

# Swindon Borough Council

## Audit Committee

**Tuesday, 28 June 2016**

Committee Room 6, Civic Offices

**At 6.00 p.m.**

### **Conservative Councillors**

Steve Weisinger  
(Chair)  
Nick Martin  
Malcolm Davies  
Mary Friend

### **Labour Councillors**

Des Moffatt  
Kevin Small  
Chris Watts

**Committee Officer:** Steve Jones (01793 463602)

email: [stevejones@swindon.gov.uk](mailto:stevejones@swindon.gov.uk)

Swindon Borough Council, Civic Offices, Euclid Street, Swindon, SN1 2JH

(Telephone 01793 445500)

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

---

## **AGENDA**

**1. Apologies for Absence**

**2. Appointment of Vice-Chair**

**3. Declarations of Interest**

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

**4. Public Question Time**

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

**5. Minutes (Pages 5 - 8)**

To receive the minutes of the meeting held on 19<sup>th</sup> April 2016.

6. **Internal Audit report - Stores and Equipment Management** HIA (Pages 9 - 56)
7. **Treasury Management Performance 2015/16** BDR (Pages 57 - 64)
8. **Draft Statement of Accounts 2015/16** BDR (Pages 65 - 68)
9. **Audit Committee: Annual Report 2015/16** HIA (Pages 69 - 78)
10. **Audit Committee: Terms of Reference and Work Plan** HIA (Pages 79 - 86)
11. **Draft Annual Governance Statement** HIA (Pages 87 - 102)
12. **External Audit Reports** (Pages 103 - 116)
  - (i) Planned audit Fee for 2016/17
  - (ii) Update – as at 14 June 2016
13. **Head of Internal Audit Update** HIA (Pages 117 - 132)

**Date of Despatch:** 20 June 2016

**Key:**

**Officers:**

HIA - Head of Internal Audit

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

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

(<http://ww5.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, 19 APRIL 2016**

PRESENT:- Councillors Steve Weisinger (Chair), Steve Allsopp, Mark Edwards, Nick Martin, Des Moffatt and Maureen Penny.

Apologies for absence were received from Councillors Oliver Donachie and Kevin Small.

**41. Declarations of Interest**

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

**42. Public Question Time**

There were no public questions.

**43. Minutes**

Resolved – That the minutes of the meeting held on 23<sup>rd</sup> February 2016 be confirmed and signed.

**44. Treasury Management Statement**

The Committee received a report on the Council's Treasury Management Strategy for 2016/17, including Prudential Indicators up to 2017/18, the Annual Investment Strategy, and the Minimum Revenue Provision Policy Statement.

Resolved – That the Treasury Management Strategy, Minimum Revenue Provision Policy and Prudential Indicators, as set out in Appendix 1 to the report, be noted and submitted for approval by Full Council at its meeting on 14th April 2016.

**45. Internal Audit report - Treasury Management**

The Committee received a report of the Head of Internal Audit on the key findings of the Annual Internal Audit of the Council's Treasury Management process. It was noted that the audit had found the internal control arrangements to be of a high standard resulting in only a moderate risk to the Council.

Resolved – That the report be noted.

(Councillor Mark Edwards made a non-prejudicial declaration of interest in his capacity as a Governor of Isambard Community School.)

**46. Annual Statement of Accounts Update 2015/16**

The Committee received a report of the Board Director Resources, providing an update on the progress towards the completion of the 2015/16 Statement of Accounts and summarising future changes to the Code, as reviewed annually by the

Chartered Institute of Public Finance and Accountancy (CIPFA), and updates made to accounting requirements as a result of accounting regulation changes as interpreted for the public sector, which would affect the production of the accounts in 2016/17.

Resolved – (1) That the report be noted.

(2) That the accounting policies for 2015/16 be confirmed.

#### **47. Internal Audit Plan: 2016/17**

The Head of Internal Audit submitted a report setting out the draft Audit Annual Plan for 2016/17.

Resolved – That the draft Internal Audit Plan for 2016/17 be approved.

#### **48. Letter to those charged with governance**

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

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

#### **49. External Audit Reports**

##### **(i) External Audit Plan 2015-16**

Liz Cave (Grant Thornton) presented the Audit Plan for 2015/16, explaining the External Auditors' responsibilities under the Local Audit and Accountability Act 2014 and in accordance with the requirements of the Code of Practice issues by the National Audit Office (NAO), and detailing the work to be undertaken in relation to (a) the audit of the key challenges and opportunities the Council is facing, (b) the impact on the Audit Plan of key developments in the public sector and national audit requirements, as set out in the Code of Audit Practice, and (c) in support of the Value for Money conclusion. Ms Cave also guided the Committee through the summary of the findings of the External Auditors' interim audit work, and the impact of the findings on the accounts audit approach, the key dates of the audit cycle and fees for the Council audit and other services agreed at the time of the issue of the Audit Plan.

Resolved – That the External Auditors' Audit Plan 2015/16 be accepted.

##### **(ii) Audit Committee Update**

Liz Cave (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at April 2016, in respect of the delivery of their audit responsibilities. The report also included a summary of key emerging national issues and developments that might be of interest to the Committee.

Resolved – That the report and supporting papers be noted.

**50. Changes to arrangements for appointment of an External Auditor**

The Head of Internal Audit submitted a report summarising the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. It was noted that the Council would need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

Resolved - (1) That the options for the appointment of an External Auditor be noted and that the Committee endorses the recommendation (option 3 in the report) of setting up of a national Sector Led Body.

(2) That a further update report be brought back to Audit Committee later in the year.

**51. Head of Internal Audit Update**

The Head of Internal Audit submitted a report providing a summary of the main issues arising from the Internal Audit reports finalised since the Audit Committee meeting in February 2016, and progress against the annual internal audit plan and other key issues.

Resolved – (1) That the report be noted.

(2) That a report on the management response to the key findings of the Stores and Equipment Management” internal audit be submitted to the next meeting of the Committee.

This page is intentionally left blank

## Internal Audit report – Stores and Equipment Management

**Audit Committee**

**Date: 28<sup>th</sup> June 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. At the April meeting Members requested that the Internal Audit report on Stores and Equipment Management be presented at their June meeting.

### **2. Recommendations**

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

### **3. Background**

- 3.1 An audit review of Stores and Equipment Management was included in the audit plan for 2015/16 following an investigation in to an allegation in that area.
  - 3.2 The management of equipment and stock issued by Stores is a vital component of ensuring frontline delivery is operated efficiently and effectively. The maintenance of equipment is also important for ensuring the Health and Safety of staff and the public. There is also a financial risk to the Council in the event of loss or misappropriation of these assets.
  - 3.3 Following the reintegration of Swindon Commercial Services with the Council in November 2013, a number of work streams were identified to drive service improvements and deliver savings. One of these work streams related to Stores and Purchasing, which has led to improvements in many areas, including: relocation of the Store to a more secure environment; reintroduction of the operation of imprest van stocks for craft workers; development of core product imprest stock lists with the Housing department; introduction of monthly stores and purchasing meetings with the Housing service to improve communication and engagement between the teams.
  - 3.4 An update of this project was produced in July 2015 which outlined significant further work to improve controls, ensure value for money and explore all options for the future operating model of the Stores and Procurement function.
- 

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

# Internal Audit report – Stores and Equipment Management

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

3.5 In early 2016, a restructure of the Depot Operations function took place, to provide additional capacity across fleet, stores, depot management and the Council's operator's licence. The Stores and Procurement functions have now been separated, and the Fleet and Stores Management is no longer part of the old Depot Operations Manager role. Therefore responsible officers for implementing many of the recommendations in this report are not yet appointed. Overseeing implementation in the interim is the Head of Corporate Finance and the Waterside Integration Programme Manager.

## **4. Findings**

4.1 The key findings from the Internal Audit review were:

- The accuracy of the current equipment asset register (held on a system called DATAstox) is in doubt and a combined effort across Trade Teams is needed to identify equipment in use by staff to ensure an accurate record can be collated centrally and any items that cannot be identified formally written off and removed from the register.
- The use of the DATAstox system for equipment management should be reviewed to determine whether it is the most appropriate software for equipment management. The system is not currently supported by the Supplier (or Capita), and there are inadequate access controls.
- Wherever possible, all stock should be brought together and stored in one location.
- CCTV coverage is needed in the main stores and for other areas where coverage is inadequate around the Depot to provide a deterrent and means to identify potential theft of stock.
- The access controls for the Waterside Depot, particularly for doors leading to offices or other sensitive areas such as Stores, should be reviewed to establish where further controls may need to be resourced, as currently access to key areas is not restricted.
- The instalment of an electronic stock management system for fleet stores is already in the process of being implemented. In order to improve controls in the stock management process, introducing an electronic barcode system for the Main Stores is also being sought to replace the current manual process. This needs to ensure the resources required can be sufficiently justified (a Business Case for this has recently been produced and is due to be reviewed in this context).
- Responsibilities for Trade Supervisors to review the stock items issued to their staff should be reinforced to reduce the likelihood of staff abusing issues from Stores.

---

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

# Internal Audit report – Stores and Equipment Management

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

- 
- All current contracts and purchasing arrangements for stores and equipment are being reviewed to ensure best value is being achieved.
  - The Stores Procedures should be updated. In particular, these should include a suitable schedule and method for stocktakes and disposal of equipment.
- 4.2 The audit opinion regarding internal controls was that significant improvements were required resulting in an overall opinion of 'Of Concern'
- 4.3 The full Internal Audit report is set out in Appendix 1.
- 4.4 The Head of StreetSmart, the Head of Corporate Finance have provided an update regarding progress made to date in implementing audit recommendations and will be attending Audit Committee to answer any questions Members may have.
- 5. Alternative Options**
- 5.1 Not Applicable
- 6. Implications, Diversity Impact Assessment and Risk Management**
- Financial and Procurement Implications
- 6.1 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
- 6.2 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)
- 6.3 None
- Links to One Swindon, Strategic Objectives, Plans and Policies
- 6.4 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
- 6.5 Not Applicable
- 

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

## Internal Audit report – Stores and Equipment Management

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

### Risk Management

6.6 Not applicable

### **7. Consultees**

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

### **8. Background Papers**

8.1 None

### **9. Appendices**

Appendix 1: Internal Audit report: *Stores and Equipment Management* (March 2016)

Appendix 2: Management update on progress in implementing audit recommendations



**Stores and  
Equipment Management**

**March 2016  
(Final)**

## Swindon Internal Audit Services: Stores and Equipment Management

### Contents and Distribution

#### Contents

Executive Summary .....	2
Context.....	4
Risk Areas Examined and Findings .....	4
Overall Opinion .....	9
Action Plan .....	11
Appendices:	
A - Standard Audit Opinion	
B - Acknowledgements	

#### Report Distribution – Final Report issued on 31<sup>st</sup> March 2016 to:

Head of Corporate Finance  
Waterside Integration Programme Manager  
Senior Procurement Officer - Waterside (formerly Stores and Procurement Manager at the time of audit)  
Depot Site Manager (formerly Head of Depot Operations at the time of the audit)  
Head of StreetSmart  
Head of Property Maintenance  
Systems Development Manager

#### Auditor:

Senior Auditor

## Swindon Internal Audit Services: Stores and Equipment

### Executive Summary

#### Background

This audit was undertaken with the objective of providing assurance to the Head of Infrastructure Assets and the Head of Streetsmart, regarding the management of equipment in use by Craft and Trade Workers<sup>1</sup> and the management of the Waterside Stores (including stock held within Stores and the imprest stocks held on Vans).

The management of equipment and stock issued by Stores is a vital component of ensuring frontline delivery is operated efficiently and effectively. The maintenance of equipment is also important for ensuring the Health and Safety of staff and the public. There is also a financial risk to the Council in the event of loss or misappropriation of these assets. At the time of the last stocktake of Stores on 31<sup>st</sup> March 2015, the stock valuation for Stores and imprest was £845,480.

