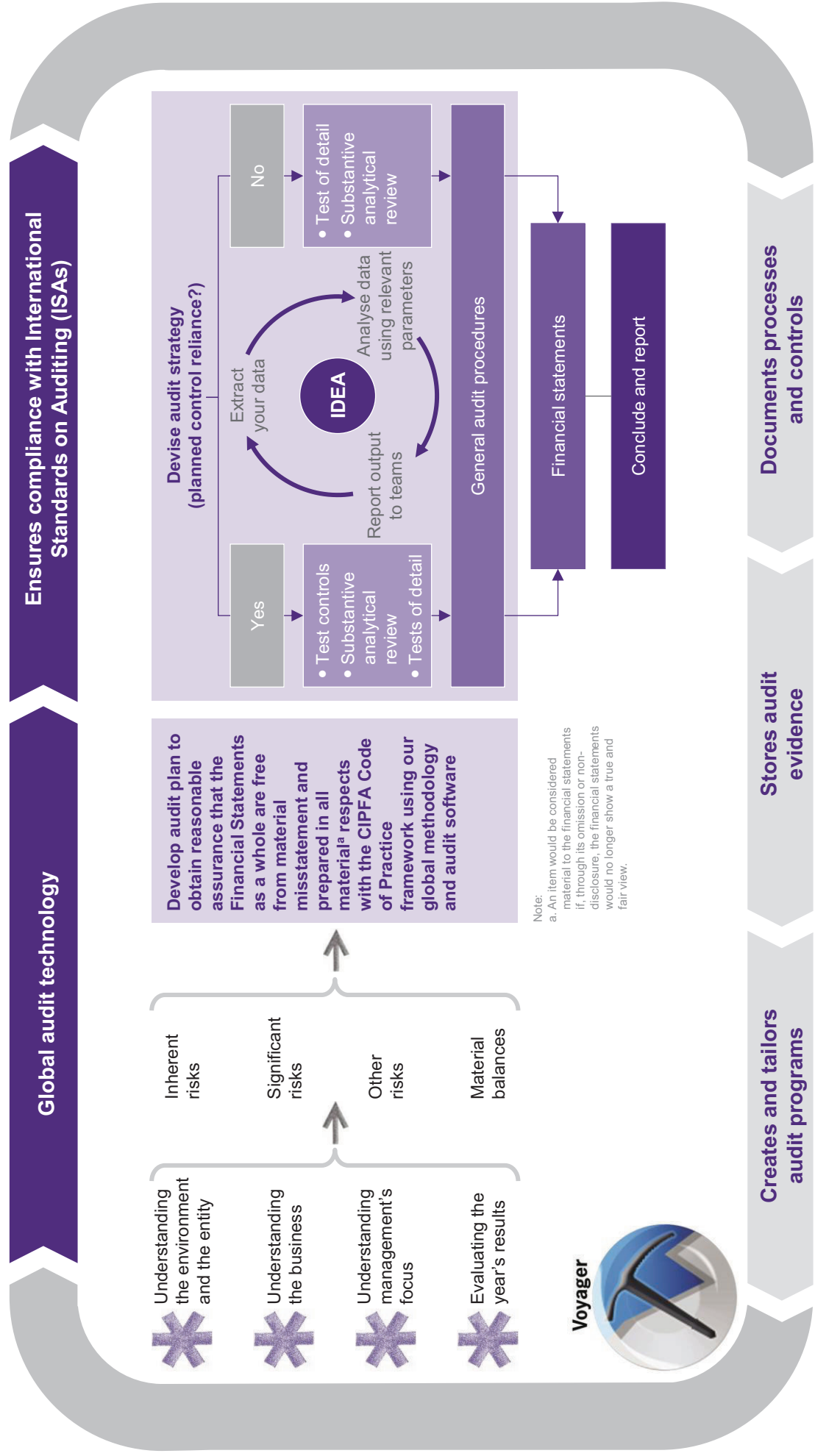
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VFM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach



Significant risks identified

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

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

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Swindon Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted as a significant risk. However work completed and planned includes:</p> <p>Work completed to date:</p> <ul style="list-style-type: none"> Judgemental testing of material accounts receivable invoices <p>Further work planned:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies Judgemental testing of material revenue streams
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> Testing of journal entries from period one to nine <p>Further work planned:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management Testing of journal entries Review of unusual significant transactions

Other risks identified

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

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

Other risks	Description	Audit Approach
Operating Expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Completed walkthrough of system and associated controls Testing of operating expenses from period one to nine <p>Further work planned:</p> <ul style="list-style-type: none"> Review of unrecorded liabilities and post year end payments to ensure all liabilities identified Review of accruals Determine whether liabilities have been recorded in the correct period
Employee Remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Completed walkthrough of system and associated controls <p>Further work planned:</p> <ul style="list-style-type: none"> Trend analysis of payroll expenditure by month to identify any significant variances Review of post year end payments to ensure all payroll expenditure included

Group audit scope and risk assessment

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

Following the re-structuring of Public Power Solutions (formerly Swindon Commercial Services), none of the Group Companies currently require detailed work. (This was carried out last year in conjunction with the auditors of the Group Company). However, we will still be required to complete analytical review of the accounts of the Group Companies.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Public Power Solutions (formerly Swindon Commercial Services)	No	Analytical	N/A	Desktop review performed by GT UK
Thamesdown Transport Limited	No	Analytical	N/A	Desktop review performed by GT UK
Forward Swindon	No	Analytical	N/A	Desktop review performed by GT UK

