

Swindon Borough Council

Audit Committee

Tuesday, 23 February 2016

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. Declarations of Interest

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

3. Public Question Time

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

4. Minutes (Pages 5 - 8)

To receive the minutes of the meeting held on 17th November 2015

5. Corporate Risk Management Update HPP&E (Pages 9 - 14)

6. Internal Audit report - Brindley Close (Lessons Learnt) HIA (Pages 15 - 44)

7. **Internal Audit report - Licensing HIA** (Pages 45 - 54)
8. **External Audit Reports** (Pages 55 - 76)
 - I. Certification Report 2014/15
 - II. Audit Committee Update
9. **Public Sector Internal Audit Standards - External Assessment HIA** (Pages 77 - 84)
10. **Head of Internal Audit Update HIA** (Pages 85 - 100)

Date of Despatch: 15 February 2016

Key:

Officers:

HIA - Head of Internal Audit
 HPP&E - Head of People, Performance and Engagement

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

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

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

The Audit Committee - Terms of Reference

(the complete terms of reference and programme of activity for the Audit Committee are set out in Minute 10 of the meeting of the Audit Sub-Committee held on 16 June 2015)

- 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.

This page is intentionally left blank

AUDIT COMMITTEE

TUESDAY, 17 NOVEMBER 2015

PRESENT:- Councillors Steve Weisinger (Chair), Steve Allsopp, Oliver Donachie, Nick Martin, Des Moffatt, Maureen Penny and Kevin Small.

An apology for absence was received from Councillor Mark Edwards.

24. Declarations of Interest

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

25. Public Question Time

There were no public questions.

26. Minutes

Resolved - That the minutes of the meeting held on 29th September 2015 be confirmed and signed.

27. Mid-Year Treasury Performance 2015-16

The Committee received a report of the Board Director, Resources, setting out the Council's mid-year Treasury Management performance for the period to the end of September 2015/16 in relation to (i) its long-term borrowing for capital investment and short-term borrowing for temporary cash flow purposes and (ii) its investment of surplus cash.

Mr Paul Smith, the Council's Head of Technical Finance, was in attendance to present the report and responded to members' specific questions on some of the issues raised in relation to the report's analysis of the Council's debt and investment position.

Resolved – (1) That the Council's mid-year Treasury Management performance position, as at end September 2015, be noted.

(2) That, in response to members' comments at the meeting, this report should, in future, provide additional information on daily cash flow balances and that the officer be asked to circulate to members this information as applicable to the period to end September 2015.

(3) That the External Auditor be asked to provide a written response to the Committee's query regarding the appropriate nominated authority for raising additional premiums on business rates.

28. Internal Audit follow-up review: Licensing (Taxi and Private Hire)

The Committee received a follow-up review of the initial audit report on "Licensing (Taxis and Private Hire)", which review, completed in December 2014 and reported to Audit Committee in March 2015, had concluded that whilst many aspects of the

Licensing system were working effectively, some fundamental internal controls were missing. Consequently, the audit conclusion was that there were fundamental weaknesses in the internal control arrangements leading to a 'significant' risk to the Council.

The Committee noted that the follow-up review had established that a number of the audit recommendations had been fully implemented and that further recommendations, including the main outstanding matter, relating to the reconciliation of income collected and services provided, had been implemented since completion of the follow-up review.

The Council's Head of Planning, Regulatory Services, Heritage and Libraries and the Licensing Manager were in attendance and provided a current position statement in relation to the implementation of the internal audit recommendations and responded to members' questions on issues raised regarding identified risk areas, the management response to the audit conclusions and key recommendations, and progress in implementing the action plan.

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

(2) That members be advised of the specific Key Performance Indicators that have been put in place to facilitate monitoring of the effective delivery of service improvements.

(3) That the significant work that has been carried out to improve the Council's Taxi and Private Hire Licensing system, in response to the audit findings, be recognised and welcomed.

(3) That, with regard to the arrangements introduced from 1st November to reconcile income collected and services provided, the Head of Internal Audit be asked to conduct a review of the effectiveness of the arrangements and to report his findings to the Committee if appropriate.

29. Internal Audit Charter

The Committee received a report of the Head of Internal Audit inviting members to review and approve the Council's Internal Audit Charter. It was noted that the Audit Charter was a requirement of the Public Sector Internal Audit Standards (PSIAS), which standards provided the mandatory guidance that constituted the principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for the evaluation of the effectiveness of Internal Audit's performance.

Resolved – That the Internal Audit Charter, appended to the report, be approved.

30. External Audit

(i) The Annual Audit Letter

The Committee received the External Auditors' Annual Audit letter. It was noted that it was the intention that the Letter should communicate key messages to the Council and to external stakeholders, including members of the public.

Liz Cave, the External Auditors' Engagement Lead for the Council, introduced the report, summarising the key findings arising from their work at the Council for the

year ended 31 March 2015, as reported in detail to the last meeting of the Audit Committee in the Audit Findings report, and commenting on the following residual risk areas:

- Financial Resilience – the funding gap over the period of the next three years and the need to find on-going savings to ensure that the budget can be balanced.
- The management of the service transformation programme.
- The recruitment and retention of social workers and the impact on the efficiency of the service.

Ms Cave made particular reference to the issue reported to the last meeting, regarding a potential change in the draft 2014/15 accounts of a wholly owned subsidiary of the Council, commenting that, to her knowledge, the issue remained outstanding. Whilst she fully expected that the issue would be appropriately resolved, she suggested that the resolution of this matter should be reported to members of the Audit Committee.

Resolved – (1) That the report be noted.

(2) That the External Auditor provide members with details of the guidance pertinent to local authorities' responsibility to appoint an independent reporting accountant for the certification of the Teachers' pension return.

(ii) Update

Liz Cave (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 17th November 2015, in respect of the delivery of their audit responsibilities. Ms Cave advised members that the External Auditors' Audit Plan for 2015/16 would be submitted to the Committee early in 2016 for approval and commented on the influence on the Plan of the following two medium term issues:

- The Government's intention to bring forward by two months the timetable for signing off local authority accounts.
- The Government's intention to bring highways infrastructure on to the balance sheet at replacement cost.

The Update report also included a summary of key emerging national issues and developments that might be of interest to the Committee.

Resolved – (1) That the update report and the summary of key emerging national issues and developments be noted.

(2) That, further to Councillor Donachie's comments about his concerns regarding levels of written off miscellaneous expenses, as identified in a meeting he had attended previously, the support officers for that previous meeting be asked to provide a breakdown of the aforementioned miscellaneous expenses in order that this might be considered by the Audit Committee.

(Councillor Oliver Donachie made a non-prejudicial declaration of interest in respect of the Committee's consideration of this item on the grounds of his appointment as a non-executive Director of Public Power Solutions).

31.

Head of Internal Audit Update

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit reports finalised since the last Audit Committee meeting in September 2015, progress made against the Annual Internal Audit Plan 2015/16 and Internal Audit staffing and resource issues.

Resolved – (1) That the report be noted.

(2) That the Head of Internal Audit determine which, if any, audit review(s), completed between now and the next scheduled meeting, should be submitted to the Committee for detailed consideration.

Corporate Risk Management Update

Audit Committee

Date: 23rd February 2016

Author: Head of Performance, People and Engagement

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To present Audit Committee with a summary report on Risk Management activity within Swindon Borough Council, with the latest Corporate Risk Summary.
- 1.2 Audit Committee provides independent assurance to the Council on the effectiveness of the Council's Risk Management, Internal Control and its overall assurance framework. This report summarises the areas that the Committee may wish to consider in gathering this assurance and provides a basis for discussion.
- 1.3 The risk management processes and the Corporate Risk Summary are management processes that support the successful delivery of the One Swindon outcomes and the Council Priorities and pledges.

2. Recommendations

The Committee is recommended to:

- 2.1 Discuss and gain assurance on the corporate risk management approach and processes and risks captured in the Corporate Risk Summary.

3. Detail

Sub-Heading if required [choose style Heading 2]

- 3.1 The Corporate Risk Summary is updated and agreed quarterly with Corporate Board Members. It reflects current and emerging strategic risks from across the organisation. Mitigating actions are actively monitored for implementation and effectiveness as part of this process.
- 3.2 Formal risk documentation is in place at, Corporate, Pillar and service levels and risks are escalated up through the organisation. Significant delivery partner/contractor joint risk registers are also in place, for example with the CCG and on a number of construction projects.
- 3.3 The Corporate Risk Summary is provided at Appendix 1 and includes the respective causes, impacts and planned actions to reduce likelihood for each area of risk. Some risks, such as safeguarding children will have been identified at service level and then escalated through Pillar level to the Corporate summary. Similar escalation has also occurred with Health & Safety which many teams have correctly identified as a risk in their respective areas. Conversely, a

Further information on the subject of this report can be obtained from Sam Mowbray, 07823 525337, smowbray@swindon.gov.uk

Corporate Risk Management Update

Audit Committee

Date: 23rd February 2016

risk such as Organisational Sustainability has originated at Corporate level rather than having been raised through the organisation. One risk commonly mentioned is reputational risk. As will be seen this has not been individually recognised as damage to the Council's reputation is a potential impact rather than a risk and, as such, is included as a consequence in many the Corporate level risks.

Development of Risk Management

- 3.4 A summary of activity during the last twelve months and how it has helped Swindon Borough Council move forward through this improvement is outlined below.
- 3.4.1 A new Risk & Performance Officer was appointed in August 2015, with Internal Audit having provided temporary cover since the departure of the Corporate Risk Manager in March 2015.
- 3.4.2 The processes and documentation for risk management have undergone significant revision to:
- Make the process more accessible and understandable;
 - Focus on fewer key risks rather than all risks;
 - Integrate risk within the planning, performance and reporting processes;
 - Concentrate management actions on reducing the likelihood of risks materialising.
- 3.4.3 The new summary format and its integration within planning and performance reflects modern best practice for the public and private sectors. In particular it counters the tendency for risk management to evolve into a complex stand-alone process. The format presents succinctly what the key risks are, their potential impacts, and the actions that have or are being taken to reduce the chance of them happening.
- 3.4.4 A series of discussions have taken place with Corporate Board, both individually and collectively, and subsequently with all Heads of Service to explain of the elements of the revised risk management process, showing the revised way of recording these and focusing particularly on improving the quality of risk identification.
- 3.4.5 New format Risk Summaries are incorporated within all 16/17 Business Plans and these summaries are quality assured with further advice and assistance provided where necessary.
- 3.4.6 The emphasis on recording key risks rather all possible risks is to facilitate more effective regular reviews as for these to be successful risk summaries should not be of excessive length. Work on the Pillar risk

Corporate Risk Management Update

Audit Committee

Date: 23rd February 2016

summaries has succeeded in streamlining these to a significantly more manageable and practical size.

3.4.7 Training on risk management is included as part of the induction for new managers.

3.4.8 Work on improving the identification and management of risk and uncertainty is ongoing in all areas to ensure this is efficient and effective.

An Integrated approach to Performance and Risk

3.5 Risk management is not a new activity although in many organisations , it has tended to become overly complex and operate as a stand-alone process. Traditionally, the functions of risk management and performance management have reported separately. However, the 2008 financial crisis served as a reminder that performance and risk are inextricably linked and so the processes need to be effectively integrated.

3.6 Within the Council, risk is included within all business plans and the subsequent quarterly reviews will address performance alongside risk. This process has been adopted from Quarter 3 of the current financial year. The Quarter 3 review by the Corporate Board considered performance beside corporate risks.

3.7 The effectiveness of this revised approach will be monitored and kept under review to ensure it achieves the desired outcome as well as reflecting best practice.

3.8 The efficiency and effectiveness of risk management will be subject to review by Internal Audit early in 2016

4. Alternative Options

4.1 Not applicable, the report outlines key risk management activity.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 The risk management budget supports funding for delivering risk management. General risk management related costs are absorbed by existing budgets.

Legal and Human Rights Implications

5.2 As part of the Accounts and Audit regulations 2006, it is a statutory requirement that the Council maintains a robust, adequate and effective system of Risk Management in the delivery of its core services.

Corporate Risk Management Update

Audit Committee

Date: 23rd February 2016

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

- 5.3 Nothing specific for this report.

Diversity Impact Assessment

- 5.4 A Diversity Impact Assessment has not been completed for this report, as it is a summary of actions taken. Where applicable, Diversity Impact Assessments have been undertaken which cover the following component actions of the report and these are held in the responsible service areas.

Risk Management

- 5.5 A Risk Assessment has not been completed for this report as it is a summary of risk management activity overall. The Corporate Risk Summary is the corporate assessment of key risks facing the Council at this time.

6. Consultees

- 6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- 6.2 The Chief Executive and Head of Internal Audit, was also consulted in respect of this report.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Corporate Risk Summary February 2016

Corporate Risk Summary

Dated: 3 December 2015

Page 13

	Risk Area	Owner	Last Qtr	This Qtr	Change	Why the change?	Impact	Possible Causes	Plans to reduce likelihood
			Likelihood						
1	Organisational Sustainability	CE	M		↔	•	<ul style="list-style-type: none"> Abolition Loss of local decision making Excessive and unaffordable expenditure due to demand on services 	<ul style="list-style-type: none"> Ability to manage scale of austerity measures Incorrect care model devised and/or implemented 	<ul style="list-style-type: none"> Change programme Investment in revenue generating activities Clarity of narrative in position and response Determination and implementation of the optimal care model
2	Political Uncertainty	CE	L		↔	•	<ul style="list-style-type: none"> Variations to priorities Ambitions not realised Financial impact of change Destabilising relationship between members and officers Reputational damage 	<ul style="list-style-type: none"> Elections Relationships Actions of individual or group have negative impact National policy changes 	<ul style="list-style-type: none"> Leaders Advisory Group Regular joint meetings Communication and engagement with members
3	Safeguarding Children	JG	M		↔	•	<ul style="list-style-type: none"> Preventable Injury or death Standard of care suffers Reputational damage Challenge/change to delivery arrangements Potential damages Loss of public and member confidence 	<ul style="list-style-type: none"> Recruitment/retention of skilled staff Inadequate processes Error IT limitations Inadequate supervision Inherently unpredictable client behaviour 	<ul style="list-style-type: none"> Workforce development Audit and evaluation Cross council work on CSE Increased supervision/oversight Service Improvement plans
4	Failure/unavailability of business critical IT system / Disclosure of personal data / Loss of data	SM	M		↔	•	<ul style="list-style-type: none"> Service disruption Serious safeguarding issue Financial cost / damages ICO Prosecution (and fine) Reputational damage with loss of public and member confidence 	<ul style="list-style-type: none"> Inadequate processes Error Malicious action Transition from Capita Lack of understanding of system criticality relating to vulnerable people 	<ul style="list-style-type: none"> Data/system inventory System maintenance Preventative controls Data back-up regime and testing Training / guidance Personnel procedures
5	Major Unplanned expenditure	SM	L		↔	•	<ul style="list-style-type: none"> Financial cost Consequential impact on other areas 	<ul style="list-style-type: none"> Emergency Government initiative Migration 	<ul style="list-style-type: none"> Budget contingency Reserves
6	Health & Safety	CE	M		↔	•	<ul style="list-style-type: none"> Injury or death HSE prosecution Financial impact (damages/costs) Reputational damage 	<ul style="list-style-type: none"> Lack of awareness Lack of care Inadequate training Equipment failure 	<ul style="list-style-type: none"> Address OHSAS inspection Training