Following the reintegration of SCS with SBC in November 2013, a number of work streams were identified to drive service improvements and deliver savings. One of these work streams related to Stores and Purchasing, which has led to improvements in many areas, including: relocation of the Store to a more secure environment; reintroduction of the operation of imprest van stocks for craft workers; development of core product imprest stock lists with the Housing department; introduction of monthly stores and purchasing meetings with the Housing service to improve communication and engagement between the teams.

An update of this project was produced in July 2015 which outlined significant further work to improve controls, ensure value for money and explore all options for the future operating model of the Stores and Procurement function.

In early 2016, a restructure of the Depot Operations function took place, to provide additional capacity across fleet, stores, depot management and the Council's operator's licence. The Stores and Procurement functions have now been separated, and the Fleet and Stores Management is no longer part of the old Depot Operations Manager role. Therefore responsible officers for implementing many of the recommendations in this report are not yet appointed. Overseeing implementation in the interim is the Head of Corporate Finance and the Waterside Integration Programme Manager.

#### Audit Opinion

The opinion on the current controls in place is that there are a number of **significant improvements required** to ensure the current commissioning arrangements are fully reliable. The combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**.

---

<sup>1</sup> Craft Worker refers to staff delivering various skilled trade roles for Housing (e.g. electricians, carpenters, kitchen fitters, etc.) with Trade Worker referring to workers delivering trade roles for other Council departments (e.g. Streetsmart).

## Swindon Internal Audit Services: Stores and Equipment

### Key Messages

Key messages from the review are:

- The accuracy of the current equipment asset register (held on a system called DATAstox) is in doubt and a combined effort across Trade Teams is needed to identify equipment in use by staff to ensure an accurate record can be collated centrally and any items that cannot be identified formally written off and removed from the register.
- The use of the DATAstox system for equipment management should be reviewed to determine whether it is the most appropriate software for equipment management. The system is not currently supported by the Supplier (or Capita), and there are inadequate access controls.
- Wherever possible, all stock should be brought together and stored in one location.
- CCTV coverage is needed in the main stores and for other areas where coverage is inadequate around the Depot to provide a deterrent and means to identify potential theft of stock.
- The access controls for the Waterside Depot, particularly for doors leading to offices or other sensitive areas such as Stores, should be reviewed to establish where further controls may need to be resourced, as currently access to key areas is not restricted.
- The instalment of an electronic stock management system for fleet stores is already in the process of being implemented. In order to improve controls in the stock management process, introducing an electronic barcode system for the Main Stores is also being sought to replace the current manual process. This needs to ensure the resources required can be sufficiently justified (a Business Case for this has recently been produced and is due to be reviewed in this context).
- Responsibilities for Trade Supervisors to review the stock items issued to their staff should be reinforced to reduce the likelihood of staff abusing issues from Stores.
- All current contracts and purchasing arrangements for stores and equipment are being reviewed to ensure best value is being achieved.
- The Stores Procedures should be updated. In particular, these should include a suitable schedule and method for stocktakes and disposal of equipment.

## Swindon Internal Audit Services: Stores and Equipment

### Context

Equipment and stores management is a vital part of the supporting infrastructure to ensure frontline services are able to operate effectively and efficiently. As well as ensuring equipment is available there is also the requirement to ensure the equipment is in safe working condition.

Due to the nature of the work, equipment and stock may be stored across many different sites and staff may also store equipment and materials e.g. in their vans, for use out in the field. Therefore, it is imperative that there is a structured programme in place to ensure stock and equipment is available and in safe, working order.

The framework to support the security and disposal of assets is included in the Council's Financial Regulations. Use of equipment is also referenced in the Council's Code of Conduct, where it states that no private work may be carried out in the Council's time, on the Council's premises, or with the use of the Council's equipment.

In November 2013 most of the operational and support services from Swindon Commercial Services Ltd (SCS) transferred back to Swindon Borough Council. A 'Waterside Reintegration Programme' was developed and new management structures were put in place in late 2014 and the Head of Infrastructure Assets and Head of Streetsmart is now responsible for these services, although the Head of Corporate Finance is temporarily covering the responsibilities for Infrastructure Assets in the absence of the current post holder.

In early 2016, a restructure of the Depot Operations function took place, to provide additional capacity across fleet, stores, depot management and the Council's operator's licence. The Stores and Procurement functions have been separated, and the Fleet and Stores Management is no longer part of the old Depot Operations Manager role.

A new post of Transport and Stores Manager has been created, which will sit above the Fleet and Workshop Manager and the Warehouse Manager, which is another new role, with responsibility for stores. Both these new posts are currently being advertised.

### Risk Areas Examined and Findings

In accordance with best practice, a risk-based approach was adopted that identified the key risks to the business objectives and those mitigating actions/controls that should be in place. The auditor then assessed the effectiveness of the mitigating controls through examination of relevant documents, procedures and detailed testing.

The key risks to the achievement of the business objectives were discussed and agreed with the Head of Corporate Finance before the commencement of the audit. The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of controls in place for each area of risk examined:

## Swindon Internal Audit Services: Stores and Equipment

Risk Area Examined and Findings	Audit Conclusion
<p><b>Risk: Strategy, policy and procedures</b></p> <ul style="list-style-type: none"> <li>• A Stores and Procurement workstream was set up in November 2013 as part of the Waterside Integration Programme and a number of activities have been completed as part of this project: <ul style="list-style-type: none"> <li>○ Stores have been relocated to a more secure environment.</li> <li>○ Imprest van stocks for craft workers in the Housing department have been introduced.</li> <li>○ A Stores and Procurement Manager was appointed.</li> <li>○ A Stock Controller was appointed on a six month contract (from 17th August 2015) with the objective of improving stock processes and identifying potential savings by improving efficiency in the process, in response to issues identified by the project team prior to the audit.</li> <li>○ Plans to improve controls are being implemented however these are dependent in some cases on additional resources (e.g. installing CCTV in main Stores).</li> <li>○ A full stock take was undertaken in March 2015, for the first time in over three years, allowing an accurate base from which to undertake future stock takes.</li> <li>○ The stock management system was changed to Open Housing, allowing greater integration with Housing;</li> <li>○ Monthly stores and purchasing meetings with Housing services have been established to improve communication and engagement between the teams.</li> </ul> </li> <li>• A new Project Initiation Document (PID) was produced in July 2015 for the 'Stores Project', which sets out the strategic and operational activities for the future. There is an action plan for the work stream that is updated after weekly meetings between the project team. This does not currently include details of the resources needed or potential risks to implementing these actions (<b>AP4.1</b>).</li> <li>• The PID outlines that future priorities include significant further work to improve controls and efficiencies that will be undertaken before exploring and researching all options for the future operating model for Stores and Purchasing function. Where there are significant financial implications to implementing the actions outlined in the PID (and recommendations in this report), this cost will need to be considered in the context of the potential long term future plans for Stores and Purchasing.</li> <li>• The procedures for stores are currently out of date, having been last written in 2010. These are currently being re-written as outlined in the PID. Once these are completed, the plan is to introduce these to all staff in the Team, supported by staff training to raise awareness of these procedures (<b>AP4.2</b>).</li> <li>• Equipment used by Craft Workers is purchased via stores and then delivered to the Horticultural Supervisor, who asset tags the item and records the details, including the date the item will be due a safety inspection (if applicable), on to a database called 'DATAstox.' All items that require servicing also have a tag attached to the item which includes details of the date of last service and when it is due an inspection. The equipment is then issued to the relevant Craft Worker.</li> </ul>	<p><b>Satisfactory</b></p>

## Swindon Internal Audit Services: Stores and Equipment

Risk Area Examined and Findings	Audit Conclusion
<p><b>Risk: Servicing / inspection routines for equipment</b></p> <ul style="list-style-type: none"> <li>Equipment used by Craft Workers is purchased via stores and then delivered to the Horticultural Supervisor, who asset tags the item and records the details, including the date the item will be due a safety inspection (if applicable), on to a database called 'DATAstox.' All items that require servicing also have a tag attached to the item which includes details of the date of last service and when it is due an inspection. The equipment is then issued to the relevant Craft Worker.</li> <li>When equipment is due to be tested or serviced, the Horticultural Supervisor contacts the relevant Craft Worker recorded as in possession of the equipment and asks for it to be brought in. However, there are major doubts about the accuracy of the equipment register, and therefore it is not clear if all items in use have been inspected or what the total value of assets is held by the Council (<b>AP1.1</b>).</li> <li>Ultimately it is the responsibility of the person to whom the equipment was allocated to ensure their equipment is in service. Trade Supervisors were contacted and asked about equipment records in their areas, but only two out of ten responded. One of these Teams maintained a separate equipment register for their staff, but the other did not (<b>AP1.1</b>).</li> <li>When vans come in for servicing, any items that are found to be out of date are reportedly confiscated until a service can be carried out, but due to the issues above, this could not be evidenced.</li> <li>Health and Safety undertake reviews regarding stores and any items found out of date are reported to the supervisor.</li> <li>Health and Safety also undertake inspections of the physical stores. A recent review was undertaken in July 2015 where it was found that some non-conformances that were raised in a previous inspection (in January 2015) were still outstanding. These related mainly to the need to update risk assessments, which is being rectified. No significant risks were identified.</li> </ul>	<p style="text-align: center;"><b>Significant improvements required</b></p>
<p><b>Risk: Security and storage of assets and stock</b></p> <ul style="list-style-type: none"> <li>There are multiple locations in Waterside where some form of stock is held and the security in each of these locations is varied (<b>AP2.1</b>).</li> <li>Although improvements have been made to restrict unauthorised access to Stores, the current controls are not entirely secure (<b>AP2.2</b>).</li> <li>CCTV of the Depot is monitored 24 hours a day from the control centre. However, there are gaps in coverage, especially in some key stock areas (<b>AP2.3</b>).</li> <li>At the end of each evening, Stores are locked when staff leave. A Security guard checks the Waterside site and buildings are alarmed. (<i>continued overleaf</i>)</li> </ul>	<p style="text-align: center;"><b>Significant improvements required</b></p>

## Swindon Internal Audit Services: Stores and Equipment

Risk Area Examined and Findings	Audit Conclusion
<p><b>Risk: Security and storage of assets and stock (continued)</b></p> <ul style="list-style-type: none"> <li>• Access to the Depot is not sufficiently restricted (<b>AP2.4</b>).</li> <li>• Insurance coverage and security requirements for stock and equipment are not widely known by Stores and Trades personnel (<b>AP2.5</b>)</li> <li>• Out of hour procedures for staff obtaining stock are in place, but are not entirely robust (<b>AP2.6</b>).</li> <li>• Most of the risks identified above, had been identified by the Stock Controller prior to the audit and there are plans in place to improve controls. However, these are dependent in some cases on additional resources being authorised. For example: <ul style="list-style-type: none"> <li>• Motion sensor CCTV for Stores is proposed and a business case for introducing this is set to be written.</li> <li>• Stock stored outside of main stores is to be incorporated into main stores.</li> <li>• There are plans to introduce a catalogue of parts available on the counter to minimise the need for trade persons to access warehouse stock out of hours.</li> </ul> </li> </ul>	<p style="text-align: center;"><b>See previous page</b></p>
<p><b>Risk: Inventories, including purchasing and disposal of assets and stock</b></p> <ul style="list-style-type: none"> <li>• The restructure of the Stores and Procurement Team is currently underway with the aim of increasing capacity and to enable greater focus on both the stores and procurement functions.</li> <li>• Currently main Stores purchasing is undertaken by a Buyer, with direct purchasing and fleet purchasing undertaken by separate functions. The purchasing process was reviewed and appears reasonable and includes suitable controls. All stock is delivered and checked by a separate Stores Team and invoices are processed by a separate Accounts Payable department, ensuring appropriate segregation of duties in the process.</li> <li>• Suppliers currently used for different purchasing functions are historical and it is unclear when the last wide scale value for money process was undertaken to ensure these suppliers are providing best value. The PID acknowledges the need for improvement in this area. Work is underway to review all current procurement contracts and activity undertaken through the Stores, Purchasing and Fleet, to develop market strategies based upon an assessment of value, risk and opportunity for savings. A Senior Procurement Officer is assigned to this part of the project to work with Stores to achieve improvement in this area. The Council's new Contract Standing Orders were adopted by Cabinet in November 2015, and any future activity should conform to these standards. Compliance with the European Procurement Regulations should also be observed.</li> <li>• To reduce staff time coming into stores, imprest van stock has been introduced with Trade Supervisors and will continue to be reviewed to ensure stock levels are suitable. New stocks have been rolled out for plumbing, carpentry and gas, with electrical underway. Replenishing of vans is undertaken weekly.</li> </ul> <p><i>(continued overleaf)</i></p>	<p style="text-align: center;"><b>Significant improvements required</b></p>