Value for money

Value for money

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

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

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

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Financial resilience: the Council continues to face resource pressures with reductions in funding and growing demand for services. We will review the Council's financial plans and the assumptions underpinning them.
- Transformation programme and joint working: the Council is continuing to develop innovative ways of work with partners to improve services and promote value for money. We will review progress with the Council's transformation programme.
- Wichelstowe: we will review the Council's arrangements for taking forward this capital scheme.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

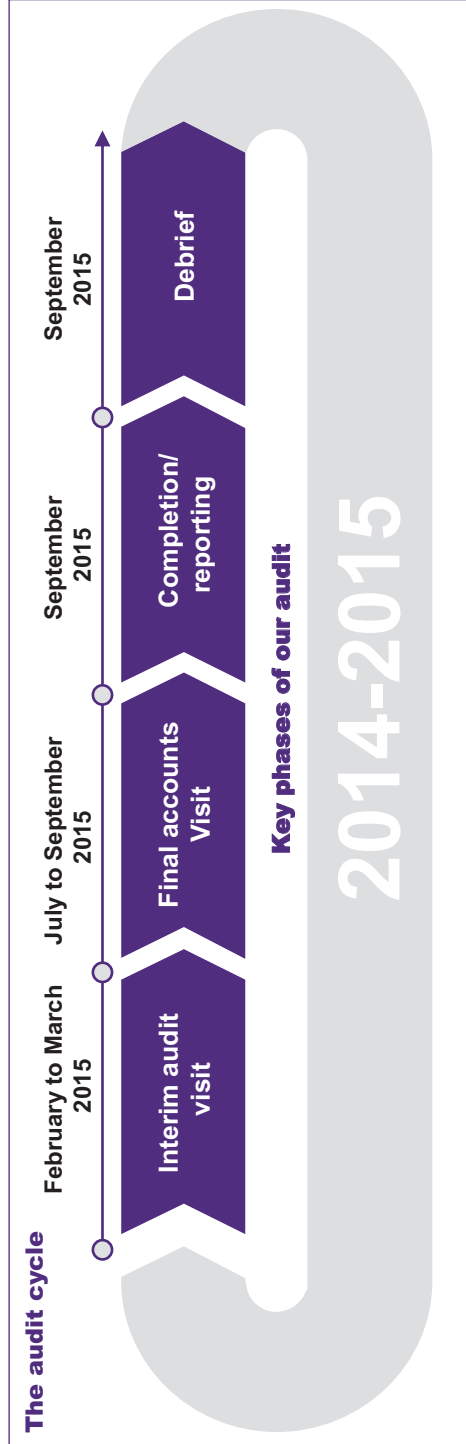
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Findings and Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date.</p>	<p>We have not identified any material weaknesses impacting on our responsibilities.</p> <p>Our work has not identified any issues which we wish to bring to your attention.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>We have identified one issue which we wish to bring to your attention.</p> <p>We identified that for a selected sample of eighteen employees, six contracts of employment were not readily available or were unsigned at the time of testing. Four signed contracts were later traced, while two remain outstanding. We were able to obtain assurance over the existence of employees by confirming NI numbers with HMRC, however, signing contracts is an important governance control.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Results of interim audit work cont'd

	Work performed	Findings and Conclusion
Journal entry controls	To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review.	<p>We have identified two issues which we wish to bring to your attention.</p> <p>We identified three senior managers who have access to post journal entries. For the first nine months of the financial year we did not identify any evidence that senior management had exercised the access in order to post journal entries. We would recommend that such access rights are removed during the quarterly review.</p> <p>We also identified that journals over £1.6m require authorisation but we did not identify a control in place by which unauthorised journal postings could be identified. We understand that management are in the process of developing an exception report to address this issue.</p> <p>During our final audit we will test journals posted during the final three months of the financial year.</p>
Early substantive testing	<p>Other Revenues – completion of testing on the occurrence and valuation of a sample of accounts receivable invoices raised from period one to nine</p> <p>Operating Expenses - completion of testing on the occurrence and valuation of a sample of operating expense payments from period one to nine</p> <p>Employee Remuneration - completion of testing on the occurrence and valuation of a sample of payroll transactions raised from period one to nine</p>	<p>No errors identified at this stage. Further testing is required to ensure coverage of the whole financial year.</p>

Key dates



Date	Activity
December 2014	Planning
February to April 2015	Interim site visit
April 2015	Presentation of audit plan to Audit Committee
July to September 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Board Director of Resources
September 2015	Report audit findings to those charged with governance Audit Committee
September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	171,170
Grant certification	18,000
Total fees (excluding VAT)	189,170

Our fee assumptions include:

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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
Place analytics work	7,800
Review of Teachers Pensions Agency return	3,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	We recommend that all employees are required to sign a contract upon joining, which is retained securely by Swindon Borough Council.	Medium		
2	We recommend that a control is put in place to identify unauthorised journals above £1.6m. We understand that management plan to implement an exception report for journals above the authorisation limit.	Medium		
3	We recommend that senior management do not have access to post journal entries, in order to maintain segregation between posting duties and review duties.	Low		



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Audit Committee Update for Swindon Borough Council