		Last Qtr		This Qtr					
	Risk Area	Owner	Likelihood		Change	Why the change?	Impact	Possible Causes	Plans to reduce likelihood
7	Emergency management Business continuity Disaster recovery	CE	L		↔	•	<ul style="list-style-type: none"> • Loss of key systems/services • Disjointed response • Financial consequences • Reputational damage • Loss of public confidence 	<ul style="list-style-type: none"> • Inadequate training • Poor planning or implementation 	<ul style="list-style-type: none"> • Updated EPRR plan • Improved response capability
8	Governance	ST	L		↔	•	<ul style="list-style-type: none"> • Non-compliant with legislative and statutory obligations • Successful legal challenge • Financial consequences / additional costs • Loss of public and member confidence / Reputational damage • Partnership / Commissioned service collapse leading to service disruption / critical service not delivered 	<ul style="list-style-type: none"> • Legislative changes • Poor advice • Inability to transfer risk • Lack of oversight/visibility • Staff not understanding impact of devolved delivery • Financial and demand pressures / Resource constraints 	<ul style="list-style-type: none"> • Retention of skilled staff • Staff training • Staff deployment • Robust contracting system
9	Highways and Transport	BB	M		↔	•	<ul style="list-style-type: none"> • Real or perceived unacceptable levels of congestion • Complaints • Loss of public confidence • Pressure from members 	<ul style="list-style-type: none"> • Upgrading infrastructure • Improving capacity 	<ul style="list-style-type: none"> • Recognising conflicts • Improved communications to users • Traffic monitoring
10	Achievement of Vision	CE	L		↔	•	<ul style="list-style-type: none"> • Loss of key businesses • Inability to attract inward investment • Reduced income from business rate • Needs of community and stakeholders not met • Increased demand on fewer resources 	<ul style="list-style-type: none"> • Inadequate schools • Results at KS4 • Recruiting difficulties • Inability to maximise geographic advantage • Lack of community capacity • Lack of infrastructure planning • Rate of growth 	<ul style="list-style-type: none"> • Improvement plans for failing schools • Targeted interventions • Contribute to SWLEP plan • Partnership with Teaching Schools Alliance • New Eastern Villages (NEV) • Major Projects Team

Internal Audit report – Brindley Close (Lessons Learnt)

Audit Committee

Date: 23rd February 2016

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

1. Purpose and Reasons

- 1.1 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. The Chair of Audit Committee requested that Internal Audit's report on Brindley Close be brought to the February meeting of the committee. This audit was carried out as a consultancy review to look at lessons learnt and therefore there is no overall audit opinion.

2. Recommendations

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

3. Detail

Background

- 3.1 The Board Director: Service Delivery requested that Internal Audit include in their 2015/16 audit plan a 'lessons learnt' review following a waste fire on Council owned land at Brindley Close, which was leased to Averies Recycling (Swindon) Ltd.
- 3.2 Averies was operating a waste transfer site under an Environment Agency licence which allowed them to operate waste activities under specified rules. Averies stock piled waste at Brindley Close instead of transferring and paying for this to go to landfill. Following the fire at this site Averies still did not remove the waste to bring the overall levels within that allowed in the waste permit.
- 3.3 The Environment Agency took action against Averies and revoked their waste transfer licences at both the Brindley Close site and at another site they were operating from at Marshgate, also in Swindon.
- 3.4 Averies liquidated the company in January 2015. The Council, as landowner, is now in the position 'of last resort' and liable for cleaning up the significant volume of waste left at Brindley Close. The Environment Agency is in the process of taking

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 report – Brindley Close (Lessons Learnt)

Audit Committee

Date: 23rd February 2016

court action against Averies for breach of waste permits and inadequate security at both of their former sites.

- 3.5 An Averies Task Group was set up by the Council's Scrutiny Committee to review the Local Resilience Forum's debrief report on the incident and to investigate the circumstances that led to the incident. The Task Group's Interim report on the Local Resilience Forum's debrief was presented to the Council's Scrutiny Committee in January 2016.

Key Findings for the Internal Audit review

- 3.6 Although this consultancy review does not include an overall audit opinion it is evident that significant improvements are required to processes. The key messages from this review are set out below.

(a) Site ownership and landlord duties

In the absence of an environmental waste management register it was not apparent what waste activities are conducted on Council owned land and who is monitoring these sites. However, a review of the Environment Agency website 'my back yard' by the auditor established that there are thirty-three Environment Agency licensed waste activities in the Borough of Swindon of which nineteen are on Council owned land and are either leased or deemed 'operational'.

There is an absence of local and corporate risk and performance reporting and monitoring for environmental risks including waste activities. There is also no due diligence process in place to provide an assurance that tenants, that operate waste activities on Council land, are diligently discharging their Environment Agency waste operator licence responsibilities and liabilities.

The audit found that the Council should take a more proactive and comprehensive inspection regime for the waste sites leased on Council owned land. However, as the Council has no enforcement powers it would still be for the Environment Agency to ensure appropriate action was taken.

(b) Qualifications of staff

The Council appointed a dedicated and professionally qualified waste management officer to have an overview and where necessary manage waste sites on Council owned land. Following his departure during 2012/13 there has been a gap in that the Council no longer has a responsible technically competent manager, or resource to fulfil this overview function. However, a Compliance Engineer was appointed in 2014/15 to manage closure of the Council's Shaw Farm Landfill site.

Internal Audit report – Brindley Close (Lessons Learnt)

Audit Committee

Date: 23rd February 2016

(c) Environment Agency

The Board Director, Service Delivery stated that he has a very good working relationship with the Environment Agency and meets with their representatives periodically to discuss emerging risks and issues. However, there is no relationship with the Environment Agency at an operational level.

To date, the Council has placed reliance on the Environment Agency as the waste licensing body to be responsible for enforcing the permitted terms and conditions of tenants' waste licences. Periodic waste activity checks or inspections have not been independently conducted or commissioned by the Council, for land leased to tenants operating waste related business activities. Copies of Environment Agency inspection reports have not been obtained by the Council in its capacity as landlord.

The issue of waste transfer licences by the Environment Agency to operators is not subject to the same financial assurance process that would be required from a waste landfill operator. The current arrangements for waste transfer sites do not provide any indemnity or surety to the landowner. The Council is therefore at risk if a waste transfer operator, operating on Council leased land, defaults on their waste licence and/or ceases to trade, which happened in the case of Averages.

(d) Lease agreements

It is recommended that the Council decides whether to lease any more land for the operation of waste activities and whether to renew any existing leases when they expire. In the event it is decided to enter in to new or extend existing arrangements then it is important that all relevant parties i.e. planning, fire authority, the Environment Agency etc. are contacted to ensure that all relevant information is obtained before agreeing the lease.

The terms and conditions of existing leases for waste activities are not sufficient to provide an assurance or financial surety to the Council for any environmental impact or clean-up costs i.e. in the event that a tenant operating a waste business ceases to trade and goes into liquidation.

(e) Board Director: Service Delivery

The Board Director: Service Delivery has and continues to work closely with Corporate Board and the Environment Agency following the fires at both Averages waste transfer sites in Swindon. This working arrangement is seeking to ensure that the best value and environmental option is achieved for the removal of waste from the affected Council land in Brindley Close.

The Director of Law and Democratic Services has sought and provided Queen's Counsel advice to Corporate Board to facilitate decision making on the ability of the Council to pursue Averages for the cost of cleaning up the remaining waste at Brindley Close.

Internal Audit report – Brindley Close (Lessons Learnt)

Audit Committee

Date: 23rd February 2016

The cost of the Brindley site clean-up has been estimated by the Board Director, Services Delivery to be less than the £2m first reported by the Swindon Evening Advertiser in November 2014. Based on the current clean up options being prepared by consultants appointed by the Council the expected clean-up costs are currently estimated to range between £750,000 and £1 million.

(f) Best Practice

The Auditor, in conjunction with the Head of Property Assets and his staff met and observed the waste management arrangements of Council tenants operating Environment Agency waste licences i.e. Saunders Metals Ltd (at Kendrick Industrial Estate - waste transfer licence) and Hills Waste Management Swindon (at Chapel Farm - landfill and waste transfer licences). Whilst the Environment Agency periodically visit and monitor these sites, feedback from the tenants was that they felt in their experience, regulation of waste licences has become very much self-regulating. They perceived this followed a reduction of Environment Agency resources and presence. One tenant advised that whilst there is a risk assessment model used to evaluate waste operators this was considered to be focussed on larger operators due to the high level of impact and materiality of operations, but not necessarily and sufficiently weighted to reflect the assurance of waste management controls in place and the effectiveness of their operation. They felt this could mean smaller waste transfer operators have by comparison a lower risk profile, but potentially a high risk in their own right, regarding their trading stability and financial waste sureties/provisions.

(g) On-going issues

The Environment Agency and the Contaminated Land Officer reviewed the status of waste transfer sites operated on Council land. There are no impending actions on any sites although some concerns which need to be monitored. The responsibility for conducting the monitoring of these concerns needs to be determined.

3.7 Internal Audit has also completed a consultancy piece of work on Shaw Landfill site, again at the request of the Board Director: Service Delivery. Many of the findings of that audit are relevant to this review.

3.8 The Board Director: Service Delivery and the Head of Property Assets will be at Audit Committee to answer any questions that Members may have.

4. Alternative Options

4.1 Not Applicable

Internal Audit report – Brindley Close (Lessons Learnt)

Audit Committee

Date: 23rd February 2016

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

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: *Brindley Close – Lessons Learnt* (December 2015)

This page is intentionally left blank

**Brindley Close
Lessons Learnt Review
December 2015**

Swindon Internal Audit Services: Brindley Close, Lessons Learnt Review

Contents and Distribution

Contents

Executive Summary	2
Action Plan	8
Appendices:	
A - Acknowledgements	
B - Waste sites in Swindon as extracted from the EA website data base 'My back yard'	
C - Status of EA waste transfer station licenses relating to Council owned land	
D - Suggested lease terms and conditions to be evaluated for inclusion in waste operator lease agreements	
E - Sample Environmental Risk Accident Assessment Scoring	
F – Waste management activities and responsibilities for Council owned land.	

Final Report Distribution – 11th December 2015 to:

Bernie Brannan	Board Director: Service Delivery
Gavin Jones	Chief Executive
Cherry Jones	Director of Public Health
David Rudland	Contaminated Land Officer
Rob Richards	Head of Property Assets
Stephen Taylor	Director of Law and Democratic Services
Paul Simmonds	Environmental Services Manager: Public Protection
Derek Edgington	Compliance Engineer
Tim Price	Service Manager Highways
Adrian Arnold	Head of Finance, Delivery

Auditor:

Lorraine Sarson	Principal Auditor
-----------------	-------------------

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Executive Summary

Background

The Board Director, Service Delivery requested that Internal Audit include in their 2015/16 audit plan a 'lessons learned' review following a waste fire on 27th and 28th November 2013, on Council land at Brindley Close, Swindon, which was leased to Averies Recycling (Swindon) Ltd.



Council owned land at Brindley Close occupied by Averies Recycling (Swindon) Ltd – photograph sourced from the Swindon Evening Advertiser

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

The land at Brindley Close was acquired from British Rail on 14th July 1983. There was no 'use clauses' included in the property conveyance. Units of land at Brindley Close were assigned, under individual lease agreements, to Averies by Swindon Skips who had experienced financial trading difficulties. The original lease agreements commenced on 1st September 2008 and were for a term of six years. Under these leases Averies became responsible for units at Brindley Close numbered one, two, three, five and twelve plus a skip storage area.

Averies Recycling (Swindon) Ltd was operating the waste transfer station under an Environment Agency (EA) licence. The EA waste licence permitted Averies Recycling (Swindon) Ltd (Averies) to operate waste activities in accordance with specified rules. The EA is responsible for conducting periodic monitoring visits and enforcement of the waste transfer licence. However, Averies did not comply with EA requirements for more than a year before the fire on site occurred. Averies stock piled waste at Brindley Close instead of transferring and paying for this to go to landfill, profiting from avoiding payment of landfill tax. Following the fire at this site Averies still did not remove waste to bring the overall levels within that permitted in the waste permit.

As well as the Council's site at Brindley Close, Averies also leased land at Marshgate in Swindon. This site was also an EA licenced waste transfer business. Averies also acted in breach of EA waste permit conditions at Marshgate by holding waste in excess of the permitted EA licence tonnage. The EA took enforcement action with Averies to reduce waste at both sites, but this was not complied with. An extensive fire broke out at the Averies Marshgate site which burned from 21st July to 15th September 2014, and resulted in the EA 'picking-up' the site waste clean-up costs.

The EA subsequently took action against Averies and revoked their waste transfer licences at both sites in late 2014. Averies liquidated the company and registered the appointment of an administrator with Companies House on 13th January 2015. Following the liquidation of Averies, the Council, as landowner, is now in the position 'of last resort' and liable for cleaning up the significant volume of waste left at Brindley Close. The EA is in the process of taking court action against Averies for breach of waste permits and inadequate security at both of their former sites i.e. Marshgate and Brindley Close. The case appeared at Swindon Crown Court in August 2015. The case was adjourned following a not-guilty plea submitted by both the Directors of the former Company, Lee and David Averies. A trial date is due in August 2016.

Freedom of Information requests have not been made to the EA by the Auditor for specific details of the EA's waste permit monitoring arrangements, frequency of visits and enforcement action against Averies at Brindley Close, and Marshgate due to the on-going court case.

There have been multi-agency responses and media releases regarding the fires at both Averies sites in Swindon. The Council as part of the Local Resilience Forum in Wiltshire is one of the multi-agencies who responded to the Averies fires alongside the blue light services and Environment Agency. The Board Director: Service Delivery, heads up the Council's multi-agency Tactical Command Group including the Civil Protection Unit, Public Health, Streetsmart and Out of Hours service who assisted in the response to these incidents.

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

An Averies Task Group has been set up by the Council's Scrutiny Committee to review the Local Resilience Forum's (LRF) debrief report on the incident and to investigate the circumstances that led up to the incident. The Task Group's Interim report on the LRF's debrief is due to be presented to the Council's Scrutiny Committee in January 2016.

Key Messages - Lessons Learnt

Although this consultancy review does not include an overall audit opinion it is evident that significant improvements are required to processes. The key messages from this review are set out below.

Internal Audit had completed a consultancy review of the effectiveness of waste management arrangements operating at the Shaw Landfill site, again at the request of the Board Director: Service Delivery, in 2014/15. The findings of this audit also found that significant improvements were required. Many of the audit findings are relevant to this review of Brindley Close.

Site Ownership and landlord duties

In the absence of an environmental waste management register it was not apparent what waste activities are conducted on Council owned land and who is monitoring these sites. However, a review of the EA website 'my back yard' by the auditor established that there are thirty-three EA licensed waste activities in the Borough of Swindon of which nineteen are on Council owned land and are either leased or deemed 'operational' (see appendix B). With the exception of waste transfer activity (ten sites which were already owned by the Council), the Council became responsible for landfill sites (nine sites) from Wiltshire County Council in 1997 on the Council becoming a Unitary Authority. In appendix B, the Contaminated Land Officer has included requirements to assess and determine the environmental safety of Council land formerly used as fill sites.