## Swindon Internal Audit Services: Stores and Equipment

Risk Area Examined and Findings	Audit Conclusion
<p><b>Risk: Inventories, including purchasing and disposal of assets and stock (continued)</b></p> <ul style="list-style-type: none"> <li>• There are also plans to review direct purchases (purchases of non-stock items) to continually inform what stock items are necessary. There is a need to increase feedback of trade staff into this process (<b>AP3.1</b>).</li> <li>• The process for issuing stock is manual and is therefore time consuming and open to error. It is also difficult to observe financial limits for stock issues<sup>2</sup> or get a real time picture of the inventory, which may delay stock reorders and the issue of stock. A business case for purchasing a bar coding stock management system has been produced and is in the process of being reviewed. It is expected that this will allow improvement in these areas, as stock will be scanned onto a person's account and values will be displayed during the issue of stock. The business plan also seeks to demonstrate the potential cost savings of introducing the system.</li> <li>• So long as a Stores Issue Notice (S-ticket) is appropriately authorised and includes a cost or job code, Stores will issue stock to an operative. Determining whether the stock booked out is reasonable for their roles is the responsibility of the trade supervisors and managers, who should check that issues are reasonable when reviewing jobs. However, it is not clear to what extent these Supervisory checks are in place (<b>AP3.2</b>).<sup>3</sup></li> <li>• It is intended to implement rolling stock checks, but there is not a schedule in place to set out this plan (<b>AP3.3</b>).</li> <li>• Stores do not currently have a policy for disposals or for selling stock or agreements with other departments regarding who gets to keep any income raised (<b>AP3.4</b>).</li> <li>• Access to the fleet store is not restricted. The Council is charged for the use of fleet imprest stock as and when it is used, but the controls for checking whether these have been genuinely used on jobs are not clear and therefore there is a risk that the Council is charged for lost / misappropriated items (<b>AP3.5</b>).</li> <li>• To improve controls in this area, a project is running to update Fleet Master and introduce barcoding and electronic booking out process. The process for this is currently being discussed, to ensure appropriate authorisation checkpoints are introduced to the process. Once introduced, it is envisaged that this will allow for better stock management and also reporting processes.</li> <li>• When items are booked out, the Fleet Workshop completes a job card which needs to be processed on the system. At the time of auditing, the job cards had not been booked out on the system for 2 weeks, as the Fleet Buyer had just returned from leave. Nobody covers this role in his absence (<b>AP3.6</b>).</li> </ul> <p><i>(continued overleaf)</i></p>	<p style="text-align: center;"><b>See previous page</b></p>

<sup>2</sup> There is a £250 limit that each worker can self-authorise to gain stock from Stores. Manual processing makes this difficult to enforce as stock issuers don't necessarily know the cost of items being issued. In any case, workers are not restricted to one S-ticket issued in a day and therefore the amount is arbitrary.

<sup>3</sup> Part of the control questionnaire sent to Supervisors sought to establish how Supervisors ensured the stock issued to their staff was reasonable. However, as reported above, only two out of ten Supervisors responded and therefore the extent of controls in place in this area has not been substantiated.

## Swindon Internal Audit Services: Stores and Equipment

Risk Area Examined and Findings	Audit Conclusion
<p><b>Risk: Inventories, including purchasing and disposal of assets and stock (continued)</b></p> <ul style="list-style-type: none"> <li>There were many anecdotes of wastefulness regarding staff which has signified a need to change the culture of those accessing stores. There is an on-going process to change behaviours, but there may need to be more done to better utilise performance management, in conjunction with all Trade Teams (<b>AP3.7</b>).</li> </ul>	<p><b>See previous page</b></p>
<p><b>Risk: Capability of IT recording systems and management information</b></p> <ul style="list-style-type: none"> <li>The Horticultural Supervisor is currently the only person trained in using the Equipment Management system DATAstox and accesses this system using a former employee's User ID and password. The back-up arrangements for this software are unknown and the software licence has expired and is no longer supported by the supplier. In addition, the system is unable to produce proper management information (<b>AP5.1</b>).</li> <li>Stores moved from using TASK to OHS in April 2015. The OHS system is primarily for housing and is not a specific stores and inventory management system. However, there is a purchasing and stores module that is suitable for use and links stock that is ordered and issued to be linked directly to jobs.</li> <li>Development of management information is a priority in the Stores and Procurement PID, to be better able to inform the service and performance in their area. Regular reporting is required to analyse stock movement and make informed accurate decisions regarding stock levels, for example.</li> <li>There are many reports currently available for stores in OHS and needs are being continually reviewed between Stores, Trade Teams and the Systems Development Team in Housing. However, some potential gaps were identified (<b>AP5.2</b>).</li> </ul>	<p><b>Satisfactory</b></p>

## Overall Opinion

**Materiality and Impact: High:** The management of equipment and stock is a vital component of ensuring frontline delivery is operated efficiently and effectively. Maintenance of equipment is important for ensuring the Health and Safety of staff and the public. The stock valuation for Stores and imprest at 31<sup>st</sup> March 2015 was £845,480, and stock is issued through stores on a daily basis. There is also therefore, a fairly significant financial risk to the Council in the event of these assets being lost or stolen.

**Changes since the last audit:** The last audit of 'Stores' was completed in 2005/06 and followed up in 2007, prior to the service being transferred out to SCS Ltd and its subsequent return to the Council. Given the time elapsed and the changes since this date, the actions from those audits have not been followed up on in this review.

### Swindon Internal Audit Services: Stores and Equipment

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

Despite the opinion given below, it is noted that there are processes in place within Stores and Procurement to tackle some of the control issues discussed in this report. However, the opinion is based on the controls as they are now.

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

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

## Swindon Internal Audit Services: Stores and Equipment Management

### Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Stores and Equipment Management, together with the recommendations to mitigate risks, the manager's response to the recommendations, the officer responsible and timescale for implementation. In order to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, recommendations have been prioritised.

The responsible officers for some of the recommendations in the action plan are named as the Stores and Procurement Manager and Head of Depot Operations, who provided management responses to the recommendations prior to the restructure of the Depot Operations function. Although these roles no longer exist, the Waterside Integration Programme Manager and Head of Corporate Finance are providing transition support to the new structure and actions will be allocated to the relevant roles under the new structure once post holders are in place.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>1</b>	<b>Risk Area: Servicing of Equipment</b>			
1.1	<p><b>Servicing of Equipment</b></p> <p>Equipment used by Craft Workers is purchased via stores and delivered to the Horticultural Supervisor (HS) to asset tag the item and record details of the asset onto a system called DATAstox, including the date the item is due a safety inspection.</p> <p>To ensure the accuracy of the records, when the HS took on the responsibility for equipment, items recorded within DATAstox were moved onto a 'quarantine' list until the physical equipment could be located. Some items have since been identified, but there are many that remain missing and so the accuracy of items recorded in DATAstox is in doubt.</p> <p>In March 2015, the estimated total of 'quarantined items' was over £111,000 (an up to date list was requested but could not be run - see AP5.1).</p> <p>When equipment is due an inspection, the person to whom the equipment was allocated is contacted to bring the item in. However, due to the above, it is not clear if all items have been inspected.</p> <p>Trade Supervisors were contacted to establish if they hold equipment records in their areas. Only two out of ten responded; one Team maintained a separate equipment register, but the other did not.</p>	<p>In addition to the asset register on DATAstox, all Teams using equipment should be required to identify the items of tool and plant under their control (i.e. issued to their staff).</p> <p>In the first instance, the details of this equipment should be collated and forwarded to the Horticultural Supervisor within a defined timeframe, together with information regarding the date it was last inspected. This should be compared to the register currently held on DATAstox to establish discrepancies.</p> <p>Missing equipment should be investigated and where necessary, written off or removed from the register to enable a cleansed version of the equipment register.</p> <p>Once this exercise has been completed, equipment management processes should be sufficient going forward to manage the assets (subject to the additional recommendations at AP5.1).</p> <p><b>Priority: High</b></p>	<p>Stores and Procurement Manager</p> <p>In conjunction with</p> <p>Head of Infrastructure Assets / Head of Corporate Finance</p> <p>and</p> <p>Head of Streetsmart</p> <p>and</p> <p>Waterside Integration Programme Manager</p> <p>August 2016</p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b> This is a significant piece of work affecting all operational services at Waterside and the Fleet and Stores teams and is at a very early stage.</p> <p><b>Stores and Procurement Manager:</b></p> <p>Responsibility for tool and plant is to be incorporated into Stores, although timescales are unknown. When this happens there needs to be a full review of the equipment register to establish where items are.</p> <p>The Horticultural Supervisor has done a good job recovering missing items, but the integrity of the asset register at the outset was poor. Need to get a base by calling in craft and trade workers team by team to identify, record, test, calibrate and formally sign equipment out to workers. There needs to be an agreement for writing off lost stock and then regular review going forward.</p> <p>Line Manager / Supervisor support will be vital to ensure staff in their areas are compliant with new procedures.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>2</b>	<b>Risk Area: Security and Storage</b>			
2.1	<p><b>Stock Locations</b></p> <p>There are multiple locations in Waterside where some form of stock is held. The security for each of these locations varies.</p> <p>For example, as well as the main store, slow moving or obsolete stock is still held in the old store area which has open doors on all sides and can be accessed freely (with the exception of wheelie bins that are secured via a padlock). Stock in this area was due to be moved into main stores on 26/10/2015 but during a site visit by the auditor on 10/12/15, this had not yet happened.</p> <p>At the time of initial site visits in October 2015, access to the fleet store was not restricted and Fleet staff (and any other personnel) able to access the stock directly.</p> <p>Another area contains bags for household and other waste. Access is not restricted, although there is CCTV in this store. Another warehouse holds the winter salt stock; there is no access restriction and CCTV coverage in this area is not currently in place.</p> <p>There are also other storage areas for larger items, such as the lock up for large street lighting equipment (e.g. lamp columns) where items are fenced off, requiring a key to access. Streetlighting staff have keys to this lock up and are able to help themselves to equipment on the proviso they let stores know afterwards.</p> <p>Although in the above locations stock is recorded on OHS, it is not possible to run a report showing the value of stock held in each location (see AP5.2).</p>	<p>Wherever possible, all stock should be brought together and stored securely in one location.</p> <p>Where this is not possible, suitable access controls or other preventative measures should be taken to reduce the risk of theft from these areas (i.e. adequate CCTV coverage, stock access only by Stores staff, etc.).</p> <p><b>Priority: High</b></p>	<p>Stores and Procurement Manager</p> <p>June 2016</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>The stock in the old stores needs to be integrated into main stores, but there is a space issue. It is being identified which stock has been unused since the move into the current Stores and this will be catalogued and sold at auction with the remainder incorporated into stores.</p> <p>However, some stock will never be able to move into the main stores - for example, the lamp columns are too large and it would be impractical to incorporate the salt stock.</p> <p>Fleet stock has now been incorporated into the main store and access is now restricted. Items are dispatched via a serving hatch between the main store and the Fleet Workshop.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>2</b>	<b>Risk Area: Security and Storage</b>			
2.2	<p><b>Main Store Access</b></p> <p>The main store area has a number of access points that are not entirely secure:</p> <ul style="list-style-type: none"> <li>○ A shutter door that is used for deliveries is expected to be closed at all other times however, despite the auditor observing the Manager reminding staff that this door should remain closed, on multiple occasions during the audit this door remained open allowing full access to the main stores.</li> <li>○ A side door that allows access into stores requires an ID badge to enter and exit, but access is not restricted to only Stores personnel. Central Admin provided a report showing who accessed the door in the week between 29/10/2015 and 03/11/2015. There were 45 people that used the door, over three times the number people that work in the Stores Team.</li> <li>○ Although all spoken with during the audit stated it is never used, there is a fire door between the Fleet workshop and Stores that could be used to access Stores. This door is not alarmed.</li> <li>○ A counter separates the stock room from staff. However, the counter can be raised to access Stores, if unmanned (e.g. when a Store Clerk is gathering stock for a Craft Worker).</li> <li>○ A door to the left of the counter leads to an office area (that in turn leads into Stores). Although there is a sign stating access is restricted and the area this door leads to is busy, these doors are unlocked.</li> </ul>	<ul style="list-style-type: none"> <li>• The shutter door should be open only for deliveries.</li> <li>• Side door access should be restricted to Stores personnel only.</li> <li>• The fire door between Fleet and Stores should be alarmed.</li> </ul> <p>Consideration should also be given to:</p> <ul style="list-style-type: none"> <li>• Implementing further access controls to the Stores office (i.e. swipe access).</li> <li>• Whether the counter access should be removed entirely.</li> </ul> <p><b>Priority: High</b></p>	<p>Stores and Procurement Manager in conjunction with Head of Corporate Finance</p> <p>June 2016</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b> Staff will be reminded of the procedure for the shutter door until compliant. The ID badge access has now been reviewed and Admin have been contacted with a list of staff whose access should be removed.</p> <p>The door between Stores and Fleet is now the serving hatch for the fleet stock.</p> <p><b>Head of Depot Operations:</b> There is a desire for access to the Store and the Depot in general to be better controlled, but there are considerable cost implications. These will be looked at as part of the wider integration project going forward.</p> <p><b>Head of Corporate Finance:</b> CCTV monitoring and shutter door closure are the priorities; consideration is currently being given to ways to restrict counter access.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>2</b>	<b><i>Risk Area: Security and Storage</i></b>			
2.3	<p><b>CCTV</b></p> <p>Although the key infrastructure is in place, there is currently no CCTV coverage inside of the main Stores. Outside of Stores, there is only one camera that partially covers the stores delivery entrance, but coverage is insufficient.</p> <p>There are also gaps in coverage in other key areas of the Depot, for example:</p> <ul style="list-style-type: none"> <li>• The camera above the fuel pit and the salt den is not working. There is one camera that can view some of this area, but this is generally restricted by parked vehicles. This has been out for approximately 12 months and has reportedly been raised with the Head of Depot Operations.</li> <li>• There is CCTV in the old stores area (approx. 6 cameras) but not all are currently in working order.</li> <li>• The Security Manager at Waterside also stated that there are gaps in coverage behind the tip, where stock belonging to highways and street lighting is stored.</li> </ul>	<p>Quotes should be obtained for CCTV in the main stores and for other gaps identified in the Depot and a decision made whether to improve coverage in these areas.</p> <p><b>Priority: High</b></p>	<p>Head of Depot Operations</p> <p>April 2016</p>	<p><b>Agreed in principle</b></p> <p><b>Head of Depot Operations:</b></p> <p>Quotes for CCTV in stores have been gathered; however the decision to implement this will be taken into account when reviewing access to the entire Waterside depot, rather than stores in isolation. As above, this will be considered in the context of costs.</p>



## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>2</b>	<b>Risk Area: Security and Storage</b>			
2.4	<p><b>Depot Access</b></p> <p>There is no way of knowing who is in the buildings or on site at any one time.</p> <p>Signing in/out is expected of all visitors attending the Depot, but Contractors and members of the public can pass by reception and walk in and around freely, providing they have a hi-vis jacket.</p> <p>Doors around the Depot are generally not locked and very few doors require ID pass access. Some doors have push combination locks, but many are not secured during the day.</p> <p>There is no clear desk policy and so equipment may be at risk of being stolen if an intruder accessed an office.</p> <p>The reception shuts at 16.30 each day and so visitors still on site at this time cannot or do not need to sign out.</p> <p>The public require access to the tip and until a separate access road is put in (work is due to commence in Spring 2016) there is further risk of unauthorised access to the Depot.</p>	<p>The access controls for the Depot, particularly for doors leading to offices or sensitive areas, should be reviewed to establish where there are exposures to unauthorised access.</p> <p>Depending on the level of exposure, a solution should be sought to improve controls, balanced with the cost of implementing the control.</p> <p><b>Priority: High</b></p>	<p>Head of Depot Operations in conjunction with Security Manager</p> <p>July 2016</p>	<p><b>Agreed in principle</b></p> <p><b>Head of Depot Operations:</b></p> <p>As above, there is a desire to make improvements in this area, but these will be considered in line with the Waterside Improvement Project.</p> <p>Funding will need to be in place and this is not a priority at the moment.</p> <p>Some improvements are going on already, for example the separate public entrance to the tip is currently being constructed, which will help separate the Depot from the public in future.</p>



### Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>2</b>	<b><i>Risk Area: Security and Storage</i></b>			
2.5	<p><b>Insurance</b></p> <p>No one spoken with during the audit was aware of what insurance coverage there is for stock and equipment held at the Depot or off site, or indeed what impact gaps in security would have on the insurance coverage (i.e. invalidating cover).</p> <p>However, the Insurance Manager confirmed that the Waterside Depot is insured for £12,480,000. Of this amount, approximately £2,480,000 relates to contents (including stores).</p> <p>The Council does not currently insure for goods whilst in vans. However, with an increase in imprest stock being pursued, this may cause a financial risk to the Council if goods are lost or stolen from vans.</p>	<p>Managers should be aware of the level of contents SBC are insured to hold at the Depot to ensure contexts do not exceed this amount.</p> <p>Regarding van stock, it should be considered whether there is a cost benefit to introducing insurance cover in this area.</p> <p><b>Priority: Medium</b></p>	<p>Stores and Procurement Manager in conjunction with Insurance Manager</p> <p>April 2016</p>	<b>Head of Corporate Finance: Agreed</b>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>2</b>	<b>Risk Area: Security and Storage</b>			
2.6	<p><b>Out of Hours</b></p> <p>When access is required to Stores out of hours, Security should meet the worker at the Depot entrance and escort them to Stores.</p> <p>The staff member must still write out an S-ticket, but they will access the stock themselves.</p> <p>Security will not know if items gained are genuine or not or if all items have been added to the S-ticket.</p> <p>Anecdotally, it was stated that S-tickets are often incorrectly filled out for out of hour issues (e.g. missing job numbers / cost codes, incorrect stock codes, etc.).</p> <p>It was stated by Stores personnel that the stock withdrawn out of hours is minimal. However, there is not currently any way of identifying on OHS which issues relate to OOH and this is not currently monitored.</p>	<p>It should be explored whether there is a way of identifying out of hour issues on the OHS system.</p> <p>S-Tickets should be filled out in full and procedures should be reinforced to staff where non-compliance is identified, and where necessary, should be raised with the appropriate Trade Supervisor.</p> <p>Consideration should be given to providing Security with basic knowledge of S-ticket procedures to allow them to notice any obvious, improper use.</p> <p><b>Priority: Low</b></p>	<p>Stores and Procurement Manager</p> <p>May 2016</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>There is a process question to be answered of whether there is still a need for out of hours at all, especially with imprest stock on vans being reintroduced. Ideally it would be preferable to remove this, but this needs to be discussed and monitored going forward.</p> <p><b>Head of Corporate Finance:</b></p> <p>Security supporting access OOH is a workaround to services requiring supplies outside of Stores opening hours. Work is underway to understand the OOH requirement with a view to exploring alternative solutions. In the meantime the Security Manager and the Trade Managers have been asked to reinforce the requirement to complete the necessary paperwork.</p>

# Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>			
3.1	<p><b>Direct Purchasing</b></p> <p>An OHS report of direct purchases (i.e. stock purchased outside of stores for items not held in stock) is reviewed by the Stores and Procurement Manager and Finance.</p> <p>Review of these reports is an essential part of the information needed to inform what stock items are necessary to hold in Stores.</p> <p>Outside of this, it was observed during the audit that trades staff requested purchasing staff to include certain items on stock due to their frequent use. Although it was agreed to pass these on to Stores, there is not a formal feedback process in place for trade staff to request items to become included on stock.</p>	<p>Work to review direct purchasing (and stock issues in general) in order to improve the stock items in use, should continue as planned.</p> <p>It should be decided whether there should be a set limit above which an item will be incorporated into normal stock (this could be incorporated into procedures).</p> <p>There should also be a more formal feedback process established for trades staff to request particular items be held on stock.</p> <p><b>Priority: Medium</b></p>	<p>Stores and Procurement Manager</p> <p>July 2016</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>We are on top of this and are able to produce a record of all stock issues, with direct purchase to be continually reviewed.</p> <p>A pro forma is being produced that will require staff to indicate non stock item(s) that are required and detail the cost, usage, and justification for why an item should be held as stock before being purchased or incorporated into stock.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>			
3.2	<p><b>Monitoring Use of Stock</b></p> <p>So long as an S-ticket is appropriately authorised and has been attributed to a cost or job code, Stores will issue the stock.</p> <p>They are not in a position to know whether the stock been booked out is reasonable for their roles. This is the responsibility of the trade supervisors and managers, who should check that issues to their staff are reasonable when reviewing jobs.</p> <p>To determine the extent that these checks take place, a short questionnaire was produced and sent to ten Trade Managers with responsibilities for staff who access stock from Stores. However, only two were returned and it is therefore difficult to conclude on the efficacy of controls in this area.</p> <p>Of those returned, one confirmed that Job Processors (based in the Service Delivery office at Waterside) have the role of processing completed jobs and confirming that quantities booked to a job relate to the type of work undertaken. For the other, the supervisor counter signs all job cards to approve the materials and these are checked to ensure as far as reasonably possible that the materials booked are correct.</p> <p>However both accepted there is no definitive method of checking misuse and it is always possible for an employee to accumulate a certain amount of materials.</p>	<p>Responsibilities for Trade Supervisors to review the stock items issued to their staff should be reinforced to reduce the likelihood of staff abusing the S-ticket process.</p> <p>Management information available from OHS should be reviewed by Trade Supervisors to ensure that information is sufficient for this purpose.</p> <p>This should also be a consideration of any barcode management system that is purchased for use.</p> <p><b>Priority: Medium</b></p>	<p>Head of Streetsmart In conjunction with Head of Infrastructure Assets / Head of Corporate Finance</p> <p>April 2016</p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b></p> <p>Developing of these reports and the engagement with service managers is underway to ensure stock usage and direct purchases are understood.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	<i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i>			
3.3	<p><b>Stock Take</b></p> <p>A stocktake was conducted prior to the transfer from TASK to OPEN in March 2015. This however was not conducted independently from Stores Staff.</p> <p>A process for the stocktake was written but these now need to be incorporated into the updated procedures.</p> <p>The latest stocktake was the first one completed in a long time and although there is the intention to implement rolling stock checks in future, there is not a schedule in place to set out this plan.</p> <p>The Sock Controller indicated that the next stocktake will aim to coincide with the introduction of the proposed barcode system.</p>	<p>A suitable schedule for stocktakes should be produced and incorporated into procedures.</p> <p>Where possible, the stocktakes in future should be undertaken by staff independent of Stores.</p> <p><b>Priority: Medium</b></p>	<p>Stores and Procurement Manager</p> <p>June 2016</p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b></p> <p>It is the intention to arrange a full stock take for main stores for year end and then establish a cycle of stock takes thereafter.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>			
3.4	<p><b>Disposal</b></p> <p>Finance Regulations state that “obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the documented procedures which are set out as appendices to the Council’s Procurement Policy.”</p> <p>However, the latest Procurement Strategy that could be found was for 2005-2010 and does not contain any reference to a disposal policy.</p> <p>Stores do not currently have their own policy for disposals and stock is not generally written off.</p> <p>Similarly, selling of obsolete stock is not actively pursued and there is not a policy or procedure for this.</p> <p>There is a report used by the Stores and Procurement Manager to identify slow moving items and stock status may be moved from ‘live’ to ‘dead’ (obsolete) or ‘frozen’ (nothing to be reordered) on the OHS system, but does not get officially disposed of.</p>	<p>A suitable disposal policy should be written and incorporated in to the Stores Procedures.</p> <p>This should include, the process that will be taken for when some money will be attempted to be retrieved for obsolete stock and when items will be written off entirely.</p> <p>There should be a robust process decided for how stock will be sold, including who will be involved and ensuring adequate authorisation and segregation of duties in the process.</p> <p>Where stock does not belong to Stores, a standard procedure should be decided for how any income received is allocated to the owner of stock / equipment.</p> <p><b>Priority: Medium</b></p>	<p>Stores and Procurement Manager</p> <p>April 2016</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>We are looking at a review of our procedure for disposals as part of a wider strategic review of Stores, to ensure there is a clear and documented audit trail. The preference is to sell items at auction wherever possible.</p>

### Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>			
3.5	<p><b>Fleet Imprest Stock</b></p> <p>The imprest stock for Fleet is checked on a weekly basis by the manufacturer and items are replenished as necessary. The Fleet Buyer stated that items missing have been assumed to have been used on jobs and the Council is then charged for the use of this equipment.</p> <p>Although imprest stock is recorded in the Fleet Master system, access to the fleet stores is not restricted and there is no stock check undertaken to ensure that these items haven't just been taken.</p> <p>To improve controls in this area, there is a plan to bring the fleet stores into the current store room, where a hatch will be installed on the entrance to the fleet workshop and workers will need to book items out through stores rather than help themselves to stock. A new Fleet Master system is also being installed that will allow items to be booked out electronically, negating the use of the paper based job card system. This will improve the current lack of controls over access and job processing. However, until this takes place, the risk to stock misappropriation remains.</p>	<p>Fleet stock should be incorporated into the main stores as planned, as soon as possible.</p> <p>It should be ensured that imprest stock for fleet is checked against stock charged for by the manufacturer, to ensure invoices are genuine and has been charged to jobs.</p> <p><b>Priority: Medium</b></p>	<p>Stores and Procurement Manager in conjunction with Waterside Integration Programme Manager</p> <p>December 2015</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager / Head of Corporate Finance:</b></p> <p>Fleet Stock has now been incorporated into the main store and all future stock for fleet will be purchased from the manufacturers directly and therefore this will eliminate the issues raised in this area.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	<b>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</b>			
3.6	<p><b>Fleet Job Processing</b></p> <p>When items are booked out, the officers in the Fleet Workshop complete a job card (authorised by the Workshop Manager) and obtain the items themselves from the Fleet Store. The job cards are then left on a counter in the old stores warehouse on a clipboard. (Although it is unclear why anyone would want to take these, the job cards could be taken or lost, at any time and the system would not be able to be updated properly).</p> <p>The Fleet Buyer collects these job cards at regular intervals and then books out the items on the Fleet Master system and charges the items to the relevant job as indicated on the job card. At the time of auditing, the job cards had not been booked out on the system for 2 weeks, as the Fleet Buyer had just returned from leave. Nobody covers this role in his absence.</p>	<p>There should be appropriate cover for processing fleet issues when the Fleet Buyer is away. An appropriate person should be trained in the process when the electronic system is installed.</p> <p>Whilst the paper based job cards are used, an appropriate storage place for these should be identified to reduce the opportunity for these to be lost.</p> <p><b>Priority: Low</b></p>	<p>Stores and Procurement Manager in conjunction with Waterside Integration Programme Manager</p> <p>December 2015</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>The new Fleet Master system will negate the need for manual processing of job cards.</p>



### Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>			
3.7	<p><b>Performance Management / Culture</b></p> <p>The Auditor was provided with many anecdotes concerning a culture of waste rife amongst staff:</p> <ul style="list-style-type: none"> <li>Staff wasting expensive items from their van stock to remove components from it that would be considerably cheaper to get separately from Stores (or another supplier);</li> <li>Staff writing an S-ticket to get protective clothing (PPE) as their current coat was soaked through; Gloves being chucked on the ground around the Depot.</li> <li>£40,000 spent on storage heaters that are given to people who are awaiting boiler replacements in the winter that are never collected after completion of the job.</li> </ul> <p>The issues above are difficult to identify as stock may be issued off vans and appear reasonable. However, there may need to be a more proactive plan to improve staff performance and reduce waste.</p>	<p>The revised Stores Procedures should include responsibilities of staff for stock and equipment.</p> <p>These should be reinforced by Trade Supervisors to staff and instances of non-compliance with these procedures thereafter should be raised and escalated to Supervisors and Managers accordingly.</p> <p><b>Priority: Medium</b></p>	<p>Head of Streetsmart</p> <p>In conjunction with</p> <p>Head of Infrastructure Assets /</p> <p>Head of Corporate Finance</p> <p>March 2016</p>	<b>Head of Corporate Finance: Agreed</b>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>4</b>	<b><i>Risk Area: Policy and Procedures</i></b>			
4.1	<p><b>Stores and Procurement Project Action Plan</b></p> <p>The Stores and Procurement Project has an action plan highlighting key activities planned to improve processes and procedures.</p> <p>Most of the actions have deadlines attached, but some of these have passed with the action remaining outstanding. It is not clear for these outstanding actions what the revised timescale will be, or its impact on subsequent actions.</p> <p>Furthermore, although there are columns to record the cost and resource implications of each action, as well as the planned savings, these columns are blank.</p> <p>There are columns to record the potential risks and mitigating actions for activities, but these are only complete for 2 of 70 outstanding actions.</p>	<p>The Stores project action plan should be updated and appropriate information regarding revised timescales, resource and risk should be included and monitored going forward.</p> <p><b>Priority: Medium</b></p>	<p>Stores and Procurement Manager in conjunction with Head of Corporate Finance</p> <p>May 2016</p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b></p> <p>Following some structural changes the project plan will be revisited and refreshed.</p>
4.2	<p><b>Procedures</b></p> <p>The procedures for Stores are out of date. These are currently in the process of being reviewed and rewritten by the Stores and Procurement Manager and the Stock Control Manager.</p>	<p>The Stores procedures should be updated. This should include all processes covered by Stores and where necessary incorporate the recommendations from elsewhere in this action plan.</p> <p><b>Priority: Medium</b></p>	<p>Stores and Procurement Manager</p> <p>June 2016</p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b></p> <p>A full process review is underway which will lead to process improvements and provide up to date procedural guidance.</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
<b>5</b>	<b><i>Risk Area: IT Systems and Management Information</i></b>			
5.1	<p><b>Reporting Restrictions - DATAstox</b></p> <p>The Horticultural Supervisor is the only person trained in using DATAstox and accesses this system using a former employee's User ID and password.</p> <p>The back-up arrangements for this software are unknown and the software licence has expired and is no longer supported by the supplier.</p> <p>As noted in AP1.1, an up to date list of quarantined items was requested from the Horticultural Supervisor, but it was stated that the report could no longer be run. It was speculated by the Supervisor that this was because the DATAstox system is outdated and unsupported; however it is unclear why this would affect the ability to run reports.</p>	<p>A review of the use of the DATAstox system should be conducted to determine whether it is the most appropriate software for use at the Depot.</p> <p>If it is, then this should be properly backed up and supported by the Supplier or Capita. An opportunity exists to ensure this requirement is considered when assessing options for a new barcoding system within Stores.</p> <p>Going forward, access to the DATAstox software (or equivalent) should be properly controlled with specific User IDs and passwords given to staff with instructions not to share access.</p> <p>More than one member of staff should be trained in using the DATAstox system to provide cover should the Horticultural Supervisor be unavailable.</p> <p><b>Priority: High</b></p>	<p>Stores and Procurement Manager</p> <p>In conjunction with Waterside Integration Programme Manager</p> <p>August 2016</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>A business case is in draft outlining the intention of introducing an electronic barcoding and stock management system, for which DATAstox is a potential supplier.</p> <p>As Stores will administer the equipment management process in future (see AP1.1), if the business case is successful, DATAstox could continue to be used to support the equipment management process, albeit with an up to date and supported system.</p> <p><b>Head of Corporate Finance:</b></p> <p>Refer to AP1.1</p>

## Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
5	<b>Risk Area: IT Systems and Management Information</b>			
5.2	<p><b>Reporting Restrictions - OHS</b></p> <p>OHS has been used for Stores since April 2015. There are many reports available for measuring performance and management's requirements for information are being continually reviewed between Stores, Trade Teams and the Systems Development Team in Housing. However, there are some gaps:</p> <ul style="list-style-type: none"> <li>The Auditor attempted to obtain a report showing which Officers have access to the purchasing, stock and invoice processing modules within OHS. A report can apparently be written to show this, but was not provided at the time of writing and therefore it could not be substantiated whether access is reasonable and restricted to authorised personnel.</li> <li>Although reports can be run for each individual van and for the main stores, there are sub-locations which are classified all together under the location 'main.' It is not possible at present to run a report showing stock held in each of these sub-locations.</li> <li>A report that shows stock levels vs. min/max ordering levels is not available.</li> </ul>	<p>Those with access to the purchasing, stock and invoice processing within OHS should be identified to ensure that this is reasonable.</p> <p>It should be identified whether it is possible to run the following reports:</p> <ul style="list-style-type: none"> <li>Stock held by physical location</li> <li>Stock levels vs. minimum / maximum stock levels.</li> </ul> <p>If available, these should be reviewed regularly to ensure that the level of stock held outside of main stores is monitored and to ensure stock levels are held in accordance with set limits.</p> <p><b>Priority: Medium</b></p>	<p>Systems Development Manager in conjunction with Stores and Procurement Manager</p> <p>May 2016</p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b> Since the transfer to OHS there have been real problems with some reporting. For example, stock descriptions in some reports do not match the stock number (<i>Audit Comment: this is also an issue identified in reports obtained from OHS by Internal Audit</i>). In other reports, items are identified as being on order that have never been ordered.</p> <p>There is therefore more work required to ensure system reporting is fit for purpose.</p> <p><b>Head of Corporate Finance:</b> It should be possible to identify stock by physical location if it is set up that way in the system; it effectively needs to be set up as a separate warehouse in the same way as is one for imprest van stock.</p>

### Standard Audit Opinions

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

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

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

### Standard Audit Opinion System Control

#### **Audit Opinion 1. *High standard***

The auditor completing the review concluded the significant controls are in place and operating effectively and only minor recommendations have been made

#### **Audit Opinion 2. *Satisfactory standard***

The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.