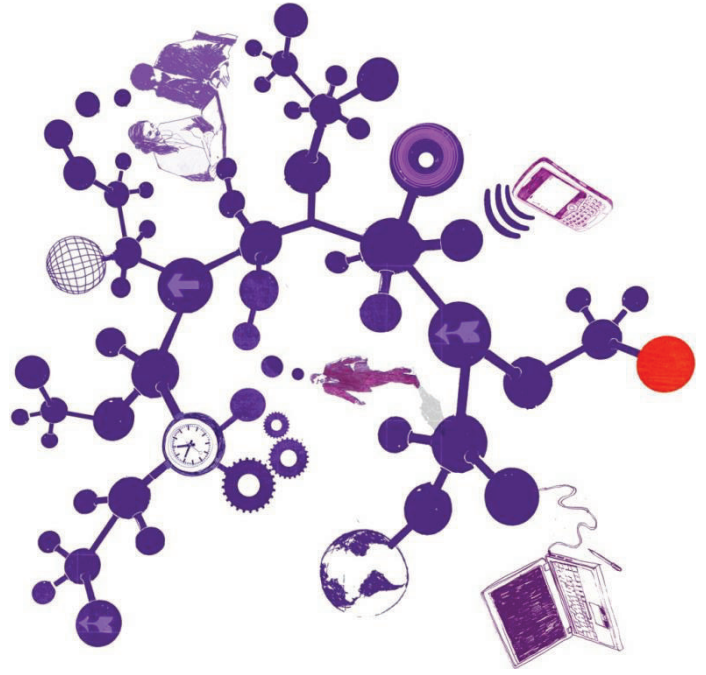
Year ended 31st March 2015

16th June 2015

Liz Cave
Engagement Lead
T +44 (0)1173 057885
E Liz.A.Cave@uk.gt.com

Chris Hackett
Audit Manager
T +44 (0)1173 057876
E Chris.I.Hackett@uk.gt.com

Sophie Morgan
Executive
T +44 (0) 173 05 7757
E Sophie.J.Morgan@uk.gt.com



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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 2015
- Rising to the challenge (LG financial resilience review)
- Easing the burden - the impact of welfare reform on local government and the social housing sector
- 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.

Liz Cave Engagement Lead T 01173 057885 M 07880 456128

Liz.A.Cave@uk.gt.com

Chris Hackett Audit Manager T 01173 057876 M 07880 456130

Chris.I.Hackett@uk.gt.com

Progress at 16th June 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	Yes	This was reported to the Audit Committee in April 2015. We issued an up-date to the June meeting.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Initial work on the proposed Value for Money conclusion. 	January to April 2015	Yes	We will complete year end top up testing in July.
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 June 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	We are undertaking initial testing in May and June 2015.
Other activity undertaken We have been liaising with officers to discuss issues affecting the year end accounts.	On-going	No	

Cities launch 'Magna Carta' for devolution

Local government issues

The Modern Charter for Local Freedom was launched at the Core Cities UK Devolution Summit on 9 February 2015. Ten of the UK's largest cities set out demands for devolution that they say will drive national prosperity and boost local economies. Calling for city areas to be given much greater freedom to reform and join up all public services locally, with job and skills scheme and housing support among the key areas for change they cite three key 'freedoms':

- Freedom to decide: independence, but not one size fits all
- Freedom to invest: prosperous places, not stagnant states
- Freedom to deliver: better services, improved lives

The Core Cities Group has also published its joint report with ResPublica "[Restoring Britain's City States: Devolution, Public Service Reform and Local Economic Growth](#)". This report argues for a rebalancing of the relationship between central government and cities, as the only real solution for addressing the interconnected challenges of local economic growth, public service reform and better governance.

DCLG – Build to rent scheme

Local government issues

Housing Minister Brandon Lewis announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion [Build to Rent scheme](#), which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a [How to rent](#) guide, so tenants and landlords know their rights and what to expect when renting privately
- published a [model tenancy agreement](#), so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

Accounting for schools – Code update and LAAP Bulletin 101

Accounting and audit issues

Non-current assets

In December 2014, CIPFA issued an Update to Appendix E of the 2014/15 Code which states "The recognition of non-current assets used by schools shall be determined in accordance with the relevant standards adopted by Chapter Four Non-Current Assets of this Code as appropriate to the arrangements for the assets. These assets shall be recognised in a local authority's balance sheet if they meet either the appropriate recognition criteria (see Chapter Four) for the local authority or for a school within the local authority area".

CIPFA also issued in December LAAP Bulletin 101 Accounting for Non-Current Assets Used by Local Authority Maintained Schools. The Bulletin provides application, clarification and interpretation but is secondary to the Code and accounting standards.

Due to the varied and sometimes complex arrangements for use of school land and buildings, the accounting treatment for these non-current assets will require the chief finance officer to make significant judgements in the preparation of the statement of accounts. These judgements should be based on the circumstances for individual schools and will involve consideration of the rights of the school as an entity and any rights held by the local authority. Judgements should be robust and well documented as auditors will be required to consider whether these are reasonable and supported by appropriate evidence. Local authorities should discuss and agree these judgements with Those Charged With Governance.

Other matters

Treating a school as an entity means that local authorities are satisfied that, for each school, they have captured all the financial information relating to the school as an entity. This means all income and expenditure (including voluntary donations and related expenditure), cash flows and all assets and liabilities.

As part of their accounts preparations local authorities should ensure transactions between the local authority and schools are eliminated, all required disclosures are made and any appropriate governance matters are disclosed in the Annual Governance Statement.



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Internal Audit: Strategic Fraud Update

Audit Committee

Date: 16th June 2015

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

1. Purpose and Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 The pro-active and investigative work of Internal Audit contributes to this assurance framework. This report is intended to provide assurance to the Audit Committee regarding the effectiveness of Internal Audit's counter fraud and error arrangements within the Council.

2. Recommendations

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

3. Detail

Background

- 3.1 The Audit Commission's publication '*Protecting the Public Purse 2014*' states that the scale of fraud against local government is large, but difficult to quantify with precision. However, in 2013, the National Fraud Authority estimated that fraud cost local government £2.1 billion, but states that this is probably an under-estimate.
- 3.2 Other research estimates that the economic cost of fraud to organisations across the world averages at 5.7% of their budget with 70% of organisations globally losing 3% of their budget (source: PKF Forensic Services).
- 3.3 In a time of austerity, preventing fraud becomes even more important. Every pound lost through fraud cannot be spent on providing services. It is vital that the Council has strong counter-fraud cultures and effective counter-fraud arrangements.
- 3.4 The purpose of this report is to provide assurance on the effectiveness of the counter fraud work completed across the Council.