There is an absence of local and corporate risk and performance reporting and monitoring for environmental risks including waste activities. There is also no due diligence process in place to provide an assurance that tenants, which operate waste activities on Council land, are diligently discharging their EA waste operator licence responsibilities and liabilities.

The audit found that the Council should take a more proactive and comprehensive inspection regime for the waste sites leased on Council owned land. Recommendations regarding this are made in the report. However, as the Council has no enforcement powers it would still be for the EA to ensure appropriate action was taken.

Qualifications of staff

The Council appointed a dedicated and professionally qualified waste management officer to have an overview and where necessary manage waste sites on Council owned land. However, following his departure during 2012/13 there has been a gap in that the Council no longer has a responsible technically competent manager or resource to fulfil this overview function. However, a Compliance Engineer was appointed in 2014/15 to manage closure of the Council's Shaw Farm Landfill site. He is working with the Contaminated Land Officer to bring this site to a 'closed' status under the EA waste permitting arrangements. Public Powered Solutions Ltd also has a technically competent manager for the waste transfer site which the company operates on Council owned land at the Waterside Depot.

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Environment Agency

The Board Director, Service Delivery stated that he has a very good working relationship with the EA and meets with their representatives periodically to discuss emerging risks and issues. However, there is no relationship with the EA at an operational level.

To date, the Council has placed reliance on the EA as the waste licensing body to be responsible for enforcing the permitted terms and conditions of tenants' waste licences. Periodic waste activity checks or inspections have not been independently conducted or commissioned by the Council, for land leased to tenants operating waste related business activities. Copies of EA inspection reports have not been obtained by the Council in its capacity as landlord.

The issue of waste transfer licences by the EA to operators is not subject to the same financial assurance process that would be required from a waste landfill operator. Waste transfer station operators are not required to provide any financial surety in the form of an Escrow agreement (contractual arrangement between the waste licence holder and the EA whereby the EA has access to a financial provision in event of the operator ceasing to trade), performance bond or similar which are required to support EA landfill licences. The EA can call upon these in the event of the operator either ceasing to trade or to remedy any environmental issues following a breach of the waste licence. The current arrangements for waste transfer sites do not provide any indemnity or surety to the landowner. The Council is therefore at risk if a waste transfer operator, operating on Council leased land, defaults on their waste licence and/or ceases to trade, which happened in the case of Averies.

At a National level it is noted that the EA are consulting on proposals to enhance enforcement powers to tackle waste crime and persistent poor performance in the waste management industry. If proposals are successfully implemented these could provide financial sureties for waste transfer stations similar to those currently required for EA landfill licence holders. The Council should make formal representation to the EA as part of this consultation regarding the Brindley Close clean-up operation.

Lease agreements

It is recommended that following the fire at Brindley Close and the Council becoming liable for the extensive and expensive clean-up of the waste left on site, the Council decides whether to lease anymore land for the operation of waste activities and whether to renew any existing leases when they expire. In the event it is decided to enter in to new or extend existing arrangements then it is important that all relevant parties i.e. planning, fire authority, the EA etc. are contacted to ensure that all relevant information is obtained before agreeing the lease.

The terms and conditions of existing leases for waste activities are not sufficient to provide an assurance or financial surety to the Council for any environmental impact or clean-up costs i.e. in the event that a tenant operating a waste business ceases to trade and goes into liquidation (see Appendix D for suggested additions to waste related lease's terms and conditions).

The assignment of the Brindley Close lease, from Swindon Skips waste transfer business, to Averies was only subject to a limited financial check on the ability of the perspective tenant to pay the rent. The higher risks associated with the type of activity, the trading history, and financial stability of the perspective tenant was not risk assessed/vetted to evaluate their suitability.

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

In 2014 waste from Brindley Close had 'broken-out' beyond the boundaries of the land leased to Averies onto surrounding land, covering another unit of land (unit four) and encroached onto a communal car park (unit seven). The estimate tonnage of waste found on the Averies site was estimated to be 10,000 tonnes, which considerably exceeds 3,000 tonnes which the Head of Property Assets believes to have been the maximum permitted by the EA.

Board Director, Service Delivery

The Board Director, Service Delivery has and continues to work closely with Corporate Board and the Environment Agency following the fires at both Averies waste transfer sites in Swindon. This working arrangement is seeking to ensure that the best value and environmental option is achieved for the removal of waste from the affected Council land in Brindley Close. The Director of Law and Democratic Services has sought and provided Queen's Counsel advice to Corporate Board to facilitate decision making on the ability of the Council to pursue Averies for the cost of cleaning up the remaining waste at Brindley Close.

The cost of the Brindley site clean-up has been estimated by the Board Director, Services Delivery to be less than the £2m first reported by the Swindon Evening Advertiser in November 2014. Based on the current clean up options being prepared by consultants appointed by the Council the expected clean-up costs are currently estimated to range between £750,000 and £1 million. The outcome from the consultancy work is due to conclude in mid-October 2015.

Best Practice

The Auditor, in conjunction with the Head of Property Assets and his staff met and observed the waste management arrangements of Council tenants operating EA waste licences i.e. Saunders Metals Ltd (at Kendrick Industrial Estate - waste transfer licence) and Hills Waste Management Swindon (at Chapel Farm - landfill and waste transfer licences). Whilst the EA periodically visit and monitor these sites, feedback from the tenants was that they felt in their experience, regulation of waste licences has become very much self-regulating. They perceived this followed a reduction of EA resources and presence. One tenant advised that whilst there is a risk assessment model used to evaluate waste operators this was considered to be focussed on larger operators due to the high level of impact and materiality of operations, but not necessarily and sufficiently weighted to reflect the assurance of waste management controls in place and the effectiveness of their operation. They felt this could mean smaller waste transfer operators have by comparison a lower risk profile, but potentially a high risk in their own right, regarding their trading stability and financial waste sureties/provisions.

On-going issues

The EA and the Contaminated Land Officer reviewed the status of waste transfer sites operated on Council land. There are no impending actions on any sites although some concerns which need to be monitored. The responsibility for conducting the monitoring of these concerns needs to be determined (see appendix C for information of waste transfer sites).

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the lessons learnt audit following the lease of land to Averages Recycling (Swindon) Ltd for the purposes of operating a waste transfer station of the. It also sets out recommendations to mitigate risks, the manager's response to the recommendations, along with the officer responsible and timescale for implementation. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Lessons learnt – functional responsibilities			
1.1	<p>The EA website 'my back yard' shows that there are thirty-three EA licensed waste activities in the Borough of Swindon of which nineteen are on Council owned land which is either leased or deemed 'operational' (see appendix B).</p> <p>However, it is not apparent who within the Council, if anyone is managing and monitoring waste sites on Council land. It has therefore not been possible to seek an overall assurance on compliance with EA permit regulations for these sites.</p> <p>The Council formerly employed a Technically Competent Manager (TCM) with overall responsibility for EA waste sites on Council land however, since this officer left in 2012/13 arrangements have been fragmented and gaps in provision have emerged. A new TCM is in place specifically for Shaw Farm Land fill, which is currently undergoing closure.</p> <p>Although the Board Director: Service Delivery has a high-level relationship with the EA, in the absence of a TCM for waste sites the Council does not have a point of contact at an operational level. Therefore an early alert of emerging risks or issues regarding waste permits is not in place.</p>	<p>A 'Responsible Officer(s)' should be appointed to act as a single point of contact for the Council with the EA for waste sites (other than Shaw Farm Landfill phases three and four which has a dedicated TCM).</p> <p>A waste management register should be prepared setting out EA waste transfer stations and landfill sites on Council owned land. This should be populated with details of EA waste licences on Council land including maximum permitted waste levels, EA assurance of compliance with licence terms and conditions, risk profile and sureties.</p> <p>The Council, as landlord, should take a more proactive and comprehensive inspection regime of the waste transfer stations.</p> <p>The Council, as landlord, should obtain EA reports for all permitted waste activities on Council land.</p> <p>An operational level relationship with the EA needs to be developed by the Council's TCM (Shaw Farm Landfill Site, phases three and four) and the Responsible Officer(s) to ensure that any emerging risks or issues relating to waste permits on Council land can be addressed and promptly mitigated as far as is practically possible.</p> <p>Priority: High</p>	<p>Contaminated Land Officer December 2015</p> <p>-----</p> <p>Head of Property Assets January 2016</p> <p>-----</p> <p>Board Director Service Delivery December 2015</p>	<p>Agreed</p> <p>Agreed</p> <p>Agreed</p> <p>Attached at Appendix F is a flowchart setting out the waste management activities and responsibilities for Council owned land.</p>

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Lessons learnt – funding of waste clean up			
1.2	The cost of cleaning up the Brindley Close site is anticipated to be between £750,000 and £1million. However, there is no specific contingency fund in place to cover the cost of cleaning-up Brindley Close or for any remedial action for waste sites owned by the Council i.e. actions identified for landfill sites included in appendix B.	Funding for the unforeseen cost of site clean-up at Brindley Close and any remedial actions necessary at Council owned landfill sites needs to be put in place and agreed by Cabinet. Priority: High	Head of Property Assets December 2015	Agreed
1	Lessons learnt – performance, risk and assurance.			
1.3	<p>There has been no formal decision/policy on whether the Council will enter into new lease arrangements, or extend existing ones, with waste operators.</p> <p>The Auditor is concerned that waste transfer stations tenants may not be able to raise the financial sureties necessary to cover the cost of any potential clean-up costs or insurance indemnity to protect the Council.</p> <p>The Council's Insurance Manager has advised that the annual cost of insurance premiums would be a six figure amount.</p>	<p>As the landlord, the Council should seek a Cabinet decision on whether it will enter into any new lease agreements with waste operators or extend current leases when they expire.</p> <p>For existing or assigned lease agreements for waste transfer stations on Council land, evaluate the following:</p> <ul style="list-style-type: none"> • Improve the landlord regime to keep a vigilant watching brief of tenant waste and trading activities. • Provide additional support and resources to deliver the improved landlord regime. • Seek tenant co-operation to amend existing lease terms and conditions including compliance with the operator's EA waste transfer station licence. <p>Priority: High</p>	Head of Property Assets December 2015	Agreed

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Lessons learnt – performance, risk and assurance cont.			
1.4	<p>There is no reporting or monitoring of environmental risks including waste activities.</p> <p>There is also no due diligence process in place to provide an assurance that tenants, which operate waste activities on Council land, are diligently discharging their EA waste licence responsibilities and liabilities.</p> <p>The Contaminated Land Officer has established the current status of waste transfer sites in Swindon. No EA notices have been issued on these sites, but initial concerns have been raised on the Saunders Metals Sites at Kendrick Close see appendix C.</p> <p>Performance overview measures were explored with Hills Waste Solutions Limited regarding their waste contract with Wiltshire County Council. The annual service review included performance measures not used by Swindon Borough Council, these are set out below:</p> <ul style="list-style-type: none"> • Application of a specific waste compliance classification scheme to score, manage and treat associated risks, • Assurance for compliance with permit conditions, including outcomes from annual 'duty of care' checks and six monthly external surveillance audits. • Set annual performance targets i.e. zero target for prosecutions, fines or notices served on the company, • Internal management reviews to review and put forward suggestions on how the business could improve in the areas including compliance, efficiency, health and safety and quality. 	<p>Evaluate implementing a performance, risk and assurance process for monitoring waste activities on Council owned land.</p> <p>As part of this process seek to conduct periodic joint waste licence compliance inspections with the EA on Council owned land. From these inspections improve the Council's level of assurance of tenant's compliance with EA waste licence terms and conditions and/or provide an early awareness of any emerging risks and issues at these sites.</p> <p>Request inspection reports from the EA as a landlord to support the Council's inspection process.</p> <p>Evaluate introducing an annual environmental performance process and report that covers:</p> <ul style="list-style-type: none"> • Development and application of a specific waste compliance classification scheme to score, manage and treat associated risks (see appendix E) • The basis of assurance to measure compliance with permit conditions, including outcomes from annual 'duty of care' checks and six monthly external surveillance checks. • Set annual performance targets i.e. zero target for prosecutions, fines or notices served, • Internal reviews to put forward suggestions on how the waste management could improve in areas including compliance, efficiency, health and safety and quality. • Monitor and manage the status of waste transfer stations, including any issues or notices raised by the EA. (See appendix C). <p>Priority: High</p>	<p>Board Director, Service Delivery</p> <p>December 2015</p>	Agreed

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Lessons learnt – terms and conditions of lease agreements			
1.5	<p>A review of terms and conditions in a sample of Council lease agreements issued to waste operators has been conducted to determine whether these are sufficient to provide an assurance or financial surety to the Council i.e. in the event that a tenant operating a waste business ceases to trade and goes into liquidation.</p> <p>The sample of lease agreements reviewed were for:</p> <ul style="list-style-type: none"> • The former Averies leases - Brindley Close (waste transfer station), • Saunders Metals – Kendrick Industrial Estate (waste transfer station), • Hills Waste Management - Chapel Farm (landfill and waste transfer station). <p>The lease agreements sampled did not include specific reference to:</p> <ul style="list-style-type: none"> • Compliance with EA permit requirements • Financial sureties • Financial provision in accounts • Topographical surveys 	<p>To improve the robustness of lease agreements it is recommended that introducing waste management specific requirements as a schedule to the lease be considered, including:</p> <ul style="list-style-type: none"> • A means by which the Council receives an annual assurance, or more regular assurance where there are specific concerns, from the tenant on the proper discharge of site specific EA waste licence permit terms and conditions. • A requirement to provide financial sureties to the Council especially regarding land transfer stations (or the EA for landfill) in the event that the tenant should cease to trade and leave waste on site pending land fill. • Financial provision/reserve in their accounts i.e. stock gain provision, which is the cost of processing waste on site (landfilling costs). • Provision of a periodic topographical survey by the Council to determine whether the volumes of waste are within the EA waste licence tonnage. The cost of this is approximately £850 p.a. and should be recharged to the tenant as part of the lease. <p>It is appreciated that the introduction of these clauses will need to be negotiated with existing tenants.</p> <p>The outcome of the above reviews should, where relevant, be recorded in the waste management register recommended in action plan point 1.1 above.</p> <p>Priority: High</p>	<p>Head of Property Assets December 2015</p>	<p>Agreed</p>

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Lessons learnt – terms and conditions of lease agreements			
1.6	<p>Following research by the Auditor, specific terms and conditions for inclusion in leases relating to waste operations could not be established.</p> <p>A search of an on-line legal system 'Lexis Nexis' which contains draft legal terms and conditions also produced no standard waste activity terms and conditions of lease.</p> <p>It was therefore not possible to benchmark the Council's lease agreements to evaluate best practice.</p>	<p>The auditor has set out in appendix D some of the key control requirements that should be evaluated for new or assigned lease agreements to see whether they need to be included in future.</p> <p>Priority: High</p>	<p>Head of Property Assets December 2015</p>	Agreed
1.7	<p>Prospective lease holders are vetted by the Council's Property Assets team on their ability to pay rent prior to the awarding of the lease. However, there is no on-going vetting of the tenant throughout the life of the lease agreement.</p> <p>The EA vet waste operators based on their application. However, there is no vetting of the operators suitability, financial standing and trading history because the EA do not know the individuals working within the organisation applying for the permit, unless this is a sole trader.</p>	<p>Working relationships and intelligence gathering with Property Services, the Planning Department and Fire Authority, and any other relevant departments/ organisations, should be established to evaluate new waste operators seeking to operate on Council owned land.</p> <p>On-going reviews of waste operators should be conducted by this group to raise any emerging risks or issues.</p> <p>To help monitor the risk of operating waste sites a checklist of controls / relevant tests should be developed, from which an overall level of assurance of waste permit holder compliance with their relevant EA licence can be established.</p> <p>Put in place a formal escalation process with the EA so that any future emerging risks or issues regarding operators of waste sites in Swindon on Council owned land are taken forward to secure the best outcomes.</p> <p>Priority: High</p>	<p>Head of Property Assets December 2015</p>	Agreed