#### **Audit Opinion 3. *Significant improvements required***

The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

#### **Audit Opinion 4. *Fundamental weaknesses identified***

The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.

## Acknowledgements

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

### **Job Title**

Stores and Procurement Manager

Stock Controller

Storeperson Supervisor

Purchasing Office Supervisor

Accounts Payable

Buyer

Fleet Buyer

Horticultural Supervisor

Capital Repairs Manager

Electrical Compliance Surveyor

Finance Manager

Systems Development Manager

Security Manager

# Management Update

## Stores and Equipment Management

June 2016

## Management Update: Stores and Equipment Management – Appendix 2

Management have provided the following update to Audit Committee on the progress of implementing audit recommendations: At the time of the audit we were restructuring, that process has now been completed with the Warehouse Manager taking up his post on 23rd May and with the new Transport and Stores Manager joining us on 4th July to take up his positions. We feel that leaves us well placed to deliver the service improvements however the original timescales in the audit report needed to be adjusted. We have proposed new target dates in the attached document.

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>1</b>	<b>Risk Area: Servicing of Equipment</b>				
1.1	<p><b>Servicing of Equipment</b></p> <p>In addition to the asset register on DATAstox, all Teams using equipment should be required to identify the items of tool and plant under their control (i.e. issued to their staff).</p> <p>In the first instance, the details of this equipment should be collated and forwarded to the Horticultural Supervisor within a defined timeframe, together with information regarding the date it was last inspected. This should be compared to the register currently held on DATAstox to establish discrepancies. Missing equipment should be investigated and where necessary, written off or removed from the register to enable a cleansed version of the equipment register.</p> <p>Once this exercise has been completed, equipment management processes should be sufficient going forward to manage the assets (subject to the additional recommendations at AP5.1).</p> <p><b>Priority: High</b></p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b> This is a significant piece of work affecting all operational services at Waterside and the Fleet and Stores teams and is at a very early stage.</p> <p><b>Stores and Procurement Manager:</b> Responsibility for tool and plant is to be incorporated into Stores, although timescales are unknown. When this happens there needs to be a full review of the equipment register to establish where items are.</p> <p>The Horticultural Supervisor has done a good job recovering missing items, but the integrity of the asset register at the outset was poor. Need to get a base by calling in craft and trade workers team by team to identify, record, test, calibrate and formally sign equipment out to workers. There needs to be an agreement for writing off lost stock and then regular review going forward.</p> <p>Line Manager / Supervisor support will be vital to ensure staff in their areas are compliant with new procedures.</p>	<p>Fleet and Workshop Manager</p> <p>In conjunction with Head of Streetsmart</p> <p>August 2016</p>	2	<p>An arrangement is now in place whereby requests for new items are also provided to the workshop supervisor so that he can account for the item.</p> <p>Once the item is received he then records the item on the asset database.</p> <p>Since May 2016 work has also been taking place to assess the tool and plant used, identify missing equipment and clarify the full specification and to build an inventory of items required. In addition, new accountable procedures are being developed along with a business case to create a service delivery model for implementation of new more accountable ways of working to control these assets better.</p> <p>To deliver this, a new post Tool and Plant Coordinator is being created and should be recruited and in post by July 2016.</p> <p>The version of DATAstox SBC is utilising is no longer supported and a procurement project to obtain an appropriate asset management database is underway.</p> <p>It is unlikely all items will be in place by August 2016 as new software procurement is required. Delivery by December 2016 is more realistic.</p>



## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>2</b>	<b>Risk Area: Security and Storage</b>				
2.1	<p><b>Stock Locations</b></p> <p>Wherever possible, all stock should be brought together and stored securely in one location.</p> <p>Where this is not possible, suitable access controls or other preventative measures should be taken to reduce the risk of theft from these areas (i.e. adequate CCTV coverage, stock access only by Stores staff, etc.).</p> <p><b>Priority: High</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>The stock in the old stores needs to be integrated into main stores, but there is a space issue. It is being identified which stock has been unused since the move into the current Stores and this will be catalogued and sold at auction with the remainder incorporated into stores.</p> <p>However, some stock will never be able to move into the main stores - for example, the lamp columns are too large and it would be impractical to incorporate the salt stock.</p> <p>Fleet stock has now been incorporated into the main store and access is now restricted. Items are dispatched via a serving hatch between the main store and the Fleet Workshop.</p>	<p>Warehouse Manager</p> <p>June 2016</p>	2	<p>A review of all stock and locations is currently being undertaken by the Warehouse Manager with appropriate action to relocate and/or secure the stock will be taken as this exercise is completed.</p> <p>A more secure area within the old warehouse is being created to accommodate the excess / obsolete stock ready prior to auction.</p> <p><b>Completion date : December 2016</b></p>

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>2</b>	<b>Risk Area: Security and Storage</b>				
2.2	<p><b>Main Store Access</b></p> <ul style="list-style-type: none"> <li>The shutter door should be open only for deliveries.</li> <li>Side door access should be restricted to Stores personnel only.</li> <li>The fire door between Fleet and Stores should be alarmed.</li> </ul> <p>Consideration should also be given to:</p> <ul style="list-style-type: none"> <li>Implementing further access controls to the Stores office (i.e. swipe access).</li> <li>Whether the counter access should be removed entirely.</li> </ul> <p><b>Priority: High</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b> Staff will be reminded of the procedure for the shutter door until compliant. The ID badge access has now been reviewed and Admin have been contacted with a list of staff whose access should be removed. The door between Stores and Fleet is now the serving hatch for the fleet stock.</p> <p><b>Head of Depot Operations:</b> There is a desire for access to the Store and the Depot in general to be better controlled, but there are considerable cost implications. These will be looked at as part of the wider integration project going forward.</p> <p><b>Head of Corporate Finance:</b> CCTV monitoring and shutter door closure are the priorities; consideration is currently being given to ways to restrict counter access.</p>	<p>Warehouse Manager</p> <p>June 2016</p>	2	<p>Staff reminded of closing the shutter door at Tool Box talk 02.06.16 and this is being monitored daily.</p> <p>There are difficulties with restricting badge access therefore alternative options are being explored. The likely solution is to replace badge access to key access so entry will only be made via the main door which would be tightly controlled. However the H&amp;S implications need to be considered, in particular in the event of a fire</p> <p>The door between fleet and stores is the serving hatch for fleet stores. This is not alarmed however the whole of the warehouse is now covered by CCTV which will pick up access into the warehouse from all entry points.</p> <p>Access to the warehouse via the counter has been re-configured so that access is now made via a concealed bolt on the stores side of the counter.</p> <p><b>All activities have been completed with the exception of the badge controlled door. This will be completed by the end of July 2016.</b></p>

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>2</b>	<b>Risk Area: Security and Storage</b>				
2.3	<b>CCTV</b> Quotes should be obtained for CCTV in the main stores and for other gaps identified in the Depot and a decision made whether to improve coverage in these areas.  <b>Priority: High</b>	<b>Agreed in principle</b> <b>Head of Depot Operations:</b> Quotes for CCTV in stores have been gathered; however the decision to implement this will be taken into account when reviewing access to the entire Waterside depot, rather than stores in isolation. As above, this will be considered in the context of costs.	Warehouse Manager and Depot Manager  April 2016	1	The CCTV coverage in the warehouse has been extended to ensure that the whole warehouse is covered and the review of other stock locations will ensure that the stock is located with appropriate security.  CCTV coverage for the rest of the depot remains part of the wider Waterside Depot review and a decision on whether further CCTV is required will be made as part of that review.
2.4	<b>Depot Access</b> The access controls for the Depot, particularly for doors leading to offices or sensitive areas, should be reviewed to establish where there are exposures to unauthorised access. Depending on the level of exposure, a solution should be sought to improve controls, balanced with the cost of implementing the control.  <b>Priority: High</b>	<b>Agreed in principle</b> <b>Head of Depot Operations:</b> As above, there is a desire to make improvements in this area, but these will be considered in line with the Waterside Improvement Project. Funding will need to be in place and this is not a priority at the moment. Some improvements are going on already, for example the separate public entrance to the tip is currently being constructed, which will help separate the Depot from the public in future.	Depot Manager in conjunction with Warehouse Manager and Security Manager  July 2016	2 in relation to stock	Access to stock locations has been or is in the process of being addressed. Other access across the depot will be considered as part of the depot review.  <b>Completion date: July 2016</b>

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>2</b>	<b><i>Risk Area: Security and Storage</i></b>				
2.5	<p><b>Insurance</b></p> <p>Managers should be aware of the level of contents SBC are insured to hold at the Depot to ensure contexts do not exceed this amount.</p> <p>Regarding van stock, it should be considered whether there is a cost benefit to introducing insurance cover in this area.</p> <p><b>Priority: Medium</b></p>	<b>Head of Corporate Finance: Agreed</b>	<p>Warehouse Manager in conjunction with Insurance Manager</p> <p>April 2016</p>	2	Currently reviewing cover with the Council's insurers. This should be completed by the end of July 2016.

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>2</b>	<b>Risk Area: Security and Storage</b>				
2.6	<p><b>Out of Hours (OOH)</b></p> <p>It should be explored whether there is a way of identifying out of hour issues on the OHS system.</p> <p>S-Tickets should be filled out in full and procedures should be reinforced to staff where non-compliance is identified, and where necessary, should be raised with the appropriate Trade Supervisor.</p> <p>Consideration should be given to providing Security with basic knowledge of S-ticket procedures to allow them to notice any obvious, improper use.</p> <p><b>Priority: Low</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>There is a process question to be answered of whether there is still a need for out of hours at all, especially with imprest stock on vans being reintroduced. Ideally it would be preferable to remove this, but this needs to be discussed and monitored going forward.</p> <p><b>Head of Corporate Finance:</b></p> <p>Security supporting access OOH is a workaround to services requiring supplies outside of Stores opening hours. Work is underway to understand the OOH requirement with a view to exploring alternative solutions. In the meantime the Security Manager and the Trade Managers have been asked to reinforce the requirement to complete the necessary paperwork.</p>	<p>Warehouse Manager</p> <p>May 2016</p>	2	<p>OOH tickets are being reviewed for accuracy and correct completion, if not the issue is being raised with appropriate managers and Security.</p> <p>A review is also being undertaken on the use of the OOH facility with a view to reducing or removing the requirement.</p> <p><b>Completion date: August 2016</b></p>

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>				
3.1	<p><b>Direct Purchasing</b></p> <p>Work to review direct purchasing (and stock issues in general) in order to improve the stock items in use, should continue as planned.</p> <p>It should be decided whether there should be a set limit above which an item will be incorporated into normal stock (this could be incorporated into procedures).</p> <p>There should also be a more formal feedback process established for trades staff to request particular items be held on stock.</p> <p><b>Priority: Medium</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>We are on top of this and are able to produce a record of all stock issues, with direct purchase to be continually reviewed.</p> <p>A pro forma is being produced that will require staff to indicate non stock item(s) that are required and detail the cost, usage, and justification for why an item should be held as stock before being purchased or incorporated into stock.</p>	<p>Senior Procurement Officer – Waterside in conjunction with Warehouse Manager</p> <p>July 2016</p>	2	<p>This is currently being reviewed to ensure direct purchases are not being used for items that are stock items and to inform if any items should become stock items. This information will also be discussed as a standard agenda item for the monthly Stores Engagement meetings with service managers.</p> <p><b>Initial review to be complete by October 2016</b></p>
3.2	<p><b>Monitoring Use of Stock</b></p> <p>Responsibilities for Trade Supervisors to review the stock items issued to their staff should be reinforced to reduce the likelihood of staff abusing the S-ticket process.</p> <p>Management information available from OHS should be reviewed by Trade Supervisors to ensure that information is sufficient for this purpose.</p> <p>This should also be a consideration of any barcode management system that is purchased for use.</p> <p><b>Priority: Medium</b></p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b></p> <p>Developing of these reports and the engagement with service managers is underway to ensure stock usage and direct purchases are understood.</p>	<p>Head of StreetSmart In conjunction with Head of Infrastructure Assets / Warehouse Manager</p> <p>April 2016</p>	2	<p>Work is underway with service managers to provide reports on stock usage with trends and recommendations being discussed and actions being agreed at the Stores Engagements.</p> <p><b>To be implemented by September 2016.</b></p> <p>The Warehouse Manager will make recommendations about the appropriate system for processing stock transactions once the wider review of processes has been completed.</p> <p><b>Target date for recommendations is November 2016</b></p>