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

Internal Audit: Strategic Fraud Update

Audit Committee

Date: 16th June 2015

Fighting Fraud Locally

- 3.5 *Fighting Fraud Locally* (published by the National Fraud Authority) was the first national strategy developed by local government to tackle fraud against local government. The report focussed on non-benefit fraud areas, in particular, housing tenancy, council tax discounts, procurement, grants, employees, schools and personal budgets. The report highlights councils' performance in tackling these fraud risks. The strategy also highlights good practice and provides practical examples of successful counter-fraud measures.
- 3.6 The CIPFA Counter Fraud Centre will also publish the next Fighting Fraud Locally strategy for local government, following the closure of the National Fraud Authority (NFA) in March 2014.
- 3.7 A link to the full report is below:
<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/>

Audit Commission

(a) Protecting the Public Purse 2014

- 3.8 The Audit Commission publication '*Protecting the Public Purse 2014*' was the last in the series before they closed in March 2015. The aim of this series of publications (first produced in 1991) has been to:
- raise awareness of the importance of fighting fraud
 - promote transparency and accountability about counter-fraud in local government bodies
 - improve data on fraud detection, including benchmarking; and
 - promote good practice in fighting fraud.
- 3.9 The report highlights areas where high levels of fraud have been identified in their survey, these include:
- Housing and council tax benefit; council tax discount
 - Housing tenancy and right to buy
 - Social care
 - Insurance
 - Procurement
 - Abuse of position and internal fraud
 - Disabled parking (blue badge) concessions
 - Business rates
 - Payroll

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

Internal Audit: Strategic Fraud Update

Audit Committee

Date: 16th June 2015

-
- 3.10 The report also provides a checklist for those responsible for governance. An updated assessment against the checklist will be brought back to a later meeting of the committee.
- 3.11 A link to the full Audit Commission report is below:
<http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf>
- 3.12 From April 2015, the Commission's counter-fraud activities will transfer to new organisations. When the Commission closes, the National Fraud Initiative's (NFI) data matching service will transfer to the Cabinet Office. The remainder of their counter-fraud staff and functions, including the PPP series and fraud briefings, will transfer to the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.13 Other changes include the creation of the National Crime Agency, established in 2014, which has taken over some of the activities previously carried out by the Serious and Organised Crime Agency (SOCA).
- 3.14 For councils, the most important change in their counter-fraud arrangements is the transfer of most of their benefit fraud investigators to the Single Fraud Investigation Service (SFIS), which is managed by the Department for Work and Pensions (DWP). The transition to the SFIS began in July 2014 and will be complete by March 2016. Swindon's Housing Benefit fraud team will be in the last batch of councils to transfer in March 2016. Existing Housing Benefit staff will transfer across to the DWP at that date.

(b) Report: Protecting the Public Purse 2014 – Fraud Briefing

- 3.15 This briefing, produced by the Audit Commission, takes the findings from their annual fraud survey and uses them to compare Swindon's performance against other similar unitary authorities. It compares detected fraud in areas such as housing benefit and council tax benefit; council tax discount; social housing (recovered properties); right to buy and disabled parking (blue badges).
- 3.16 The report shows that generally there is a lower level of detected fraud in Swindon than the average unitary authority. A full copy of the Fraud Briefing is available from the Head of Internal Audit.

(c) National Fraud Initiative

- 3.17 The Council, via Internal Audit, has again participated in the Audit Commission's National Fraud Initiative (NFI) as part of the statutory external audit requirements. The NFI brings together data from across the public sector including local authorities, NHS, the Home Office/ other government departments and other

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Internal Audit: Strategic Fraud Update

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agencies to detect 'matches' i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.

- 3.18 Since its launch in 1996, the NFI is reported to have identified fraud, overpayments and error totally in excess of £1.17billion, nationally.
- 3.19 The Council submitted data for the latest exercise from the following data sets:
- Payroll
 - Trade creditors' payment history and Trade creditors' standing data
 - Housing
 - Housing benefits
 - Council tax
 - Electoral register
 - Private supported care home residents
 - Transport passes and permits (including residents' parking, blue badges and concessionary travel)
 - Insurance claimants
 - Licences - Market trader/operator, Taxi driver and Personal licences to supply alcohol
- 3.20 The results from the data matching provided 4,856 hits for Swindon of which 1,602 were recommended matches i.e. where the quality of the hits was sufficient to warrant further investigation.
- 3.21 Those matches relating to Housing Benefit will be referred to the Housing Benefit Fraud team for investigation. All the other cases will be investigated by Internal Audit. Results from these investigations will be reported back to a later Audit Committee.

CIPFA

- 3.22 As mentioned above, on closure of the Audit Commission, CIPFA's Counter Fraud Centre will take over counter-fraud areas including the publication of the annual '*Protecting the Public Purse*' report.
- 3.23 The aim of the Counter Fraud Centre will be to work with partners from across the public sector to become a global authority on counter-fraud for public services. This will also include publication of a counter-fraud manual, accredited training and the sharing of good practice.