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	Lessons learnt – terms and conditions of lease agreements			
1.8	The Auditor is aware that the EA is seeking views as part of a consultation exercise to enhance powers and other measures to tackle waste crime and persistent poor performance in England and Wales.	<p>As part of the EA consultation exercise to enhance powers and other measure to tackle waste crime the Council should make formal representation to the EA. This should include seeking parity of vetting and financial provisions for waste transfer operators as is carried out and put in place for EA waste landfill licences.</p> <p>Priority: Low</p>	Board Director: Service Delivery November 2015	Agreed

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX A

Acknowledgements

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

Name	Job Title
Rob Richards	Head of Property Assets
David Rudland	Contaminated Land Officer
Derek Edgington	Compliance Engineer
Bernie Brannan	Board Director, Service Delivery
Cherry Jones	Director of Public Health
Tim Price	Service Manager Highway Infrastructure
Richard Bell	Head of Planning
Stephen Taylor	Director of Law and Democratic Services
Rachel Coyle	Property Lawyer
Louise Cockerell	Senior Valuer
Peter Greer	Insurance Manager

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

David Griffith	Consultant to the Council on waste management
Daryl Taylor	Hills Waste Management Ltd
Leslie Saunders	Saunders Metals

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX B

Waste sites in Swindon as extracted from the EA website data base ‘My back yard’

Key - SBC owned land under lease agreement



Landfill Site	Is there a Current Permit?	Responsibility	Responsible Department	Gaps in knowledge	Summary of Actions
Peatmoor Landfill (Shaw Phases 1 & 2),	N	SBC	Service Delivery	Plan required for Phases 1 & 2	Establish current condition of tip Instigate detailed routine monitoring and maintenance programme
Shaw Farm Landfill (Shaw Phases 3 and 4),	Y	SBC	Service Delivery	Maintenance plan for Phases 3 & 4.	Environmental Permit Closure Plan to be followed as agreed with EA
Land north of Shaw and Gloucester-Swindon railway line	N	SBC	Service Delivery	Addressing contamination at surfaces	Agree on-going use of site. Lay cover material over existing informal pathways to provide barrier against surface contamination.
Pipers Way,	N	SBC		Stability survey	Employ Halcrow to assess stability of tip. Initiate recommendations from this (may range thro “do nothing, fencing or re-profiling). Visual inspection for contamination.
Spring Gardens Recreation Ground (in-filled clay pit)	N	SBC		Inspected and remedial scheme under development	Sample to confirm extent of remedial works required. Complete remedial project to provide new selective cover to contaminated material on surface.
Rushy Platt,	N	Private housing but includes verges at end of Utah Close		Walkover survey, surface soil sampling	Determine from planning records what measures were agreed and implemented. Test soil, repair soil cover if necessary.

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX B

Landfill Site	Is there a Current Permit?	Responsibility	Responsible Department	Gaps in knowledge	Summary of Actions
Moredon Power Station,	N	Mostly private housing however SBC owns Pembroke Park public open space		Walkover survey, surface soil sampling	Determine from planning records what measures were agreed and implemented. Test soil, repair soil cover if necessary.
Land at Great Western Way - Kendrick Industrial Estate	Y	SBC	Property Services	Covered by waste handlers and materials management businesses	Liaise with Environment Agency as to any concerns with regulated businesses. Regular inspection to ensure no excessive waste/contamination build-up.

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX B

Waste Site Details	EA waste Permit reference	Organisation responsible for the EA waste permit	Land ownership	Activities carried out at site
Platinum Recoveries Ltd Unit B2/ B3, South Marston Bus Park, Swindon SN3 4DE	AB3102KW/V	Platinum Recoveries Ltd	Not SBC	Recovery of metals
Poplar Dairy, Castle Eaton Farm, Castle Eaton, Swindon SN6 6JX	AB3104LJ/A001	Castle Eaton Renewable Ltd	Not SBC	Biowastes digestion
Highworth Breakers 8, Brindley Close, Cheney Manor Ind Est, SN2 2YW	AP3899EM/A001	Highworth Breakers	SBC – Property Services	Car dismantling - R511, Leased From The Council, S3308B, BRINDLEY CLOSE, CHENEY MANOR INDUSTRIAL ESTATE, SWINDON, SN2 2YW, Rodbourne Cheney, UNITS 8 & 13, , 31- OCT-2014, Resources, Yes, Yes, 12-NOV-2014.
South West Vauxhall Spares Ltd, Unit 2, The Alpha Centre, Cheney Manor Ind Est, Swindon SN2 2QJ	BB3032RS/V003	South West Vauxhall Spares Ltd	Not SBC	Car spares
Stratton Primary Substation, Kingsdown Road, Swindon SN25 6PD	BB3909XZ/A001	Southern Electric Power Distribution P L C	Not SBC	Power distribution
Barnfield Road, Rodbourne, Swindon SN2 2DJ	BP3590SR/A001	Thames Water Utilities Ltd	Not SBC	Water treatment
Unit 1 Beefy's Skips Limited, Galton Way, Swindon SN2 2DU	CB3100LV/A001	Beefy's Skips Limited	SBC – Property Services	Waste transfer R490.3.1, Leased From The Council, S3349, GALTON WAY, KENDRICK INDUSTRIAL ESTATE, SWINDON, SN2 2DU, , Mannington and Western, UNIT 1, , 09-FEB-2015, Resources, Yes, Yes, 12-FEB-2015
Swindon Sewage Treatment Works Barnfield Road, Swindon SN2 2DJ	CB3201HV/A001	Thames Water Utilities Limited	Not SBC	Water treatment

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX B

Waste Site Details	EA waste Permit reference	Organisation responsible for the EA waste permit	Land ownership	Activities carried out at site
Swindon Transfer Station Express Works, Bridge End Road, Stratton St Margaret, Swindon SN3 4PD	DP3399EY/V011	Biffa Waste Services Ltd	Not SBC	
Chapel Farm Leachate Treatment Lagoon, Chapel Farm, Blunsdon, Swindon SN26 8DD	DP3699EL/V002	Hills Minerals & Waste Ltd	SBC – Property Services	R153, Leased From The Council, , LOWER WIDHILL FARM LANE, , BLUNSDON SAINT ANDREW, SN26 8DD, St Andrews, CHAPEL FARM, 18-NOV-2011, Resources, Yes, Yes, 29-NOV-2011,
Saunders Metals Ltd Units 7, 8 & 9, Kendrick Trading Estate, Galton Way, Swindon SN2 2DU	GP3395EV/V003	Saunders Metals Ltd	SBC – Property Services	Waste metals recovery
Unit A4 And A3 South Marston Bus Park, Swindon SN3 4DE	HP3093ME/V002	Plasma Processing U K Ltd	Not SBC	Waste metals recovery
Chapel Farm Recycling and Transfer Station Chapel Farm, Blunsdon Hill, Swindon SN26 8DD	JP3699ET/V005	Hills Waste Solutions Ltd	SBC – Property Services	R153, Leased From The Council, , LOWER WIDHILL FARM LANE, , BLUNSDON SAINT ANDREW, SN26 8DD, , St Andrews, CHAPEL FARM, 18-NOV-2011, Resources, Yes, Yes, 29-NOV-2011
Waterside Park, Darby Close, Cheney Manor Ind Est, Swindon SN2 2PN	KP3191EK/V004	Public Power Solutions Limited	SBC – Property Services	
Saunders Recycling Centre, Unit 4, Galton Way, Kendrick Ind Est, Swindon SN2 2DU	KP3399VY/V003	Saunders Metals Ltd	SBC – Property Services	R490.3.1, Leased From The Council, S2930, GALTON WAY, KENDRICK INDUSTRIAL ESTATE, SWINDON, SN2 2DU, , Mannington and Western, UNIT 4, , 09-MAY-2012, Resources, Yes, Yes, 15-MAY-2012

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX B

Waste Site Details	EA waste Permit reference	Organisation responsible for the EA waste permit	Land ownership	Activities carried out at site
Marshgate Depot, Marshgate Depot, Marshgate, Swindon, SN1 2PA	LB3337RM/V004	M J Church Plant Ltd	Not SBC	
E M R - Bridge House, Gipsy Lane, Swindon, SN2 8DZ	LP3895EG/V005	European Metal Recycling Ltd	Not SBC	
The Workshop, Small Acres, Kingsdown Lane, Blunsdon, Swindon, SN25 5DL	LP3990VV/A001	International Exports U K Ltd	Not SBC	
P & K Skips, Unit 17, Kendrick Ind Est, Galton Way, Swindon SN2 2DU	MP3294VF/T001	Mr Gary Hall	SBC – Property Services	R490.3.4, Leased From The Council, S2064, GALTON WAY, KENDRICK INDUSTRIAL ESTATE, SWINDON, SN2 2DU, ANNIN, Mannington and Western, UNIT 17, , 05-SEP-2007, Resources, Yes, Yes, 11-SEP-2007
Phoenix Retail Services Ltd. Block B, Unit 2, Station Industrial Estate, Swindon, SN1 5DE	MP3295ED/A001	Phoenix Retail Services Ltd.	Not SBC	
Swindon Metal Recycling Ltd, Unit 5 Powdrills Yard, West End Road, Stratton, Swindon SN3 4PG	QP3194ED/V003	Swindon Metal Recycling Ltd	Not SBC	
Hills Waste Solutions Limited, Chapel Farm Landfill Site, Blunsdon, Swindon SN26 8DD	RP3499EZ/V006 UP3495EK/A001	Hills Waste Solutions Limited	SBC – Property Services	
Fords Only, Unit 10, Brindley Close, Cheney Manor, Swindon SN2 2YW	SP3195EP/A001	Mr Dudgeon & Mr Iles	SBC – Property Services	R511, Leased From The Council, , BRINDLEY CLOSE, CHENEY MANOR INDUSTRIAL ESTATE, SWINDON, SN2 2YW, , Rodbourne Cheney, UNIT 10, , 05-JUN-2008, Resources, Yes, Yes, 06-JUN-2008

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

Waste Site Details	Permit ref	Responsibility	Land ownership	Activities (if SBC include database info)
Phoenix Retail Services Ltd, Block B Unit 8, Station Industrial Estate, Swindon, SN1 5DE	ZP3895EY/A001	Phoenix Retail Services Ltd	Not SBC	
Chapel Farm Gas Utilisation Plant, Chapel Farm Landfill Site, Ermin Street, Blunsdon, Swindon SN26 8DD	UP3695EC/A001	Novera Energy Generation No 2 Ltd	SBC – Property Services	

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX C

Status of EA waste transfer station licenses relating to Council owned land

Waste Site Details	Permit ref	EA comment
Highworth Breakers 8, Brindley Close, Cheney Manor Ind Est, SN2 2YW	AP3899EM/A001	No concerns and no notices Site may only accept vehicle parts, with associated hazardous materials (e.g. oil and fuel)
Unit 1 Beefy's Skips Limited, Galton Way, Swindon SN2 2DU	CB3100LV/A001	No concerns and no notices
Saunders Metals Ltd Units 7, 8 & 9, Kendrick Trading Estate, Galton Way, Swindon SN2 2DU	GP3395EV/V003	There are some initial concerns about the amount of stored waste and methods of storage, particularly given the location. This is though just an initial impression of the officer. No notices have been served for either site recently.
Chapel Farm Recycling and Transfer Station Chapel Farm, Blunsdon Hill, Swindon SN26 8DD	JP3699ET/V005	No particular concerns at the current time
Saunders Recycling Centre, Unit 4, Galton Way, Kendrick Ind Est, Swindon SN2 2DU	KP3399VY/V003	There are some initial concerns about the amount of stored waste and methods of storage, particularly given the location. This is though just an initial impression of the officer. No notices have been served for either site recently. NB: Permitted wastes are limited to non-hazardous wastes and do not include hazardous wastes such as asbestos. The total quantity of waste that can be accepted at a site under these rules must be less than 75,000 tonnes a year.
L & K Skips, Unit 17, Kendrick Ind Est, Galton Way, Swindon SN2 2DU	MP3294VF/T001	No concerns and no notices
Fords Only, Unit 10, Brindley Close, Cheney Manor, Swindon SN2 2YW	SP3195EP/A001	No concerns and no notices

Suggested lease terms and conditions to be evaluated for inclusion in waste operator lease agreements

- A pre-check evaluation process requirement as part of the lease conditions i.e. must be satisfactorily completed before the lease can be completed. This is to evaluate the 'waste and trading' history of the applicant i.e. any criteria or detail of any checks that may be available would be really helpful.
- Clause - The site be left clean and tidy on termination of the lease (i.e. condition as found on taking up the lease)
- Clause - Some form of bond or surety that waste operators provide for the Council as landlord. This to cover any clean-up and waste disposal costs.
- Clause - Produce evidence of a relevant and up to date Environment Agency waste permit for the nature of business on site and that this fits with the permitted type of waste activity approved by the Council for the site.
- Clause - Provide copies of the Environment Compliance Level Assessment Reports relating to the property leased. These reports are produced by the EA based on their site inspections. These would identify any identified breach of the waste permit terms and conditions which have to be addressed by the tenant.
- Clause - the tenant to give permission to the EA to share information with the Council, in the context as landlord, in the event of breach of permitted lease conditions and actions to resolve.
- Clause - any conditions where the Council can legally seize any assets on site to offset the cost of any mandatory clean up works.
- Clause - provision of a periodic topographical survey by the Council to determine whether the volumes of waste are within the EA waste licence tonnage. The cost of this is approximately £850 p.a. and should be recharged to the tenant as part of the lease.