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

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>				
3.3	<p><b>Stock Take</b></p> <p>A suitable schedule for stocktakes should be produced and incorporated into procedures.</p> <p>Where possible, the stocktakes in future should be undertaken by staff independent of Stores.</p> <p><b>Priority: Medium</b></p>	<p><b>Agreed</b></p> <p><b>Head of Corporate Finance:</b></p> <p>It is the intention to arrange a full stock take for main stores for year end and then establish a cycle of stock takes thereafter.</p>	<p>Warehouse Manager</p> <p>June 2016</p>	1	<p>A stocktake of the main warehouse was undertaken at the end of March 2016 and a full stocktake will be undertaken every year end hereafter.</p> <p>Cycle counts commenced w/c 06.06.16. Each rack is being reviewed week by week with a full cycle taking place at least once per year with the aim to being twice per year.</p> <p>A stocktake procedure meeting took place 08.06.16.</p> <p>All processes will be documented as part of the process improvement work.</p>

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>				
3.4	<p><b>Disposal</b></p> <p>A suitable disposal policy should be written and incorporated in to the Stores Procedures.</p> <p>This should include, the process that will be taken for when some money will be attempted to be retrieved for obsolete stock and when items will be written off entirely.</p> <p>There should be a robust process decided for how stock will be sold, including who will be involved and ensuring adequate authorisation and segregation of duties in the process.</p> <p>Where stock does not belong to Stores, a standard procedure should be decided for how any income received is allocated to the owner of stock / equipment.</p> <p><b>Priority: Medium</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>We are looking at a review of our procedure for disposals as part of a wider strategic review of Stores, to ensure there is a clear and documented audit trail. The preference is to sell items at auction wherever possible.</p>	<p>Warehouse Manager</p> <p>April 2016</p>	2	<p>Current obsolete stock to be segregated into a single area and Service Managers to be consulted on whether the stock is still required.</p> <p>Any stock proposed for disposal or write off by the Warehouse Manager following the review process will be subject to review by the Head of Streetsmart and the Head of Corporate Finance before being agreed.</p> <p>Specific policies and procedures will be written that are compliant with the Council's Contract Standing Orders and Financial Regulations</p> <p><b>Completion date: November 2016</b></p>
3.5	<p><b>Fleet Imprest Stock</b></p> <p>Fleet stock should be incorporated into the main stores as planned, as soon as possible.</p> <p>It should be ensured that imprest stock for fleet is checked against stock charged for by the manufacturer, to ensure invoices are genuine and has been charged to jobs.</p> <p><b>Priority: Medium</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager / Head of Corporate Finance:</b></p> <p>Fleet Stock has now been incorporated into the main store and all future stock for fleet will be purchased from the manufacturers directly and therefore this will eliminate the issues raised in this area.</p>	<p>Warehouse Manager in conjunction with Waterside Integration Programme Manager</p> <p>December 2015</p>	1	<p>Since December 2015 fleet stock has been moved into stores and is controlled by the stores operators. No imprest stock is used.</p> <p>Stock is bought and levels and issues controlled through the Fleetmaster database and linked to the specific job.</p> <p>Regular meetings take place between the fleet workshop and stores to address concerns and develop the arrangement as necessary.</p>

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



## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>3</b>	<b><i>Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment</i></b>				
3.6	<p><b>Fleet Job Processing</b></p> <p>There should be appropriate cover for processing fleet issues when the Fleet Buyer is away. An appropriate person should be trained in the process when the electronic system is installed.</p> <p>Whilst the paper based job cards are used, an appropriate storage place for these should be identified to reduce the opportunity for these to be lost.</p> <p><b>Priority: Low</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>The new Fleet Master system will negate the need for manual processing of job cards.</p>	<p>Warehouse Manager in conjunction with Waterside Integration Programme Manager</p> <p>December 2015</p>	1	December 2015 fleet stock is controlled through Fleetmaster using a barcoding system. Stock levels are controlled and managed through the stores service. The system is fully electronic.
3.7	<p><b>Performance Management / Culture</b></p> <p>The revised Stores Procedures should include responsibilities of staff for stock and equipment.</p> <p>These should be reinforced by Trade Supervisors to staff and instances of non-compliance with these procedures thereafter should be raised and escalated to Supervisors and Managers accordingly.</p> <p><b>Priority: Medium</b></p>	<p><b>Head of Corporate Finance: Agreed</b></p>	<p>Head of StreetSmart In conjunction with Head of Warehouse Manager</p> <p>March 2016</p>	2	<p>Procedures documented as part of the improvement work will include clear roles and responsibilities that are developed and agreed with the users of the service.</p> <p><b>Completion date: December 2016</b></p>

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

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>4</b>	<b><i>Risk Area: Policy and Procedures</i></b>				
4.1	<b>Stores and Procurement Project Action Plan</b> The Stores project action plan should be updated and appropriate information regarding revised timescales, resource and risk should be included and monitored going forward.  <b>Priority: Medium</b>	<b>Agreed</b> <b>Head of Corporate Finance:</b> Following some structural changes the project plan will be revisited and refreshed.	Warehouse Manager in conjunction with Head of Corporate Finance  May 2016	2	The Warehouse Manager is now in post and will be refreshing and managing the improvement plan going forward.  <b>Completion date: July 2016</b>
4.2	<b>Procedures</b> The Stores procedures should be updated. This should include all processes covered by Stores and where necessary incorporate the recommendations from elsewhere in this action plan.  <b>Priority: Medium</b>	<b>Agreed</b> <b>Head of Corporate Finance:</b> A full process review is underway which will lead to process improvements and provide up to date procedural guidance.	Warehouse Manager  June 2016	2	Refreshed policies and procedures will be a product of the improvement plan. Additional resource is in place to provide the capacity to progress this work at pace in the form of store person capacity and Business Improvement capacity.  <b>Completion date: December 2016</b>

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>5</b>	<b>Risk Area: IT Systems and Management Information</b>				
5.1	<p><b>Reporting Restrictions - DATAstox</b></p> <p>A review of the use of the DATAstox system should be conducted to determine whether it is the most appropriate software for use at the Depot.</p> <p>If it is, then this should be properly backed up and supported by the Supplier or Capita. An opportunity exists to ensure this requirement is considered when assessing options for a new barcoding system within Stores.</p> <p>Going forward, access to the DATAstox software (or equivalent) should be properly controlled with specific User IDs and passwords given to staff with instructions not to share access.</p> <p>More than one member of staff should be trained in using the DATAstox system to provide cover should the Horticultural Supervisor be unavailable.</p> <p><b>Priority: High</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>A business case is in draft outlining the intention of introducing an electronic barcoding and stock management system, for which DATAstox is a potential supplier.</p> <p>As Stores will administer the equipment management process in future (see AP1.1), if the business case is successful, DATAstox could continue to be used to support the equipment management process, albeit with an up to date and supported system.</p> <p><b>Head of Corporate Finance:</b></p> <p>Refer to AP1.1</p>	<p>Fleet and Workshop operation Manager</p> <p>Transport and Stores Manager</p> <p>August 2016</p>	2	<p>A review of DATAstox is taking place. A business case to be developed in June 2016 to inform the procurement options for a tool and plant management system.</p> <p>It is recognised that an updated system is needed and resilience is needed so appropriate training will be given to key individuals so that the system can be updated even if the tool and plant coordinator is out of the office.</p> <p>It is expected that the new tool and plant coordinator post will populate the database and run regular reports.</p> <p>More control over the issue of tool and plant is needed and the tool and plant coordinator will provide this control.</p> <p>The timescale for software implementation may be longer than August 2016, but it is expected to be in place by <b>December 2016</b>.</p>

## Management Update: Stores and Equipment Management – Appendix 2

Ref.	Recommendation	Original Management Response	Responsible Officer and Timescale	Status	Management Update - June 2016
<b>5</b>	<b>Risk Area: IT Systems and Management Information</b>				
5.2	<p><b>Reporting Restrictions - OHS</b></p> <p>Those with access to the purchasing, stock and invoice processing within OHS should be identified to ensure that this is reasonable.</p> <p>It should be identified whether it is possible to run the following reports:</p> <ul style="list-style-type: none"> <li>• Stock held by physical location</li> <li>• Stock levels vs. minimum / maximum stock levels.</li> </ul> <p>If available, these should be reviewed regularly to ensure that the level of stock held outside of main stores is monitored and to ensure stock levels are held in accordance with set limits.</p> <p><b>Priority: Medium</b></p>	<p><b>Agreed</b></p> <p><b>Stores and Procurement Manager:</b></p> <p>Since the transfer to OHS there have been real problems with some reporting. For example, stock descriptions in some reports do not match the stock number (<i>Audit Comment: this is also an issue identified in reports obtained from OHS by Internal Audit</i>). In other reports, items are identified as being on order that have never been ordered.</p> <p>There is therefore more work required to ensure system reporting is fit for purpose.</p> <p><b>Head of Corporate Finance:</b></p> <p>It should be possible to identify stock by physical location if it is set up that way in the system; it effectively needs to be set up as a separate warehouse in the same way as is one for imprest van stock.</p>	<p>Systems Development Manager in conjunction with Warehouse Manager</p> <p>May 2016</p>	2	<p>A request is with IT to get physical locations set up so that these can be reported on. Also checking on the status of the development of the stores reports with IT.</p> <p><b>Completion date: September 2016 (subject to no technical issues arising)</b></p>

## Treasury Management Performance 2015/16

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

Author: Cabinet Member for Finance and Corporate Services  
Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

---

### **1. Purpose and Reasons**

- 1.1 This report sets out the Treasury Management performance for 2015/16.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

### **2. Recommendations**

Cabinet is recommended to:

- 2.1 Note the 2015/16 Treasury Management performance as detailed at paragraphs 3.1 to 3.17 and Prudential Indicators shown at Appendix 1.

### **3. Detail**

#### **Treasury Management Performance 2015/16**

- 3.1 The Council is involved in two types of treasury activity:
  - 3.1.1 Borrowing, both long term (for more than 1 year) for capital expenditure purposes and borrowing (for less than 1 year) for temporary cash flow purposes
  - 3.1.2 Lending, for investment of surplus cash relating to reserves and for cash flow purposes
- 3.2 The activity and performance in respect of each of these two activities is summarised in the sections below.