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

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Local Government Transparency Code 2014

- 3.24 The Local Government Transparency Code 2014 requires councils to publish annually the following information, in relation to fraud, from February 2014:
- Number of occasions they use the Prevention of Social Housing Fraud (Power to Require information) (England) Regulations 2014, or similar powers. For Swindon this was 123 occasions during 2013/14.
 - Total number (absolute and full-time equivalent) of employees undertaking investigations and prosecutions of fraud. For Swindon this was 3 absolute and 2.2 full time equivalents during 2013/14.
 - Total number (absolute and full-time equivalent) of professionally accredited counter fraud specialists. For Swindon this was one during 2013/14.
 - Total amount spent by the authority on the investigation and prosecution of fraud. For Swindon this was £95,000 for 2013/14.
 - Total number of fraud cases investigated. 123 cases were investigated in Swindon.

These details have been published on the Council's internet site for 2013/14 and will be updated in June 2015 for 2014/15.

Internal Audit response

- 3.25 Internal Audit continually reviews its approach to fraud work. Resources have been allocated within the plan to carry out proactive work and a contingency is also included to carry out reactive work such as fraud investigations.
- 3.26 Areas identified within the Audit Commission report '*Protecting the Public Purse 2014*' i.e. housing tenancy, procurement, council tax discounts and housing and council tax benefits, were also reviewed and informed the planning for 2015/16.
- 3.27 The Council's Anti-Fraud and Bribery Strategy is reviewed regularly to ensure that it sets out best practice and complies with relevant legislation. Internal Audit reviewed the Strategy against other relevant Council policies i.e. the Council's Code of Conduct, Disciplinary Policy, Whistleblowing Policy and Fraud Response Plan.
- 3.28 A self-assessment against the Audit Commission's *Fighting Fraud Checklist for Governance* has been undertaken and is attached as Appendix 1. Areas for development will be included in the section's improvement plan.
- 3.29 The Internal Audit section is represented on the West of England Chief Internal Auditor's Fraud Sub Group (which consists of all the county and unitary authorities in the West of England and which the Head of Internal Audit is currently Chair). The sub-group identify areas of good practice and exchange

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Audit Committee

Date: 16th June 2015

experiences on recent frauds within their authorities, as well as having relevant external speakers attending meetings to discuss new and emerging fraud risks.

- 3.30 Internal Audit keep abreast of local and national developments both through the West of England sub-group mentioned above, through regular liaison with other authorities and through the National Anti-Fraud Network (NAFN) of which the Head of Internal Audit is a member of the Executive Board
- 3.31 The NFA issued a fraud awareness CD that is available on the Learning Zone webpage.
- 3.32 The Internal Audit section also produces a Fraud Bulletin which highlights recent frauds that have occurred throughout the country and asks the question 'are our system controls sufficient to prevent these frauds happening in Swindon?' A copy of the latest bulletin is available in the Members Room and is circulated at Audit Committee meetings.
- 3.33 Fraud Alerts are also issued by Internal Audit when they become aware of scams/fraudulent attempts to change suppliers' bank account details.

Corporate Counter Fraud team

- 3.34 The section was successful in bidding for Counter Fraud money from the Department for Communities and Local Government. This funding runs to the end of March 2016 and has been used to set up a Corporate Counter Fraud team. A Corporate Fraud Investigator and a Fraud Investigation Support Officer have been appointed.
- 3.35 The team have already developed a close working relationship with Housing and are now included in the vetting process for right to buy applicants. This has already had positive results. Further proactive fraud work will be developed during the year and a report on findings from the teams work will be brought to subsequent committee meetings.

Investigations

- 3.36 Internal Audit carries out a number of investigations each year. Investigations can be as a result of audit work, referrals from management or via the Whistleblowing process. All Whistleblowing cases should be referred to the Director of Law and Democratic Services who will, in liaison with the Chair of Standards (if required) and the Head of Internal Audit agree who is the most appropriate to investigate.
- 3.37 The following table provides a brief summary of the levels of investigations undertaken by Internal Audit over the past five years:

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

Internal Audit: Strategic Fraud Update

Audit Committee

Date: 16th June 2015

	2010/11	2011/12	2012/13	2013/14	2014/15
Whistleblowing cases	4	5	6	9	7
Other Investigations	9	11	13	8	18
Total	13	16	19	17	25

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

3.39 *Data Matching:* Internal Audit has started to develop the matching of data from various Council databases to try and identify fraud and error. To date over £61,000 of monies due to the Council has been identified by Internal Audit. This includes:

- A review of payments made through the Oracle system has identified £56,325 worth of duplicate payments that are currently being pursued for recovery. Internal Audit's own data matching has proved more effective than the NFI data matching and is something that we will look to undertake quarterly.
- A match between Council Tax exemptions (in probate) to the Electoral register found an additional debit of £5,154.14 that has been billed.
- A match between Council Tax single person discount and residents parking has produced twenty hits that are currently being investigated.

3.40 The section is also looking to increase their current data matching to identify further potential fraud or error.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of

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

Internal Audit: Strategic Fraud Update

Audit Committee

Date: 16th June 2015

Finance regarding the requirements of Section 151 of the Local Government Act 1972.