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX E

Sample Environmental Risk Accident Assessment Scoring

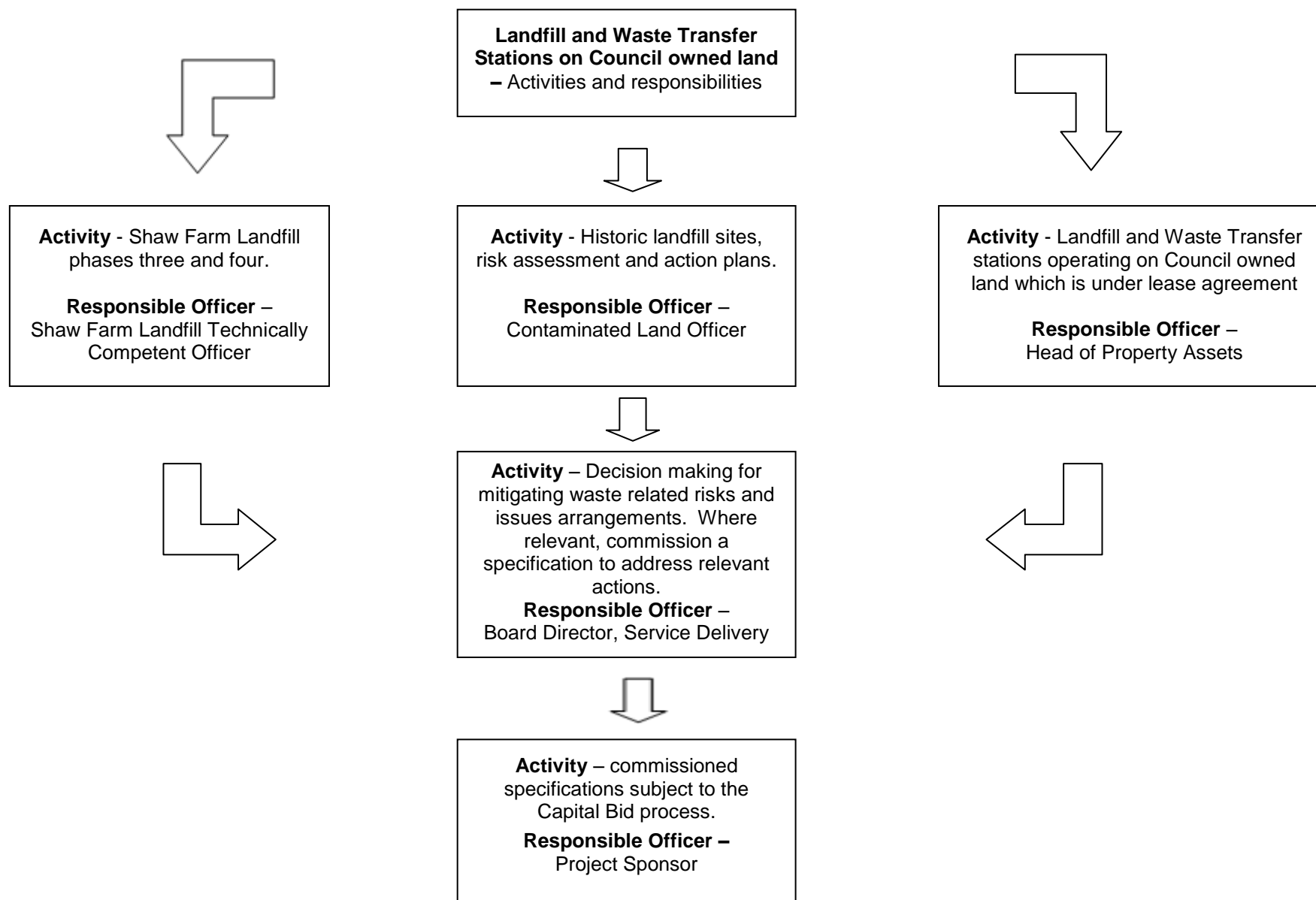
Page 43

Catastrophic Catastrophic and irreversible environmental damage. Certain prosecution. Possible loss of permit to operate. Possible loss of permit to operate. Full clean up not possible.	Medium	High	High	High	High
Major Major but reversible environmental damage. Probability of prosecution. Full clean up very difficult and expensive.	Medium	Medium	High	High	High
Significant Significant local impact. Major breach of permit with possibility of prosecution. Long term clean-up of site.	Low	Medium	Medium	High	High
Moderate Moderate environmental impact. Affects off site. Minor permit breach. Quick clean up possible.	Low	Low	Medium	Medium	Medium
Minor Minor environmental damage. Contained on site. Quick clean up possible.	Low	Low	Low	Medium	Medium
	Very unlikely (Probably won't happen). Less than 1 event per 100 years.	Unlikely (could happen) 1 event per 10 in 100 years.	Likely (may happen in most circumstances). 1 event per 10 years.	Very Likely (may happen in most circumstances). More than 1 event per year.	Almost certain (may happen at any time). More than 1 event per month.

Swindon Internal Audit Services: Brindley Close – Lessons Learnt Review

APPENDIX F

WASTE MANAGEMENT ACTIVITIES AND RESPONSIBILITIES FOR COUNCIL OWNED LAND



Internal Audit report – Licensing

Audit Committee

Date: 23rd February 2016

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

1. Purpose and Reasons

- 1.1 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. Internal Audit reports on Licensing have come to this Committee in March and November 2015. At the November meeting one key recommendation relating to income was still outstanding. Members requested Internal Audit to report back to the next meeting on whether this recommendation had been satisfactorily implemented.

2. Recommendations

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

3. Detail

- 3.1 An initial audit review of Licensing (Taxi and Private Hire) was requested by the Head of Planning, Regulatory Services, Heritage and Libraries on inheriting responsibility for this area. The initial review was completed in December 2014 and reported to the March 2015 meeting of the Audit Committee.
 - 3.2 The audit review found that many aspects of the Licensing system were working effectively, for example the enforcement of licences, the regular inspection of vehicles and the appeals process. However, some fundamental internal controls that should ensure public safety; income is not misappropriated, legislation is complied with and Council objectives are achieved, were missing.
 - 3.3 The auditor therefore concluded that there were fundamental weaknesses in the internal control arrangements leading to a 'significant' risk to the Council.
 - 3.4 In accordance with best practice a follow-up review was carried out review to establish progress in implementing agreed recommendations. The outcome of this review was reported back to Audit Committee in November 2015.
 - 3.5 Key recommendations in relation to the Disclosure and Barring Service checks; Charges; and Document Retention and Data Access had been implemented.
-

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 report – Licensing

Audit Committee

Date: 23rd February 2016

-
- 3.6 However, the recommendation regarding the analysis and reconciliation of approximately £250,000 of income per year has still to be implemented. Central Finance has made further cash income analysis available for this purpose but these have not been used at the time of the audit.
 - 3.7 Another recommendation relating to the lack of segregation in duties between the collection of income and administration of the applications was also still to be implemented.
 - 3.8 Members requested that the Head of Internal Audit be asked to review of the effectiveness of the reconciliation and income collection process that the Licensing Manager had stated were now in place.

Analysis and reconciliation of income

- 3.9 The recommendation to analyse and reconcile income had not been fully implemented. New income analysis codes set up by Finance have been used since November 2015. However, reconciliation of income recorded in Oracle to the applications/sales recorded in Lalpac is currently outstanding.
- 3.10 The Licensing Manager advised that reports of Service applications/sales by period are not available from Lalpac (the Service management information system) to conduct full income reconciliation. The Manager explained that the Lalpac system is no longer supported and due to be replaced shortly with Uniform (case management system, which is used by staff in a wide variety of teams across the Council).
- 3.11 The auditor conducted sample testing on income received between the 20th and 27th January 2016. The auditor found that all licence applications/sales, which were processed through the One Stop Shop, were paid into the Cash Management system and identified by the relevant further analysis code for each Service type and the transaction charge.
- 3.12 Payments processed through the Cash Management system are not automatically updated to the Lalpac system as there is no electronic link to facilitate this. Although the Service is currently waiting to move to the Uniform system, there is no functionality for payments to be automatically updated to this system from the Cash Management system. Hence the manual update of payment details and receipt numbers along with the associated risks will continue in Uniform, which is consistent across all users of this system in regulatory services.
- 3.13 There is potential for erroneous or fictitious payment receipt numbers to be entered into Lalpac and go undetected with the Council deprived of income for services provided. There is also no validation of receipt numbers recorded in Lalpac to ensure receipt numbers are both the correct length and unique.

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 report – Licensing

Audit Committee

Date: 23rd February 2016

-
- 3.14 The Licensing Manager has advised that reporting from the Uniform system is expected to improve from that currently available in Lalpac. The Manger will request bespoke reports from Uniform. These reports will identify and report Service applications/sales on both a daily and weekly basis so that a reconciliation of sales to actual income received can be conducted.
- 3.15 In the meantime, to mitigate this risk as far as possible, the Auditor has advised that proof of payment receipts must be requested before provision of Service. This is to ensure that, where possible, all income due is received by the Council before provision of service.

Segregation in duties between the collection of income and administration of the applications

- 3.16 Officers from the Service, manage on a rotational basis, the client appointments and the receipting and cashing up of income received through the One Stop Shop. These Officers have password access to create and update client Service type and payment details in Lalpac. In the event of staff absence, service provision could be provided by the same person who enters details on Lalpac and receives income through the One Stop Shop. Fictitious payment details for applications/sales could therefore be entered into Lalpac without detection; applications/sales could be provided to members of the public with the Council at risk of loss of income.
- 3.17 It is acknowledged that the Licensing Manager or the Taxi Licensing and Contracts Team Leader apply a final approval stage before issue of licences. This is to provide is an independent check to ensure that licences are supported by adequate and correct application and payment details before issue.
- 3.18 The Licensing Manager advised the Auditor that she will shortly be advertising for a new administrative post which will bring resilience and clear segregation of duties to the Service. This post is intended to provide a dedicated staff resource to handle appointments; receipting and cashing up of income for the Licensing Service received through the One Stop Shop. This member of staff will have 'read only' access to Lalpac so will not be able to input or amend any records and will not be responsible for delivery of licensing applications/sales. This segregation will mitigate the risks of theft and fraud.
- 3.19 As with any small section, in the event of staff absence segregation of duties is compromised. At the time of audit two members of the Licensing team were off sick. This reduced the segregation in duties with existing officers involved in the collection of income, administering applications through Lalpac and in limited cases provision of service applications/sales.
- 3.20 The Auditor established that a segregation of duties is required in processing licensing refunds or void transactions through the Cash Management system i.e.

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 report – Licensing

Audit Committee

Date: 23rd February 2016

this is conducted by a member of the finance cashier staff. However, the Licensing Manager and the Taxi Licensing and Contracts Team Leader are not required to authorise these transactions before processing to ensure they are justified. This approval process should be put in place with immediate effect and advised to all Licensing and finance cashier staff for adherence.

Conclusion

- 3.21 Within the Licensing system there is still a lack of independent management check and reconciliation of income collected to services provided. Improved reporting of applications/sales required to complete the reconciliation is dependent on the implementation of the new management information system Uniform, which the Licensing Manager has advised is imminent.
- 3.22 Due to the size of the team there is pressure in maintaining adequate segregation in duties. However, the appointment of a new administrative post will enable a dedicated member of staff to service the Licensing desk within the One Stop Shop and bring a segregation of duties. This member of staff will only be able to receive income but not have access or opportunity to update details in Lalpac (or Uniform) or deliver service.
- 3.23 In the event of Service refunds or void transactions through the Cash Management these must be approved by either the Licensing Manager or the Taxi Licensing and Contracts Team Leader before processing by the finance cashier staff. Arrangements to implement these required controls should be made with immediate effect. The Licensing Manager has stated that she will implement a control to ensure that refund/void transactions are authorised by a designated officer before processing by the Senior Cashier or a member of her staff.
- 3.24 The final memorandum setting out the full internal audit findings is set out in 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 report – Licensing

Audit Committee

Date: 23rd February 2016

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 report: *Licensing – Income Collection and Reconciliation* (February 2016)

This page is intentionally left blank

Swindon Borough Council

Civic Offices, Euclid Street, Swindon, SN1 2JH

Swindon Internal Audit Services

Memorandum to: Kathryn Ashton Licensing Manager
Cllr. S. Weisinger Chair of Audit Committee

Copies to: Bernie Brannan Board Director, Service Delivery
Richard Bell Head of Planning, Regulatory Services and Heritage

From: Nick Hobbs Head of Internal Audit

Date: 12th February 2016

Your Reference:

Our Reference: Licensing/SD/LS

Telephone: 01793 463940

Fax: 01793 464603

Final

Internal Audit follow-up review: Licensing Income Reconciliation

Introduction

An Internal Audit review of Licensing (Taxi and Private Hire) was requested by the Head of Planning, Regulatory Services and Heritage on inheriting responsibility for this area. The initial review was completed in December 2014 and reported to the March 2015 meeting of the Audit Committee.

The audit review found that many aspects of the Licensing system were working effectively, for example the enforcement of licences, the regular inspection of vehicles and the appeals process. However, some fundamental internal controls that should ensure public safety, that income is not misappropriated, legislation is complied with and Council objectives are achieved, were missing.

The Auditor therefore concluded that there were fundamental weaknesses in the internal control arrangements leading to a 'significant' risk to the Council.

In accordance with best practice, a follow-up review was carried out to establish progress in implementing agreed recommendations. The outcome of this review was reported back to Audit Committee in November 2015.

Key recommendations in relation to the Disclosure and Barring Service checks; Charges and Document Retention and Data Access had been implemented. However, the recommendation regarding the analysis and reconciliation of approximately £250,000 of income per year had still to be implemented. Central Finance had made further cash income analysis codes available for this purpose but these have not been used at the time of the audit.

Another recommendation relating to the lack of segregation in duties between the collection of income and administration of the applications was also still to be implemented.

Members requested that the Head of Internal Audit be asked to review the effectiveness of the income collection and reconciliation process that the Licensing Manager had stated were now in place.

Status of implementation of recommendations

Recommendation - Analysis and reconciliation of income

Follow-up testing to assess the status of audit recommendations was conducted by the Auditor on 4th February 2016. At this date, the Licensing Manager advised that the recommendation to analyse and reconcile income had not yet been fully implemented.

New further income analysis codes set up by Finance have been in use by the Licensing Team since November 2015. However, reconciliation of Service applications/sales recorded in Lalpac (the Service management information system) to Service income received (as analysed by further analysis codes in Oracle Financials) is currently outstanding.

The Licensing Manager advised that reports of Service applications/sales by period are not available from Lalpac (the Service management information system) to conduct full income reconciliation. The Manager explained that the Lalpac system is no longer supported and due to be replaced shortly with Uniform (case management system, which is used by staff in a wide variety of teams across the Council).

The auditor conducted sample testing on income received between the 20th and 27th January 2016. The auditor found that all licence applications/sales, which were processed through the One Stop Shop, were paid into the Cash Management system and identified by the relevant further analysis code for each Service type and the transaction charge.

The total of daily licence income tested was satisfactorily reconciled by the auditor to the banking for four days of the sample period. However, two minor banking variances occurred i.e. an under banking of £3.85 on 25th January and an over of £3.68 on 26th January. At the time of this audit the reconciliations were not conducted so the variances had not been identified or explained. The day following audit testing the Taxi Team Leader explained that one of the discrepancies was due to a £3 credit card transaction charge.

Payments processed through the Cash Management system are not automatically updated to the Lalpac system as there is no electronic link to facilitate this. Although the Service is currently waiting to move to the Uniform system, there is no functionality for payments to be automatically updated to this system from the Cash Management system. Hence the manual update of payment details and receipt numbers along with the associated risks will continue in Uniform, which is consistent across all users of this system in regulatory services.

There is potential for erroneous or fictitious payment receipt numbers to be entered into Lalpac and go undetected with the Council deprived of income for services provided. There is also no validation of receipt numbers recorded in Lalpac to ensure receipt numbers are both the correct length and unique.

The Taxi Licensing and Contracts Team Leader advised the Auditor that Licensing staff manually enter payment transactions from the application forms into Lalpac either the same or day following receipt. Appointment information and client details provided from the income narrative spreadsheet are recorded against the relevant applicant records held in Lalpac.