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

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

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

Diversity Impact Assessment

5.5 Not Applicable

Risk Management

5.6 Not applicable

6. Consultees

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

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1 – Self-assessment against the Audit Commission's *Fighting Fraud Checklist for Governance*

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

Fighting Fraud Checklist for Governance

Protecting the public purse 2014

October 2014

i) General		Yes	No
1. Do we have a zero tolerance policy towards fraud?		✓	
Internal Audit will investigate all allegations of fraud received. Where there is sufficient evidence we involve the Police.			
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?		✓	
Our Strategy is reviewed regularly against best practice			
3. Do we have dedicated counter-fraud staff?		✓	
A Corporate Fraud team has been set up with money from the Government's Counter Fraud fund. This team is funded until 31/3/16. There is also a dedicated Housing Benefit Fraud team. Staff from this team will transfer to the DWP with effect from 31/3/16			
4. Do counter-fraud staff review all the work of our organisation?		✓	
The team will respond to allegations of fraud from across the whole of the Council. The proactive work carried out by the team is risk-based.			
5. Does a councillor have portfolio responsibility for fighting fraud across the council?			✓
The Council Leader is Cabinet member for Internal Audit. The Head of Internal Audit reports functionally to the Audit Committee and meets regularly with the Chair. The Audit Committee has the responsibility for assurance over counter fraud arrangements within the Council. Standards Committee 'own' the Whistleblowing Policy and receive regular reports from the Head of Internal Audit. However, no one councillor has the portfolio responsibility for fighting fraud.			
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?		✓	
Updates regarding Whistleblowing are produced for each Standards Committee. An annual Strategic Fraud update is produced for Audit Committee. Reports on progress against the audit plan are also produced for each Audit Committee meeting.			
7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?		✓	
The latest of these was presented at the April 2015 meeting			
8. Have we assessed our management of counter-fraud work against good practice?		✓	
We have reviewed the Council's whistleblowing arrangements against the British Standard. During 2014/15 we carried out a policy review looking at the compatibility and consistency of the Council's whistleblowing policy, disciplinary procedure and fraud response plan. The Council is a member of NAFN (National Anti-Fraud Network) and receive regular updates on best practice, legislation etc. We also share best practice through the West of England Chief Auditors' Fraud sub-group. Actions arising through these reviews will form an action plan to improve the current ant-fraud arrangements within the Council.			
9. Do we raise awareness of fraud risks with:			
• new staff (including agency staff)?			x
Fraud awareness is not included on the council's induction.			
• existing staff?		✓	
Fraud and Information Governance Bulletins are issued to all staff via the Council's Newsround communication. An on-line fraud awareness module is available on the Learning Zone. Fraud Awareness sessions have taken place in some of the high fraud risk areas (e.g. direct payments) and more are planned.			

• elected members?	✓	
The Fraud and Information Governance bulletin is made available in the Members' room, presented to Audit Committee members and referred to in the Members Bulletin. However, more awareness work is required.		
• our contractors?		x
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	✓	
The Council is a member of NAFN who issue regular updates. We also share best practice through the West of England Chief Auditors' Fraud sub-group.		
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	
Through NAFN and the West of England Fraud Group we share knowledge and data re. fraudsters		
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	✓	
We carry out a number of proactive anti-fraud audits that look to identify weaknesses in control. Any other audits consider the possibility of a failure of control leading to fraud.		
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?	✓	
Internal Audit co-ordinate the collation of data for submission to the NFI. Internal Audit also receive the list of potential frauds and either investigate these or distribute to relevant sections i.e. HB Fraud team.		
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓	
The Council does have a Money laundering Policy in place. This is currently being reviewed.		
15. Do we have effective arrangements for:		
• reporting fraud?	✓	
The Council has an Anti-Fraud and Bribery Strategy that includes a Whistleblowing Policy and Fraud Response plan. All Fraud should be reported to the Head of Internal Audit.		
• recording fraud?	✓	
Internal audit keep a record of all fraud reported to them.		
16. Do we have effective whistle-blowing arrangements? In particular are staff:		
• aware of our whistle-blowing arrangements?	✓	
The Whistleblowing Policy is available to staff on the Council's intranet site. Awareness of the Policy is raised through Core Briefs at least annually. Posters are also up on key site of the Council displaying the relevant contact number and details of Public Concern at Work's number.		
• confident in the confidentiality of those arrangements?	✓	
Unable to provide specific current evidence regarding this other than that we have had no adverse comments. This was a question on the staff survey a number of years ago and which provided a positive response		
• confident that any concerns raised will be addressed?	✓	
As above.		
17. Do we have effective fidelity insurance arrangements?		
Fidelity insurance of £5m for all employees and £15m for six designated officers.	✓	
ii) Fighting fraud with reduced resources		

18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?		
All of the Council HB Fraud staff are being transferred to the DWP SFIS. Internal Audit has in the past carried out all corporate fraud investigations within the Council. The Council has recently set up a Corporate Fraud team through funding received from the DCLG (see below). At this stage we are unsure of the demand for resources, the success of the team and whether funding will be available through either the DCLG or through the Council.	✓	x
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after the SFIS is in place?	✓	
Yes, we submitted a successful bid for £90,516.		
20. If successful, are we using the money effectively?	✓	
Yes, we have appointed two counter fraud staff		
iii) Current risks and issues		
Housing tenancy		
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?		
Checks are carried out prior to allocation of social housing. We are looking to improve the process by introducing Trust ID that will allow us to verify the authenticity of passports.	✓	
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?		
Tenancy checks are carried out. The new Counter Fraud team are working with Housing to develop a better process re. the identification of potential fraud in this area.	✓	
Procurement		
23. Are we satisfied our procurement controls are working as intended?		
Procurement controls appear to be adequate.	✓	
24. Have we reviewed our contract letting procedures in line with best practice?		
Unsure of what best practice is being referred to but reviews of procurement arrangements are undertaken.	✓	
Recruitment		
25. Are we satisfied our recruitment procedures that:		
<ul style="list-style-type: none"> prevent us employing people working under false identities? 		x
Copies of relevant documentation are required to evidence right to work in the UK but identification of possible fraudulent documents is the responsibility of individual managers who have received little or no training. Introduction of the Trust ID system will improve this area of control.		
<ul style="list-style-type: none"> confirm employment references effectively? 	✓	
Completed by HR		
<ul style="list-style-type: none"> ensure applicants are eligible to work in the UK? 		x
See comment above re. false identities.		
<ul style="list-style-type: none"> require agencies supplying us with staff to undertake the checks that we require? 	✓	
Yes		
Personal budgets		
26. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?		
The Direct payments process has been reviewed by Internal Audit and appropriate recommendations have been made.		

27. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?		
Included in latest revised policy going to Standards Committee in July 2015 for approval.	✓	
Council tax discount		
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?		
Internal Audit has reviewed this area and made appropriate recommendations.	✓	
Housing benefit		
29. When we tackle housing benefit fraud do we make full use of:		
• The National Fraud Initiative?	✓	
• The Department for Work and Pensions Housing Benefit matching service?	✓	
• internal data matching?	✓	
• private sector data matching?	✓	
Housing benefit Fraud is dealt with by a dedicated HB Fraud team. They will transfer to the DWP under SFIS on 31 st March 2015.		
iv) Other fraud risks		
30. Do we have appropriate and proportionate defences against the following fraud risks:		
• business rates?		
The Council has Visiting Officers who check properties for indication of a business operating undeclared.	✓	
• Right to Buy?		
We are improving this process. The Corporate Counter fraud team are now involved in the vetting process and have already identified a number of concerns.	✓	
• council tax reduction?		
Council tax reduction is currently investigated by the HB Fraud team. Arrangements for after that date have yet to be agreed.	✓	
• schools?		
Internal Audit carry out fraud investigations at maintained schools. Fraud (Awareness) Bulletins are made available to schools. More work required in this area. Academies are outside SBC jurisdiction.		x
• grants?		
The level of grants has reduced significantly over recent years. Improved processes regarding the use of grant funding are being introduced by the Localities team.	✓	

Source: Audit Commission (2014)

**Audit Commission
1st Floor, Fry Building
2 Marsham Street
London
SW1P 4DF**

Switchboard: 0303 444 8300



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Head of Internal Audit Update

Audit Committee

Date: 16th April 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 April 2015, 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 April 2015 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 83% of the number of audits in the Annual Internal Audit plan was completed against a target of 94% as at the end of March 2014. More detail regarding the work carried out during 2014/15 is included in the Head of Internal Audit's annual report which was also presented to the Audit Committee meeting in June 2015.

Progress on completion of Internal Audit Plan 2015/16

- 3.3 Details of audits finalised since the April Audit Committee meeting are set out in Appendix 1. Appendix 2 sets out progress against the 2015/16 plan currently 10% of the number of the audits have been completed against a target of 12%.
-

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: 16th April 2015

Risk Management

- 3.4 Internal Audit continues to provide cover for the risk management function whilst the appointment process is gone through to find a replacement for the previous Risk Manager.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. 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 are achieved.

Diversity Impact Assessment

- 5.5 None

Risk Management

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

6. Consultees

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

Head of Internal Audit Update

Audit Committee

Date: 16th April 2015

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

8. Appendices

Appendix 1 – Internal Audit Reports finalised since the April 2015 Audit Committee.

Appendix 2 – Progress against the Internal Audit plan 2015/16

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Internal Audit reports finalised since the last Audit Committee meeting (April 2015)

Audit Title:	Housing Rents			Date of Report:		June 2015
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	1	Previous Audit Opinion:	1	Overall Evaluation (Risk):
Key Recommendations						
There are no key recommendations made as a result of this review.						
Moderate						

Audit Title:	Housing Voids			Date of Report:		June 2015
Number of 'High Priority' Recommendations:	8	Current Audit Opinion:	4	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):
Key Recommendations						
The key recommendations made as a result of the review are:						
<ul style="list-style-type: none"> The need for the Housing Voids team to have an operational plan for 2015/16. A one page consolidated performance pack should be developed to monitor performance of the team and contractors. That Housing Voids should seek a waiver from Contract Standing Orders to support the extended use of the interim contracts. To amend the Open Housing system to stop unauthorised personnel authorising variation orders. Where variations occur an analysis should be undertaken, by surveyor and contractor, to understand why they happened and to identify any trends. Orders and invoices should not be authorised by the same officer. All meetings with contractors should be minuted and saved onto the Housing shared drive. A formal target for post work inspections should be agreed and reported against quarterly. Evidence that the inspection has taken place should be recorded on the Open Housing system and individual void property file. The circumstances under which code R00013 (this enables costs to be entered manually rather than using the agreed schedule of rates) should be documented. When the code is used it should be authorised separately by the Empty Homes Manager to ensure it is a valid use of the code. 						
Of concern						

Audit Title:	Treasury Management 2014/15			Date of Report:		March 2015
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	1	Previous Audit Opinion:	1	Overall Evaluation (Risk):
Moderate						
<u>Key Recommendations</u> There are no key recommendations made as a result of the review.						

Audit Title:	Troubled Families Grant Claim			Date of Report:		May 2015
Number of 'High Priority' Recommendations:	n/a	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):
n/a						
The Troubled Families grant claim for submission in May 2015 was validated, enabling the Council to submit its claim for payment.						

Audit Title:	Internal Audit investigation: Inv. 14/15-15			Date of Report:		March 2015
Number of 'High Priority' Recommendations:	n/a	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):
n/a						
Internal Audit has carried out						

Audit Title:	Internal Audit investigation: Inv. 14/15-17			Date of Report:		April 2015
Number of 'High Priority' Recommendations:	n/a	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):
n/a						
Internal Audit carried out in to concerns raised by an employee. No evidence of financial irregularity was found. Other concerns are being considered under appropriate Council policies i.e. Grievance.						