The Licensing Manager has advised that reporting from the Uniform system is expected to improve from that currently available in Lalpac. The Manager will request bespoke reports from Uniform. These reports will identify and report Service applications/sales on both a daily and weekly basis so that a reconciliation of sales to actual income received can be conducted. In the meantime, to mitigate this risk as far as possible, the Auditor has advised that proof of payment receipts must be requested before provision of

Service. This is to ensure that, where possible, all income due is received by the Council before provision of service. However, the Licensing Manager has commented that this is impracticable because the service already has sight of applicant payments and it would be unreasonable to require again. However, the Licensing Manager is exploring the possibility of having a duplicate of the receipt from Financial Administration. The Auditor considers that implementation of either proof of payment option will provide the necessary control.

Recommendation - Segregation in duties between the collection of income and administration of the applications

Officers from the Service, manage on a rotational basis, the client appointments and the receipting and cashing up of income received through the One Stop Shop. These Officers have password access to create and update client Service type and payment details in Lalpac. In the event of staff absence, service provision could be provided by the same person who enters details on Lalpac and receives income through the One Stop Shop. Fictitious payment details for applications/sales could therefore be entered into Lalpac without detection; applications/sales could be provided to members of the public with the Council at risk of loss of income.

It is acknowledged that the Licensing Manager or the Taxi Licensing and Contracts Team Leader apply a final approval stage before issue of licences. This is to provide is an independent check to ensure that licences are supported by adequate and correct application and payment details before issue.

This final approval before issue of the licence includes a review of all of the paperwork associated with the renewal such as application form, DVLA copy, medical etc. The application form records the stages of processing and Officer involved at each stage of the process. An office use only stamp, applied to the application form on receipt, records the stages of processing and the Officer completing each stage. The stages include the Officer receiving the application, Officer processing the application and the Officer approving the application. The approving Officer is required to use the cash analysis receipt number written onto the application form to check against that days payments to ensure the number is sequential and check Lalpac to confirm who processed the application in Lalpac.

The Licensing Manager advised the Auditor that she will shortly be advertising for a new administrative post which will bring resilience and clear segregation of duties to the Service. This post is intended to provide a dedicated staff resource to handle appointments; receipting and cashing up of income for the Licensing Service received through the One Stop Shop. This member of staff will have 'read only' access to Lalpac so will not be able to input or amend any records and will not be responsible for delivery of licensing applications/sales. This segregation will mitigate the risks of theft and fraud.

As with any small section, in the event of staff absence segregation of duties is compromised. At the time of audit two members of the Licensing team were off sick. This reduced the segregation in duties with existing officers involved in the collection of income, administering applications through Lalpac and in limited cases provision of service applications/sales.

The Auditor established that a segregation of duties is required in processing licensing refunds or void transactions through the Cash Management system i.e. this is conducted by a member of the finance cashier staff. However, the Licensing Manager and the Taxi Licensing and Contracts Team Leader are not required to authorise these transactions before processing to ensure they are justified. This approval process should be put in place with immediate effect and advised to all Licensing and finance cashier staff for adherence.

From the sample of income transactions tested by the Auditor there were no refund or void transactions processed. The Licensing Manager advised that these transactions are very rare and considers the potential risk of fraud relating to these types of transaction to be low. The Licensing Manager acknowledged that no refund/void should be made without authorisation and agreed to implement a refund/void authorisation process with the Senior Cashier in Finance. Going forward, an e-mail trail of refund/void transaction authorisations authorised, by designated officers, prior to processing will be maintained i.e. any refunds/voids authorised by the Taxi Licensing and Contracts Team Leader, the Licensing Manager or the Head of Planning, Regulatory and Heritage will be kept with the daily reconciliation sheet.

Conclusion

Within the Licensing system there is still a lack of independent management check and reconciliation of income collected to services provided. Improved reporting of applications/sales required to complete the reconciliation is dependent on the implementation of the new management information system Uniform, which the Licensing Manager has advised is imminent.

Due to the size of the team there is pressure in maintaining adequate segregation in duties. However, the appointment of a new administrative post will enable a dedicated member of staff to service the Licensing desk within the One Stop Shop and bring a segregation of duties. This member of staff will only be able to receive income but not have access or opportunity to update details in Lalpac (or Uniform) or deliver service.

In the event of Service refunds or void transactions through the Cash Management these must be approved by either the Licensing Manager or the Taxi Licensing and Contracts Team Leader before processing by the finance cashier staff. Arrangements to implement these required controls should be made with immediate effect. The Licensing Manager has stated that she will implement a control to ensure that refund/void transactions are authorised by a designated officer before processing by the Senior Cashier or a member of her staff.

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

Many thanks,

Certification report 2014/15 for Swindon Borough Council

Year ended 31 March 2015

December 2015

Page 55

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

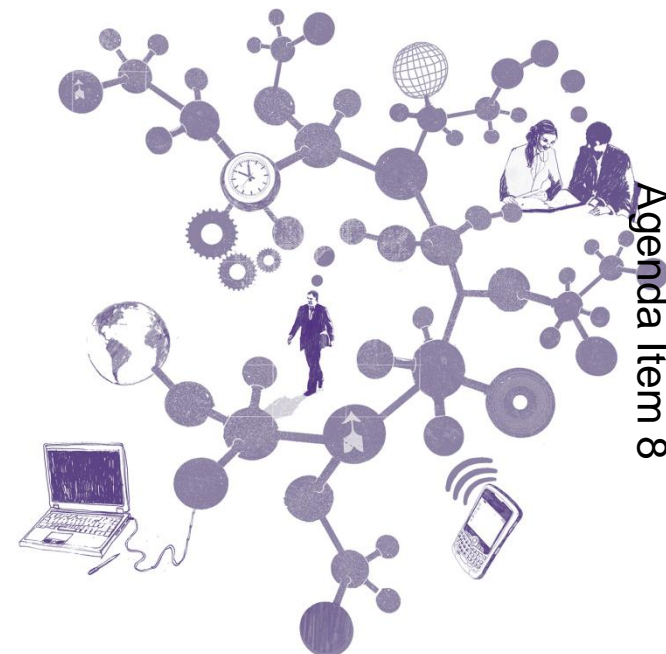
E Chris.I.Hackett@uk.gt.com

Sophie Morgan

Executive

T +44 (0)1173 057757

E Sophie.J.Morgan@uk.gt.com



Agenda Item 8

Contents

Section	Page
1. Summary of findings	3
2. Detailed findings	5
3. Fees and acknowledgments	7

Summary of findings

Introduction

Each year we certify certain claims and returns submitted by the Councils where we are the appointed auditor. This is not formally included within our appointment to audit your accounts but fits closely with that work. This certification typically takes place six to nine months after the claim period (usually the financial year) and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified three claims and returns for Swindon Borough Council (the Council) for the financial year 2014/15 including:

- Housing Benefit Subsidy (HB)
- Teachers Pensions contributions
- Pooling of Housing Capital Receipts return relating to expenditure of £75.396 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and the significant matters arising from our work.

Approach and context to certification

This year the arrangements for certification of the HB claim were prescribed by the Audit Commission and set out in their Certification Instruction agreed with the Department for Work and Pensions before the Audit Commission demised. The approach to auditing the other two returns were agreed directly with the Department for Communities and Local Government (DCLG) and the Teachers Pensions Agency.

Summary of findings continued

Key messages

The key messages from our certification work are summarised in the table below.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims were submitted by the authority to the Government body in line with the timetable. All audit work was completed by the deadline. The HB and Teachers pensions return were submitted by the auditor in advance of the deadline. The Pooling Housing Capital Receipts return is submitted via a DCLG computer system which crashed in November preventing all Council auditors from submitting the return. The return was submitted after the deadline of November 30 th . DCLG confirmed there was no penalty to Councils due to late submission.	Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The claims submitted for audit were accurate with only minor issues arising from our work. The Council's arrangements for preparing the claims and returns are sound.	Green
Supporting working papers	Working papers to support the claims were generally good. This is the first year the Pooled Housing Capital Receipts claim was done outside of the Audit Commission regime, and the work specified by the DCLG was more extensive, requiring more audit work. This also required additional requests for working papers and information compared to previous years.	Green

Page 58

Detailed findings

Our detailed findings are set out below.

Claim or return	Value £'000	Amended?	Amendment (£)	Qualified?
Housing benefit subsidy claim	66,897	No	N/a	Yes
Teachers pensions contributions	5,981	No	N/a	No
Pooled housing capital receipts	2,518	No	N/a	No

Housing benefits

The work to support our audit certificate on the claim, specified by the Audit Commission and agreed with the DWP comprises:

- An initial sample of each main type of benefit including rent allowances paid to private sector tenants, rent rebates paid to council tenants, and benefits paid to homeless people. We are required to do 20 for each type, 60 in total. We test the supporting information for each claim including any changes in the claim during the year.
 - A review of the parameters set up on the HB system, that is the amounts loaded on to the system used to calculate each type of benefit
 - We confirm the programme up-dates produced by the IT provider have been loaded on to Swindon's HB system.
 - An analytical review of expenditure comparing movements in payment levels to previous years
-
- Where our initial sample identifies errors we are required to review additional samples of 40 cases for each type of error, consider our results and quantify any errors via an extrapolation.
 - At the completion of our work we issue a certificate to the DWP. The format of the wording of this is agreed with the DWP. Where necessary we also issue a standard qualification letter reporting any matters to the DWP by their deadline at the end of November.

Detailed findings

Housing Benefits continued

Our testing identified a number of minor errors relating to;

- the miscalculation of a claimants allowances
- miscalculation of a claimant's eligible rent
- miscalculation of a claimant's eligible income
- one parameter not loaded on to the system.

In line with the guidance we reviewed six extended samples of 40 cases. This work is done in conjunction with Council officers, with officers doing the initial work for our review. The results were then extrapolated. Overall the total hard errors identified were £321, when extrapolated over the whole population the estimated error was £14,415. The missing parameter did not impact any actual claims and had no impact on the amount on the return. Overall, given the value of the claim (£66.897m) the errors are very small.

We noted that Northgate, on behalf of Swindon Borough Council, have implemented the HMRC Real Time Information system. This is an income matching service which compares income reported by HB claimants to HMRC's records. The system appears to have had a positive impact reducing overpayments by the Council. From our discussions with Northgate we understand some £0.25 million of overpayments were identified upon implementation of the system in October 2014.

Teachers Pension Return

Our sampling identified four teachers where they paid pension contributions at a lower tier, however, due to a change in their contract they should have paid contributions at a higher tier. The error arose from the wrong parameters being applied. The error in total however, was small being £37.

Pooled Housing Capital Receipts Return

There are no detailed matters to report.

Fees and acknowledgements

Certification fees

The fee for the certification of the HB claim was set by the Audit Commission and is due to be confirmed by Public Sector Audit Appointments Ltd who have taken over responsibility for the work auditors do (within the former audit commission regime) until 2018. The indicative certification fee set by the Audit Commission for 2014/15 was £18,000. The fees for the other returns were:

- Teachers pension return £4,200
- Pooled housing capital receipts £2,200

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2015



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

Audit Committee Update for Swindon Borough Council

Year ended 31st March 2016

23rd February 2016

Page 63

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

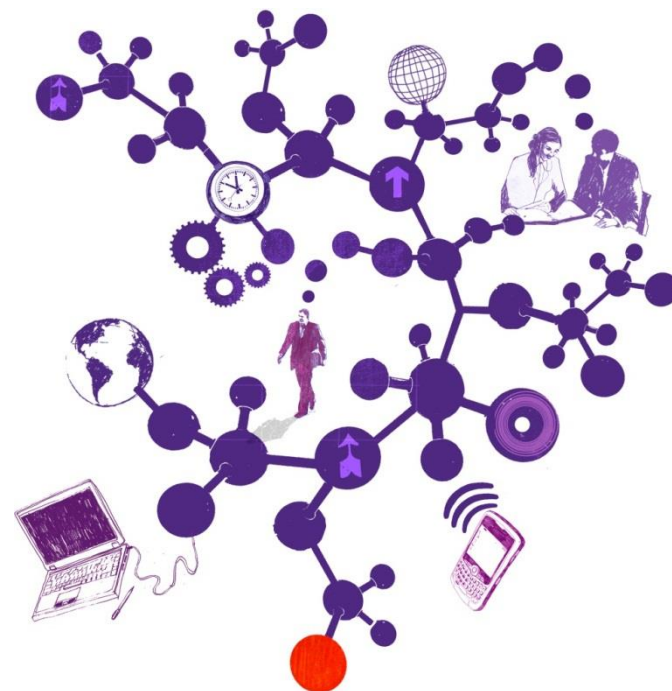
E Chris.I.Hackett@uk.gt.com

Sophie Morgan

Executive

T +44 (0) 173 05 7757

E Sophie.J.Morgan@uk.gt.com



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

Contents

Section	Page
Introduction	4
Progress at 23 rd February 2016	5
Emerging issues and developments	7

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:

- Making devolution work: A practical guide for local leaders
- Knowing the ropes: Audit committee effectiveness 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 23rd February 2016

2015-15 Work	Planned date	Complete?	Comments
2015-16 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 2015-16 financial statements.	19 th April 2016	No	Our audit plan will be issued at the conclusion of our interim work. The timetable for issuing the Audit Plan is the same as last year.
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 2016	Underway	We have held discussions with officers about current issues, such as the need to close the accounts earlier by 2018. Our walk through of systems and interim substantive testing is underway.
2015-16 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2016	No	

Progress at 23rd February 2016

Page 68

2015/16 Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2015/16 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 2016	No	We have commenced our risk assessment. The Framework for undertaking this work is now set by the National Audit Office (NAO). The NAO issued an up-dated framework in November 2015. The auditor is required to consider the following criteria in giving the VFM conclusion: <ul style="list-style-type: none"> • Informed decision making, eg the management of risks and the reliability and timeliness of reports • Sustainable resource deployment, eg financial planning, use of assets; and • Working with partners and other third parties. We will detail our approach in the Audit Plan.
Other areas of work Certification of claims and returns including the Housing Benefits claim.	November 2016	No	
Other activity undertaken We have been liaising with officers to discuss issues affecting the year end accounts.	On-going	Yes	

Re-forging local government: Summary findings of financial health checks and governance reviews

Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.

Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.



CFO Insights— driving performance improvement

Grant Thornton and CIPFA Market insight

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We are happy to organise a demonstration of the tool if you want to know more.



Website re-launch

Grant Thornton

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below -
<http://www.grantthornton.co.uk/en/insights/?tags=local-gov&q=sustainable+communities>

Page 71



Local Government Issues: Public Accounts Committee Report

Further to the NAO reports on *Care Act first-phase reforms* and *Local government new burdens* both published in June 2015, and the hearing of the Public Accounts Committee (PAC) in October 2015 on the combined topics, the PAC has now published its report on the matter. The PAC report considers the additional cost burdens on, and uncertainty for, local councils. It also considers the government's ability to identify and respond to councils that are struggling.

Its main findings are as follows:

- following the decision to delay the second phase of the Care Act, there are concerns that people will have to pay more for their care for longer before the cap on care costs is implemented. However, as the government have announced that they will not claw back the £146m of funding that it provided to councils in 2015/16 to prepare for the second phase, local authorities will not have the financial burden that was anticipated
- the DCLG have failed to adequately identify and assess new burdens on local authorities and consider their impact, creating significant uncertainty for local authorities. Councils are faced with 'unfunded pressures' which are making it 'more difficult for them to meet their statutory duties and will increase pressure on council tax'
- The report calls for the Spending Review and annual finance settlements for local authorities to 'take full account of the many cost pressures local authorities face, whether or not they meet the government's definition of a new burden'. Funding must be monitored to ensure that vulnerable people do not lose out

The full report can be found at <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/publications/>

Results of auditors' work 2014/15

Public Sector Audit Appointments

Following the closure of the Audit Commission on 31st March 2015, Public Sector Audit Appointments (PSAA) became responsible for appointing auditors to local Government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. The Audit Commission previously published Auditing the Accounts reports for Local Government bodies covering the 2012/13 and 2013/14 financial years. The reports summarised the results of the work of auditors appointed by the Commission at local bodies. This is the first such report published by PSAA, and it summarises the results of auditors' work at 509 principle bodies and 9,755 small bodies. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies, according to Public Sector Audit Appointments Limited's *Report on the results of auditors' work 2014/15: Local government bodies*.

- for principal bodies, auditors at 345 of 356 councils (97 per cent) were able to issue the opinion on the accounts by the statutory accounts publication date of 30th September 2015.
- 97 per cent of police bodies and fire and rescue authorities also received the audit opinion by 30th September 2015.
- for the second year in a row there have been no qualified opinions issued to date to principal bodies.
- the number of qualified conclusions on value for money arrangements has remained consistent with the previous year at 4 per cent (17 councils, one police body and one fire and rescue authority).

Highways Network Assets

Accounting and audit issues

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset form 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available.

Better Care Fund

Accounting and audit issues

The Better Care Fund was launched on 1 April 2015 to ‘...drive closer integration and improve outcomes for patients and service users and carers’. The intention was to set up the fund as a pooled budget with NHS organisations and local authorities contributing into a single pot that is used to commission or deliver health and social care services.

In practice, different Better Care Fund agreements have different and sometimes complex arrangements. As a result determining the correct accounting can be difficult and there is no one size fits all approach. NHS and local government partners need to agree on accounting for such arrangements to ensure that not only are there no material errors in their own accounts but also that there are no material errors on consolidation into Whole of Government Accounts.

NHS and local government partners therefore need to consider the specific terms of their agreements and considering where the control and risks lie in line with the definition of control in IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. Individual authorities also need to consider whether they are acting as a principal or an agent. Judgement may be required, and may therefore need to be disclosed as a critical judgement in the accounts.

Although the local government timetable is moving forward, the NHS timetable is still significantly earlier so local authorities will need to include dates in their closedown plan to give NHS colleagues the information they need to prepare their accounts in good time for these deadlines.



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

Public Sector Internal Audit Standards – External Assessment

Audit Committee

Date: 23 February 2016

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

1. Purpose and Reasons

- 1.1 The Public Sector Internal Audit Standards introduced a requirement for an external assessment of internal audit which must be conducted at least once every five years by a qualified, independent reviewer external to the organisation.
- 1.2 This paper sets out the proposed arrangement for that external assessment for Member's approval.
- 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.

2. Recommendations

The Committee is recommended to:

- 2.1 Audit Committee reviews and approves the Terms of Reference for the external assessment.

3. Detail

- 3.1 The Public Sector Internal Audit Standards have replaced CIPFA's Code of Practice for Internal Audit in Local Government as the mandatory guidance for internal audit in the public sector.
 - 3.2 The main purpose of the Public Sector Internal Audit Standards was to:
 - Define the nature of internal auditing in the UK public sector
 - Set basic principles for carrying out internal audit in the UK public sector
 - Establish a framework for providing internal audit services (both assurance and consultancy)
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning
 - 3.3 The Standards (no. 1312) introduced the requirement for an external assessment of Internal Audit. This assessment should be carried out at least once every five years by a qualified, independent assessor from outside the organisation.
-

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

Public Sector Internal Audit Standards – External Assessment

Audit Committee

Date: 23 February 2016

- 3.4 As reported previously to Audit Committee, the Council was seeking to look for another Council to carry out a peer review. The cost of a peer review would be considerably less than using CIPFA, the Institute of Internal Auditors, or a private firm.
- 3.5 Bristol City Council has agreed to carry out our external assessment. The assessment is planned to be carried out during May 2016. The draft terms of reference are attached as Appendix 1.
- 3.6 The review will include the following:
- Independent verification of a self-assessment against the Standards carried out by the Head of Internal Audit
 - A review of relevant documentation e.g. Internal Audit Charter, quality and performance measures and reports etc.
 - Examination of a sample of audits
 - Interviews with key staff to confirm audit procedures and process
 - Review of questionnaires completed by the main
- 3.7 The outcome of the review will be reported back to a subsequent meeting of the Audit Committee and will be included in the Head of Internal Audit's annual report.

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 The external assessment against the Public Sector Internal Audit Standards ensures compliance with the mandatory guidance under the Accounts and Audit Regulations 2015.

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

- 5.3 None

Public Sector Internal Audit Standards – External Assessment

Audit Committee

Date: 23 February 2016

Links to One Swindon, Strategic Objectives, Plans and Policies

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

Diversity Impact Assessment

- 5.5 None

Risk Management

- 5.6 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 / Background papers

Appendix 1 – Draft terms of reference for the external assessment

9. Key Decision/Decision in Forward Plan

Not Applicable

This page is intentionally left blank



Assignment Details:

Assignment: Peer Review: Swindon Borough Council
Prepared by: Suella Coman
Reviewed by: Nick Hobbs: Swindon Borough Council
Date Agreed: 5th February 2016
Timescale for Audit: May 2016

Audit Team Details:

Auditor: Phil Eames Audit Manager: Suella Coman
Chief Internal Auditor: Melanie Henchy-McCarthy

Client Contact Details:

Nick Hobbs: Head of Internal Audit
John Gilbert: Chief Executive

Objectives and Scope of the Audit Review:

The Accounts and Audit Regulations 2015 require that internal control is reviewed in line with 'proper practices'. The Public Sector Internal Audit Standards (PSIAS) together with a Local Government Application Note produced by CIPFA (Chartered Institute of Public Finance and Accountancy) defines 'proper internal audit practice'. PSIAS standards 1311 and 1312 introduce the requirement for an external assessment of internal audit to be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The Local Government Application Note includes the authoritative checklist for measuring the performance of internal audit against the PSIAS.

The purpose of the external assessment is to determine the extent to which Swindon's Internal Audit Service complies with the PSIAS. The assessment aims to be a supportive process that identifies opportunities for development which helps to enhance the value of the audit function to Swindon Borough Council.

Two possible approaches to external assessments are outlined in the standards; a full external assessment or an internal self-assessment which is validated by an external reviewer. Bristol City Council Internal Audit will undertake an independent review of Swindon Borough Council Internal Audit's self-assessment to:

- a) Provide an independent assessment of whether Swindon borough Council Internal Audit work is undertaken in accordance with PSIAS
- b) Identify any areas for improvement and make recommendations in that regard.

Our work will be limited to:

- a) Independent validation of Internal Audit's self-assessment of compliance with PSIAS. This will include a review of supporting documentation and information such as the Internal Audit Charter/ Strategy or Terms of Reference, details of responsibilities, resources, structure, activity (including any external client organisations), quality and performance measures and reports.
- b) Examination of a sample of audit engagements
- c) Interviews with key staff to confirm audit procedures and process
- d) A survey of a sample of main stakeholders regarding Internal Audit's work which will be compared to the audit service's own view of the corporate opinion of their service provision.

Internal Audit is a key component of the Council's assurance framework and therefore it is essential that it complies with relevant legislation and best practice. An independent review of the service will provide assurance to its stakeholders, including Audit Committee, Corporate Board and other senior managers within the Council that the internal audit service is operating effectively.

Reporting Arrangements and Quality Assurance:

Our conclusions findings and recommendations will be set out in an Audit Report. Before it is issued the content will be discussed with relevant officers at Swindon Borough Council, who will be required to provide responses to our report and any recommendations we make. This is to ensure that the report is accurate and that any action plan for improvement is practical.

As such, our initial draft report will be provided to the Head of Internal Audit, for early discussions and to determine who else the matter should be reported. The final report will be provided to the Chief Executive of Swindon Borough Council and copied to the Head of Internal Audit. It is recommended that the results of this review are also shared with the Audit Committee.

The report will be sent electronically. If you prefer not to receive a report in this way, (for example, because it may be sensitive, and you have granted proxy rights to your e-mail), please let us know.

Bristol City Council Internal Audit issue quality assurance questionnaires with final audit reports to help ensure that the standard of our own services continually improves. We would appreciate it if you could provide feedback on your experience of the audit by completion and return of the questionnaires.

The Audit Team - Competence and Independence:

The PSIAS require that external reviewers should possess a recognised professional qualification, have appropriate experience of internal audit within the public sector / local government, have detailed knowledge of leading practices in internal audit and have current and in-depth knowledge of the Definition, the Code of Ethics and the International Standards for Internal Audit.

The following provides a brief summary of Bristol's Audit Team Members who will undertake this review to enable Swindon Borough Council to demonstrate they are competent professionals:

Melanie Henchy-McCarthy. FCCA, MAAT – Chief Internal Auditor, Bristol City Council:

Melanie is a fully qualified accountant being a Fellow of the Association of Chartered Certified Accountants and has over nineteen years' Internal Audit experience in public sector organisations. She is currently Bristol City Council's Chief Internal Auditor (Job/Share), a role she has held for over three years and prior to that was an Audit Manager for Bristol's Internal Audit Service for four years. As well as managing the service to Bristol City Council, Melanie also manages the internal audit service delivery to our external customers including the local Fire and Rescue Service and academies.

Suella Coman BSc (hons), FCCA – Audit Manager, Bristol City Council:

Suella has over eleven years' Internal Audit experience covering a range of public sector organisations including Fire Authorities, County Council and Unitary Authorities. She is a fully qualified accountant being a fellow of the Association of Chartered Certified Accountants. She is currently employed at Bristol City Council as an Audit Manager and prior to that was an Audit Manager with the South West Audit Partnership.

Phil Eames CIPFA – Group Auditor, Bristol City Council

Phil is a fully qualified accountant with over fourteen years' audit experience in both internal and external audit. He has worked with both the Audit Commission and within private practice to deliver the external audit of local authorities. In subsequent assurance roles with Government funded bodies he undertook quality assurance reviews of internal audit provisions assessing compliance with Government Internal Audit Standards. He has four years' experience as a Chief Internal Auditor with the Learning and Skills Council and has also worked more broadly in the audit field providing guidance to support public sector audit committees and the external auditors of funding bodies.

There is no conflict of interest in performing this assessment in respect of Swindon Borough Council's Internal Audit Service, Bristol Audit Service is not part of, or under the control of Swindon Borough Council.

Melanie Henchy-McCarthy

Chief Internal Auditor (J/S)

0117 92 220633

melanie.henchy-mccarthy@bristol.gov.uk

This page is intentionally left blank

Head of Internal Audit Update

Audit Committee

Date: 23 February 2016

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

1. Purpose and Reasons

- 1.1 To present Members with a summary of the main issues arising from the Internal Audit reports finalised since the Audit Committee meeting in November 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

Progress on completion of Internal Audit Plan 2015/16

- 3.1 Details of audits finalised since the November Audit Committee meeting are set out in Appendix 1. The appendix sets out the key audit recommendations made along with the overall risk assessment to the Council.
 - 3.2 Appendix 2 sets out progress against the 2015/16 plan as at the end of January 2016. Currently 63% of the number of the audits in the audit plan has been completed against a target of 74%.
 - 3.3 Progress against the plan is behind target. This has been due, in the main, to the number and complexity of investigations that the section has been involved with.
 - 3.4 The Head of Internal Audit has met with leadership teams to agree the prioritisation of audits for completion during the remainder of the year and is confident that approximately 90% of the plan will be completed by the end of the year.
-

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: 23 February 2016

Fire Authority

- 3.5 Internal Audit has provided the audit service to Wiltshire Fire Authority for the past nine years. The Combined Fire Authority of Dorset and Wiltshire undertook a tender process for their audit service with effect from 1st April 2016. Unfortunately, despite being the lowest priced tenderer (approximately £11,000 over three years), we were unsuccessful in our bid, coming second by just over 2% in the evaluation process.

Staffing

- 3.6 In order to meet savings targets one of our Senior Auditors will be taking voluntary redundancy at the end of March 2016.

Corporate Fraud Update

- 3.7 In December 2014, Internal Audit was successful in bidding for DCLG monies for Counter Fraud work. The bid identified that the initial focus of the work of the team would be on looking at potential Housing related fraud i.e. tenancy fraud and right to buy applications. The team would also look at Business Rates and Council Tax fraud.
- 3.8 The funding enabled the recruitment of a Corporate Fraud Investigator and a Corporate Fraud Support Officer. To date the team has:
- Stopped five right to buy applications (£302,418 discount)
 - Recovered eight housing properties (estimated savings per Audit commission calculations: £144,000)
 - Identified four Council Tax discount frauds (£1,037)
 - Identified one parking permit fraud (£2,825)
 - Through the funding received an external review of business rates was undertaken that identified a possible additional rateable value of £67,790.
- 3.9 A full report on the teams work will be presented to a subsequent meeting of the Audit Committee.

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.

Head of Internal Audit Update

Audit Committee

Date: 23 February 2016

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 is achieved.

Diversity Impact Assessment

- 5.5 None

Risk Management

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

6. Consultees

- 6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- 6.2 All Heads of Service, Board Directors and Members who have contributed to individual audits to date during the course of 2015/16.

7. Background Papers

- 7.1 None

8. Appendices

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

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

This page is intentionally left blank

Page 89

Page 89Page 89

Audit Title:	Council Tax						
Date of Report:	January 2016			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	1	Previous Audit Opinion:	1	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> <ul style="list-style-type: none"> During 2015/16, and in the absence of agreed service KPI's for Council Tax, continue to monitor and measure performance against the equivalent monthly performance for the same period during 2014/15. This will seek to benchmark performance above the highest levels of collection. Going forward, Council Tax KPI's should be agreed by the 1st June following the start of the new financial year. 							

Audit Title:	Licensing Private Hire and Taxis – Follow Up
Date of Report:	February 2016
<u>Key Recommendations</u> The additional follow-up audit was undertaken at the request of Audit Committee to ensure that the remaining key recommendation (see below) had been implemented: <ul style="list-style-type: none">An independent reconciliation between Lalpac (fees collected) and the General Ledger (income posted) should be devised and implement. A separate report on the internal audit findings has been included in the February 2016 Audit committee agenda.	

Audit Title:	Emergency Assistance Fund						
Date of Report:	November 2015			Materiality/Impact:		Medium	
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	3	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<p><u>Key Recommendations</u></p> <p>The key high risk recommendation made as a result of the review is:</p> <ul style="list-style-type: none"> Supplier selection should be based on a best value exercise. The Council's Contract Standing Orders are currently being revised and, subject to approval by Cabinet, will be implemented on 6th November 2015. After this date, all contracts over £1,000 will require written quotations. Where this is not possible, an exemption should be formally authorised and under the new Standing Orders there is a more robust process for exemptions: <ul style="list-style-type: none"> If, over the life of the contract, supplier spend is over £25,000, an Exemption Form will need to be completed and signed off by the Head of Service, the Director of Law and Democratic Services, the Head of Finance and Head of Procurement. For spend under £25,000 over the life of the contract justification for best value will need to be provided and recorded in the contract authorisation record. There should be a time limit and a maximum spend on all contracts, to ensure best value is being reviewed. 							