Audit Title:	Internal Audit investigation: Inv. 14/15-16			Date of Report:		May 2015
Number of 'High Priority' Recommendations:	n/a	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):
n/a						
Internal Audit carried out an investigation. Sufficient evidence was found to proceed to a formal disciplinary hearing. This is due to be held in June.						

Audit Title:	Duplicate Payments			Date of Report:	
Number of 'High Priority' Recommendations:		Current Audit Opinion:	n/a	Previous Audit Opinion:	Overall Evaluation (Risk):
	0			n/a	n/a
<p>A review was undertaken to identify unrecovered duplicate payments made in 2014/15, from analysis of Oracle data using computer assisted audit techniques. The review identified £10,210 of duplicate payments that had not been previously recovered from suppliers. Recommendations have been made to improve controls to help prevent future duplicate payments being made. Duplicates identified from this exercise are now being recovered from suppliers.</p>					

Audit Title:	Governance of the Delivery of Corporate Objectives			Date of Report:	
Number of 'High Priority' Recommendations:		Current Audit Opinion:	n/a	Previous Audit Opinion:	Overall Evaluation (Risk):
	6			n/a	n/a
<p>A consultancy review was carried on the governance of corporate objectives, following up on a similar review in May 2014. The key recommendations made as a result of the review are as follows:</p> <ul style="list-style-type: none"> • Ensure the Council's golden thread is clearly cascaded from Strategy, through priorities/objectives, through business plans and relevant personal objectives for staff. Continue to promote an approach that encourages joined-up planning between service areas and ensure compliance with a minimum corporate standard of planning, in terms of content and completion. • Carry out an exercise to apply periodic "gateway" style reviews to the Council's change programmes, at key programme phases. • Recommendations made in the 2014/15 Internal Audit report on performance management should be reviewed by Corporate Board and implemented as agreed. • Continue to develop communication and engagement approaches to effectively communicate and cascade the Strategy and objectives to individuals and teams (including through personal objective setting and appraisal processes) and ensure processes for supporting and holding staff accountable to delivery agreed objectives are in place. • Develop more meaningful data at a locality level (e.g. "whole place" information) to inform Strategy development and commissioning plans. Cascade and embed the Council's commissioning approach to relevant officers and Members • Ensure careful integration of Localities and other service area plans to ensure Localities resources are directed to areas that will have the most strategic impact, in terms of building community capacity and bringing required transformational change to service provision. 					

Audit Title:	Performance Management			Date of Report:		May 2015
Number of 'High Priority' Recommendations:	7	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):
<p>A consultancy review was carried on the governance of performance management. The key recommendations made as a result of the review are as follows:</p> <ul style="list-style-type: none"> • Review the Council's priorities, objectives and required outcomes. In conjunction with this review, develop more relevant strategic, tactical and operational measures of performance that ensure the Council's golden thread is reflected in its selection of performance measures. Continue to develop a portfolio management approach to programme and project management in the Council. • Publish a framework setting out required processes, timescales, roles and responsibilities and standards for performance management, both at a Corporate and Pillar/departmental level. Standardise practices for basic performance management processes across the Council where necessary and ensure timescales for reporting are complied with, escalating non-compliance to Senior Management Teams and Corporate Board where necessary. • Develop capacity and skills in service areas to collate and analyse performance information, including root cause analysis of issues and identification of performance trends that require early intervention. • Work to develop effective performance management processes in relation to the Council's key partnerships (e.g. One Swindon) and also key contracts, to ensure measures support effective, early identification of issues with delivery. • Continue to develop a consistent benefits realisation management process for the Council, including a process to capture and report on the achievement of complex benefits that will be delivered over a longer period of time. • Continue to work to develop data and performance information at a locality level that is meaningful and useful to Council staff, Ward Members and residents and other stakeholders. • Ensure clear links and alignment between objectives at a corporate, business plan and personal level, through the performance and appraisal process. 						

Audit Title:	Public Health Grant Claim 2014/15 Assurance			Date of Report:		April 2015
Number of 'High Priority' Recommendations:	n/a	Current Audit Opinion:	n/a	Previous Audit Opinion:	n/a	Overall Evaluation (Risk):
<p>The ring-fenced Public Health grant claim provided by Public Health England for 2014/15 was validated, confirming it had been applied for the purposes intended by Parliament and in accordance with the grant conditions.</p>						

	April	May	June	July	August	September	October	November	December	January	February	March
Managed Audits Completed												
(total 10)												
Managed Month Total	0	0	0	0	0	0	0	0	0	0	0	0
Managed Cumulative Total	0	0	0	0	0	0	0	0	0	0	0	0
Managed Target %	0	0	0	20	30	50	70	80	80	80	80	100
Managed Achieved %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Total Non Managed Audits Completed - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Other Audits Issued	Public Health Assurance Statement	Funding High Needs Students										
Target: 105 (inc. provision for investigations)	Inv 14/15-15	Inv 14/15-16										
	Inv 14/15-17	Troubled Families Grant Claim (May)										
	Whistleblowing Policy	Housing Voids										
	Annual Governance Statement	Corporate Buildings Statutory Comp follow-up										
		Isambard School follow-up										
Non-managed total for month	5	6	0	0	0	0	0	0	0	0	0	0
Cumulative non managed audits	5	11	11	11	11	11	11	11	11	11	11	11

Overall target: 115 audits	April	May	June	July	August	September	October	November	December	January	February	March
Overall Month Total Audits	5	6	0	0	0	0	0	0	0	0	0	0
Overall Total Audits	5	11	11	11	11	11	11	11	11	11	11	11
Target Completion of Plan %	6	12	20	28	35	43	52	60	67	74	82	90
Audit Plan Achievement %	4%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

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