Audit Title:	St Luke's School							
Date of Report:	December 2015				Materiality/Impact:		Medium	
Number of 'High Priority' Recommendations:	5	Current Audit Opinion:	3	Previous Audit Opinion:	3	Overall Evaluation (Risk):	Moderate	

Key Recommendations									
---------------------	--	--	--	--	--	--	--	--	--

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

- The School should use historic information on the changes in top-up funding to prepare alternative budget scenarios. These can be used to assess the financial impact to the School should these changes in funding materialise and to assist with creating and agreeing plans to address any variances, should they occur.
- Improvements to budget monitoring by the Resources Committee are required to ensure that the most-up-to-date information is being discussed and that all significant variances are highlighted and addressed to mitigate any negative impact on the year-end balances. All members of the Resources Committee should be involved in discussions around the data presented to allow for differing expertise and knowledge to be shared and considered. It is recommended that the budget monitoring reports include a column showing percentage of income/ expenditure to date against the expected position at that time.
- The School should create and maintain a cash flow forecast to monitor their bank balances to ensure that they are able to meet its commitments and prevent an overdraft from reoccurring.
- For 'in part' or 'no' responses given in the School's SFVS return, the School should prepare an action plan with responsibilities and timescales. This should be monitored regularly to ensure that they are implemented.
- Minutes of Governor meetings should be improved to ensure that key details of discussions held are documented.

Audit Title:	WB 14/15-4
Date of Report:	December 2015

Whistleblowing Investigation - Outcome	
1	Investigation completed and findings reported to the appropriate authority.
2	Investigation ongoing, with updates provided as they become available.
3	Investigation closed, no further action required.
4	Investigation closed, disciplinary action taken against the whistleblower.
5	Investigation closed, disciplinary action taken against the whistleblower and the individual(s) involved.
6	Investigation closed, disciplinary action taken against the individual(s) involved.
7	Investigation closed, disciplinary action taken against the individual(s) involved and the whistleblower.
8	Investigation closed, disciplinary action taken against the individual(s) involved and the whistleblower, and the individual(s) involved have been removed from the organization.
9	Investigation closed, disciplinary action taken against the individual(s) involved and the whistleblower, and the individual(s) involved have been removed from the organization and the whistleblower has been reinstated.
10	Investigation closed, disciplinary action taken against the individual(s) involved and the whistleblower, and the individual(s) involved have been removed from the organization and the whistleblower has been reinstated and the individual(s) involved have been removed from the organization.

An anonymous allegation was made that work had been carried out to a tenant's property to keep them happy as they were a vocal tenant. Also, that a contractor entertained Council staff at a local hotel and as a result extra work was given to them and that there were unnecessary delays in fitting his father's shower. Internal Audit completed the investigation and issued a report to the Monitoring officer and the relevant line manager making a number of recommendations regarding current processes. Disciplinary action was also taken against a member of staff who had accepted and not declared receiving hospitality from a contractor during the course of a contract monitoring meeting.

Audit Title:	WB 14/15-5
Date of Report:	December 2015
<u>Whistleblowing Investigation - Outcome</u> <p>An anonymous allegation was received regarding the theft of Council stock by a member of staff who it was alleged then used this stock to carry out private work. It was also alleged that the member of staff parked his Council vehicle inappropriately at night. Internal Audit investigated the allegation and found no evidence to substantiate the allegation of theft. Following discussions with the relevant Head of Service the policy regarding the use of Council vehicles will be reviewed and updated.</p>	

Audit Title:	WB 15/16-1
Date of Report:	December 2015
<u>Whistleblowing Investigation - Outcome</u> <p>A member of staff made a number of allegations regarding a colleague. A number of these due to their nature i.e. bullying, harassment etc. were referred to Human Resources to investigate under the relevant Council policy. Two of the allegations related to potential fraud and these were referred to Internal Audit for investigation. The member of staff who the allegations were made against resigned from the Council during the course of the investigation. However, as the allegations may have had an impact on an outside organisation the investigation was completed. Internal Audit found that the member of staff had provided incorrect information regarding actual expenditure to support an external grant return. The member of staff was also found to have provided false information regarding a person's employment status. A report has been provided to the relevant Head of Service to consider what action to take.</p>	

Audit Title:	WB 15/16-2
Date of Report:	December 2015
<u>Whistleblowing Investigation - Outcome</u> <p>An anonymous allegation was received that a boiler was being removed from a Council owned property without permission. This allegation was investigated by Internal Audit. This investigation has been completed and reported to the Council's Monitoring Officer. The allegation was not substantiated.</p>	

Audit Title:	School IT Governance
Date of Report:	December 2015
<p>An overall report was produced following visits to a number of schools. The summary of this report has already been presented to Audit Committee. The individual reports for schools visited during the review have now been finalised. The schools visited were:</p> <ul style="list-style-type: none"> • Isambard • Eldene • East Wichel • Orchid Vale • Wroughton 	

Audit Title:	Duplicate Payments	Date of Report:	20.01.2016
<p><u>Key Recommendations</u></p> <p>After a review of matches, four unrecovered duplicate matches were identified, with a total net value of £634.10.</p> <p>From the review a number of best practice recommendations have been made to mitigate the risk of potential duplicate payments.</p>			

Audit Title:	Highways Grants: Local Pinch Point Fund Grant						
Date of Report:	December 2015				Materiality/Impact:		N/A
Number of 'High Priority' Recommendations:	-	Current Audit Opinion:	-	Previous Audit Opinion:	-	Overall Evaluation (Risk):	N/A
<p>The final grant declaration was completed and submitted to the Department of Transport before the deadline of 30th September 2015. Following the audit review, to ensure that the grant was used in accordance with grant terms and conditions, the declaration was certified as accurate by both the Council's Chief Executive and Head of Internal Audit.</p> <p>As part of the grant review a number of lessons learned were identified to improve controls in the processing and management of future grants.</p>							

Audit Title:	Concessionary Travel				Date of Report:	20.01.2016	
Number of 'High Priority' Recommendations:	6	Current Audit Opinion:	3	Previous Audit Opinion:	3	Overall Evaluation (Risk):	Moderate

Key Recommendations continued

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

- Procedure notes should be produced setting out the process to cancel concessionary travel passes following the notification of deaths matched to relevant applicants on the Fare Deal system (this end bit doesn't make sense to me). Cancellation of the pass should include removal of the photograph and termination of the pass on the Fare Deal system. This is to ensure that the concessionary travel passes are not misused or renewed, following death of the applicant. Periodic spot checks of entries on the death list to the Fare Deal system should be conducted, to ensure that concessionary travel passes are cancelled for any correlating names.
- An independent officer, not involved with day to day operation of the concessionary travel scheme, should be responsible for setting up and reviewing user access rights to the Fare Deal system. A deputy should also be designated to provide cover in the main administrator in event of then being absent. At least a quarterly review of user access rights should be conducted to ensure that staff no longer employed by the Council or who cease to have responsibility for concessionary travel are deleted from the Fare Deal system. Access rights of the five staff identified during the audit as having left the employ of the Council should be removed from the Fare Deal system.
- A statement should be included at the foot of the application requiring the applicant to sign to confirm that the information provided is complete and correct where passes are issued by the One Stop Shop officer, on a face to face basis. This information can then be forwarded to Business Support Unit for independent check.
- Passenger Transport should, with support from Law and Democratic Services, arrange a service contract with Euclid Ltd. This contract would support the use of the software package used for recording concessionary travel applicants' data and processing the order for the smart card. Advice should be sought from the Head Information and Technology, to ensure the contract meets SBC's IT information and security requirements.
- In accordance with the Council's new Contract Standing Orders an internal form of approval should be completed for any future procurement of travel consultants. Where the total contract spend value is anticipated to be above £25,000 a high value Form C/ Procurement Advisory Document should be completed as part of the procurement process. In the event of contracting Integrated Transport Planning to deliver any additional services under the duration of their existing contract, and dependent on the cost, the procurement should comply with Contract Standing Orders and an internal form of approval (Form C/ Procurement Advisory Document) completed with quotations/tenders sought as necessary to support the process.
- Review the level of service provision required from the One Stop Shop and Customer Services Team to service the Passenger Transport concessionary travel scheme. Following the review produce an up to date service requirement with relevant performance indicators i.e. to ensure that concessionary transport passes are processed on a timely basis and in accordance with the English County Travel Scheme, terms and conditions. Quarterly performance meetings should be reinstated with performance management information to be submitted for review and action planning where necessary. Any ad hoc performance issues should also be included in these meetings for discussion and resolution.

Audit Title:	Shaw Farm Landfill follow-up review						
Date of Report:	December 2015			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	N/A - consultancy	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> <p>Of the ten high priority recommendations made in the Shaw Farm Landfill audit, completed in April 2015, seven had been implemented and one was in progress of implementation. The two outstanding recommendations, have been reassigned to the Board Director, Service Delivery after the officer originally allocated these left the Council i.e. Head of Highways and Transport.</p> <p>The key outcomes of the review are that:</p> <ul style="list-style-type: none"> • A Technically Competent Manager (TCM) is now in place for the Shaw Farm Landfill site (phases three and four). The Contaminated Land Officer has been designated as the point of contact with the EA for waste sites on Council owned land, where an EA waste permit is not in place and therefore a TCM is not required. • Works at Shaw Farm Landfill (phases three and four) have been undertaken including the creation of new vertical wells across the site and installation of pumps into these for extraction of leachate. Following installation of the ten new pump wells the leachate levels within the landfill site have lowered to a level which now complies with the Environment Agency (EA) requirements in almost all areas of the site. The EA has been provided with monitoring information which has tracked the levels of the leachate in the wells since they were commissioned and a satisfactory outcome and formal 'closure' of the site is now expected. • A new action has been included for the Head of Property Assets, subject to agreement by the EA, to conduct joint inspections of waste sites on Council land which is leased to waste handling companies (with a commissioned resource to provide this specialist service). Lease agreement terms and conditions will be reviewed to ensure the Council as landowner has rights to access land for this purpose. These will be implemented in new lease agreements, on renewal or by agreement with existing lease holders. 							

Audit Title:	Personal Budgets - Direct Payments						
Date of Report:	December 2015			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	8	Current Audit Opinion:	3	Previous Audit Opinion:	3	Overall Evaluation (Risk):	Of concern
<u>Key Recommendations</u> <p>The key recommendations made as a result of the review are:</p> <ul style="list-style-type: none"> • A key performance indicator (KPI) should be introduced to monitor performance of the FAB team to ensure financial assessments are completed annually for all relevant clients in line with current procedure. This would allow the Strategic Commissioner Adults an overview of performance and compliance. • Clear evidence must be provided to show that Care Managers are ensuring clients with direct payments are spending funds to meet their agreed outcomes documented in their support plan and maintaining appropriate records. To facilitate this, the review/ assessment form should be amended to include a statement to the effect "I (Care Manager) confirm that the service user is spending their direct payment to meet their outcomes and are maintaining appropriate records". • Training/refresher training should be made available to Care Managers to ensure they are aware of what constitutes permitted expenditure and how to conduct an annual check on client use of their personal budget. • The Verifications team (Joint Commissioning Directorate) should check that this question has been answered positively. If it has not, or there are any concerns, this should be raised via email with the Care Manager. • Care Plans should be reviewed at least annually. A spreadsheet detailing when the next care plan review is due should be reviewed by the Strategic Commissioner for Adults quarterly. In addition an exception report identifying clients who have not been assessed within the last year should also be run quarterly. • Procedures should include escalation process for continued non-payment to the Strategic Commissioner for Adults. • Consideration should be given to increasing the Mental Health Finance Officer's authorisation mandate to include the expenditure codes covering Mental Health Direct Payments. In the meantime these payment schedules should be countersigned by an officer who is authorised against the relevant codes. • Specific guidance should be provided on escalation processes in the event of variation from expected use and management of personal budgets, including potential fraud and corruption. 							

This page is intentionally left blank

Managed Audits Completed (Audits) - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Managed Audits Completed						NNDR		Council Tax	Asset Management	Debtors		
(total 10)												
Managed Month Total	0	0	0	0	0	1	0	1	1	1	0	0
Managed Cumulative Total	0	0	0	0	0	1	1	2	3	4	4	4
Managed Target %	0	0	0	0	0	10	30	50	70	80	90	100
Managed Achieved %	0%	0%	0%	0%	0%	10%	10%	20%	30%	40%	40%	40%

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	Schools: Info Gov (corporate)	Money Laundering	Health Protection: Assurance Framework	Inv 15/16-2	Youth Engagement Workers and EET Provision	WB 14/15-4	WB 14/15-5	Complaints		
Target: 105 (inc. provision for investigations)	Inv 14/15-15	Inv 14/15-16	Isambard School: IT Governance	ICT Security Governance	Mail Room Logistics	WB 14/15-4(a)	Brindley Close	Shaw Farm Follow-up	Stores equipment management	Lydiard		
	Inv 14/15-17	Troubled Families Grant Claim (May)	Eldene: IT Governance	Improvement Grants	IT Healthcheck	NNDR RV inspections	Emergency Assistance Fund	Concessionary travel	Personal budgets	ID Cards		
	Whistleblowing Policy	Housing Voids	East Wichel: IT Governance	NNDR 3 claim	Review of revised Contract SO's	Highways; Bruce Street Bridges	Community Equipment Store	WB 15/16-2		GCSE attainment		
	Annual Governance Statement	Corporate Buildings Statutory Comp: follow-up	Information Governance and Security Policy	Orchid Vale: IT Governance	Adult Social Care: Financial Assessments	Allotments	Taxi & Private Hire: Licensing (follow-up)			Pot Holes		
	Performance Management	Isambard School follow-up	Information Risk Policy	Wroughton: IT Governance	Home to School transport	Pinch Point funding				Troubled Families Phase 2		
		Duplicate payments	PSN Code of Connection update	Key ICT Security issues		PPS: Sage Review				Duplicate payments		
			SWIFT: System control and integrity	Section 17 Expenditure						The Grange		
				PSN Compliance and risk issues						WB 15/16-1		
				Trade Waste						Health & Wellbeing		
				Carbon Reduction Commitment return						Garages		
				Inv 15/16-1						Ofsted action plan		
										WB 15/16-5		
Non-managed total for month	6	7	8	12	6	7	5	4	3	13	0	0
Cumulative non managed audits	6	13	21	33	39	46	51	55	58	71	71	71

Overall target: 115 audits	April	May	June	July	August	September	October	November	December	January	February	March
Overall Month Total Audits	6	7	8	12	6	8	5	5	4	14	0	0
Overall Total Audits	6	13	21	33	39	47	52	57	61	75	75	75
Target Completion of Plan %	6	12	20	28	35	43	52	60	67	74	82	90
Audit Plan Achievement %	5%	11%	18%	28%	33%	39%	43%	48%	51%	63%	63%	63%

This page is intentionally left blank