Borrowing
- 3.3 In 2015/16, £50m of new long-term loans were taken out as part of the overall capital financing requirement. These were taken out as "maturity loans", where the principal is repaid fully at loan maturity, and the interest is at fixed rates, per the following table:

---

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

# Treasury Management Performance 2015/16

Audit Committee

Date: 28<sup>th</sup> June 2016

---

Date	Amount	Rate	Period
17 <sup>th</sup> November 15	£10m	3.35%	44 years
10 <sup>th</sup> December 15	£10m	2.58%	9 years
10 <sup>th</sup> December 2015	£10m	3.14%	43 years
22 <sup>nd</sup> December 2015	£10m	2.43%	8 years
8 <sup>th</sup> January 2016	£5m	3.22%	42 years
8 <sup>th</sup> January 2016	£5m	2.34%	7 years

- 3.4 These loans were taken out over various periods to reduce risk in accordance with the treasury strategy, which is to ensure they don't all mature at the same time and the Council has a balanced portfolio.
- 3.5 A number of long-term loans totalling £6.501m also matured during the year. These were running at an average rate of 1.95%. Total long-term debt has therefore increased from £242.3m to £285.8m over the year. The average maturity period on all existing long-term debt is 19 years.
- 3.6 Short-term borrowing as at March 31<sup>st</sup> was £7.68m. This figure fluctuates daily as reflects the Council's daily cash flow requirements are wholly dependent on the timings of receipts and payments.
- 3.7 The average rate the Council paid on all external debt (both long term and short term) over the whole of 2015/16 was 3.39%. This is a decrease of 0.16% on the average for the previous financial year.

## Investments

- 3.8 During 2015/16 there was an *average* daily investment balance of £51 million which was a mixture of internally managed cash investments and an externally managed property fund (Local Authority property Fund or "LAPF"). The balance at 31<sup>st</sup> March 2016 of £59m was an increase from £20.2m at the same date of the previous year. This balance is comprised of working capital (where we hold cash temporarily as a result of timing differences between receipts and payments) as well as general reserve balances which are more stable.
- 3.9 In total, interest of £693k was earned in 2015/16 on all investments (cash and LAPF) at an average rate of 1.36%. The average investment rate achieved in 2014/15 was 0.64%.

---

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

# Treasury Management Performance 2015/16

Audit Committee

Date: 28<sup>th</sup> June 2016

- 3.10 The average balance in the property fund during 2015/16 was £9.24m with an average return of 4.49%. The other investments had an average balance of £41.76m returning an average rate of 0.67%. This rate exceeded the 3-month LIBOR (London Interbank Offer Rate) rate of 0.58% which is our benchmark rate.
- 3.11 The Council's debt and investment position as at 31 March 2016 is summarised in the table below:

## Analysis of Debt and Investments

Debt & Investments	31/03/2015		31/03/2016	
	£'000	Av. Rate (%)	£'000	Av. Rate (%)
Long Term Debt PWLB	192,259	3.74%	240,757	3.54%
Long Term Debt Market	50,000	3.23%	45,000	3.43%
<b>Total Long Term Debt</b>	<b>242,259</b>	<b>3.64%</b>	<b>285,757</b>	<b>3.53%</b>
<i>Of which HRA</i>	<i>135,532</i>		<i>130,532</i>	
<i>Of which GF</i>	<i>106,727</i>		<i>155,225</i>	
Short-term Borrowing	11,500	0.38%	7,680	0.46%
<b>Total Debt</b>	<b>253,759</b>	<b>3.55%</b>	<b>293,437</b>	<b>3.39%</b>
Investments	(20,186)	0.64%	(59,000)	1.36%
<b>Net Borrowing Position</b>	<b>233,573</b>		<b>234,437</b>	

## Capital Financing Requirement

- 3.12 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- 3.12.1 Financed immediately through the use of capital or revenue resources (such as capital receipts, capital grants or revenue contributions), which has no resultant impact on the Council's borrowing need, or
- 3.12.2 if insufficient funding is available, or a decision is taken not to apply other funding, the capital expenditure will give rise to a **borrowing need** to ultimately fund the expenditure.

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

# Treasury Management Performance 2015/16

Audit Committee

Date: 28<sup>th</sup> June 2016

- 3.13 The Council's underlying borrowing need is measured through the **Capital Financing Requirement** ("CFR") and is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.
- 3.14 Part of the Council's treasury activities is to address the funding requirements for this borrowing need and the treasury management team organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the PWLB or the money markets), or utilising temporary cash resources within the Council.
- 3.15 The CFR is always higher than the actual level of borrowing, the difference being termed "internal borrowing" which represents the temporary funding of capital spend from cash balances in advance of external borrowing being taken out.
- 3.16 The CFR has decreased from £459.6m to £459.4m over the year. This is due to a decrease in PFI liabilities of £1.4m, a decrease in the HRA CFR as £5m of debt was repaid, and an increase in the General Fund CFR of £6.2m.
- 3.17 The table below compares the CFR with the long-term debt position (split between the General fund and the Housing Revenue Account). This **excludes** Public Finance Initiative (PFI) liabilities of £54,156k, which are, technically, part of the CFR calculation.

**Table 6 – Capital Financing Requirement "CFR"**

	<b>General Fund</b> <b>£k</b>	<b>Housing Revenue Account</b> <b>£k</b>	<b>Total</b> <b>£k</b>
<b>Actual Long Term Debt</b>	155,225	130,532	285,757
<b>CFR</b>	274,718	130,532	405,250
<b>Borrowing Need</b>	119,493	-	119,493

## Prudential Indicators (PI's)

- 3.18 In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, the code sets out a basket of indicators that must be prepared and used. It should be noted that the prudential indicators are not for comparison between authorities, but are a means to support and record local decision-

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



# Treasury Management Performance 2015/16

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

making. The PI's do not in themselves indicate either a good or bad financial position, they are merely a statement of fact. Further detail is provided underneath each of the PI's on the appendix itself at Appendix 1.

## Compliance with Treasury Limits

- 3.19 During the 2015/16 Financial Year all Treasury activity was carried out within the Council's Treasury limits and Prudential Indicators as set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement.

## **4. Alternative Options**

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

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

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

### Legal and Human Rights Implications

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

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

- 5.3 There are no such direct implications.

### Diversity Impact Assessment (DIA)

- 5.4 There are no implications arising from this report

### Risk Management

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

## **6. Consultees**

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

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 Appendix 1 – Prudential Indicators
- 

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

# **Treasury Management Performance 2015/16**

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

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

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme / Forward Plan for June 2016.

## Appendix 1 - 2015/16 Prudential Indicators

		<b>Feb-15 Indicator for 15/16</b>	<b>Mar-16 Actual for 15/16</b>
<b><u>Borrowing Indicators</u></b>			
<b>Operational Boundary</b>			
	Borrowing	288,557	293,437
	Other Long term liabilities	54,156	54,156
	<b>Total</b>	<b>342,713</b>	<b>347,593</b>
<b>Authorised Limit</b>			
	Borrowing	421,354	293,437
	Other Long term liabilities	59,156	54,156
	<b>Total</b>	<b>480,510</b>	<b>347,593</b>

The operational boundary is an estimate of the most likely level of external debt , whereas the authorised limit is the absolute approved limit. These are measured against actual external debt which includes all long and short term debt and PFI liabilities, but excludes investments.

### **Affordability Indicator**

x

#### **Ratio of financing costs to net revenue stream**

HRA	38.20%	38.12%
Non HRA	11.10%	11.08%

This indicator is a measure of Net Debt Charges (Primarily debt repayments, principal and interest, less interest earned)

#### **Capital Financing Requirement:**

HRA	130,532	130,532
Non-HRA	290,822	274,718
PFI liabilities	54,156	54,156
<b>Total</b>	<b>475,510</b>	<b>459,406</b>

The Capital Financing Requirement represents the need to borrow to finance capital expenditure that hasn't been funded from other resources such as capital receipts, grant, or revenue contributions

#### **Capital Expenditure Projections**

HRA	32,800	21,395
Non-HRA	86,660	36,537
<b>Total</b>	<b>119,460</b>	<b>57,932</b>

The 15/16 indicator shows the total capital programme approved as at the start of 2015/16 overall years, whereas the actual figure represents expenditure actually incurred. The difference represents scheme expenditure still to be incurred.

### **Prudence Indicators**

#### **Debt and the CFR**

Gross Borrowing	307,895	347,593
CFR (incl PFI liabilities)	475,510	459,406

The Capital Financing Requirement (CFR) represents the underlying need to borrow. Gross Borrowing, which represents all debt and financing liabilities, should not exceed, except in the short-term, the CFR.

This page is intentionally left blank

## Draft Statement of Accounts 2015/16

**Committee: Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

Author: Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

---

### **1. Purpose and Reasons**

- 1.1 To provide an update on the position of the 2015/16 statement of accounts.
- 1.2 The audit committee is the designated body for approval of the Council's final accounts due for sign-off by the end of September.

### **2. Recommendations**

The Committee is recommended to:

- 2.1 Note the content of this report.

### **3. Detail**

Update on the Draft Accounts

- 3.1 The draft accounts are required to be signed off by the Council's Section 151 officer (S151), the Board Director resources, by the end of June. This will be completed and copy of the draft accounts will follow as Appendix 1.
- 3.2 For 2015/16 the Authority has targeted completion of the draft accounts by the end of May to assess the readiness for the change in statutory reporting dates from 2017/18. Copy of the draft accounts was provided to the S151 officer for review on the 2<sup>nd</sup> June. This draft contained both single entity statements and disclosures and to the greater extent, consolidated group statements. In 2014/15 the single entity statements only were prepared for the 12<sup>th</sup> June.
- 3.3 It is considered that a week is still required to be removed from the process to provide review time under the 2017/18 statutory dates. This will be more challenging in 2016/17 as there are a number of changes required, as previously reported (Audit Committee 19/4/16).
- 3.4 As part of the accounts consolidation, the group section was updated for the restated Public Power Solutions 2014/15 figures. The wording within accounting policies was also updated to replace 'fair value' with 'current value' for operational assets not affected by the updated fair value valuation changes.
- 3.5 The audit of the accounts will have begun by the time of the Audit Committee meeting. It is intended that the audit process will also be conducted in a way that supports the change to future statutory dates, with the main areas completed by

---

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

# Draft Statement of Accounts 2015/16

**Committee: Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

the end of July. This will also entail early meeting with wider Finance staff to review the audit process.

- 3.6 The earlier closure of the accounts in 2015/16 has been due to a combination of factors:

3.6.1 Annual review of the timetable to provide continual challenge to dates/timescales

3.6.2 Less flexibility allowed on date extensions to ensure activities are completed to timetable

3.6.3 Earlier provision of valuations data

3.6.4 Wider Finance staff being on board with tighter timescales and

3.6.5 Greater involvement across Finance in accounts preparation.

- 3.7 Activities will be undertaken during 2016/17 to bring forward the draft accounts completion by the desired week. An update will be provided to Audit Committee early in 2017 on progress with this, together with the Code changes required for the Highways Network Asset and presentation of the accounting statements.

## **4. Alternative Options**

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

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

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

### Legal and Human Rights Implications

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

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

- 5.3 There are no such direct implications.

### Links to One Swindon, Strategic Objectives, Plans and Policies

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

---

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

# Draft Statement of Accounts 2015/16

**Committee: Audit Committee**

**Date: 28<sup>th</sup> June 2016**

---

## Diversity Impact Assessment

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

## **6. Consultees**

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

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 Appendix 1 – Draft Statement of Accounts 2015/16 – to follow

This page is intentionally left blank



## Audit Committee: Annual Report 2015/16

### **Audit Committee**

**Date: 28<sup>th</sup> June 2016**

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

---

### **1. Purpose and Reasons**

- 1.1 To present Members with the Audit Committee's annual report for 2015/16.
- 1.2 It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. The Audit Committee is a source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 1.3 The annual report sets out the role of the Committee and the work it has undertaken during 2015/16.

### **2. Recommendations**

The Committee is recommended to:

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

### **3. Detail – Annual Report**

#### **Introduction**

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

#### **Terms of Reference**

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

---

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

## **Audit Committee: Annual Report 2015/16**

### **Audit Committee**

**Date: 28<sup>th</sup> June 2016**

- 3.3 The Committee's Terms of Reference are to provide independent assurance to the Council in relation to:
- The effectiveness of the Council's risk management, internal control and its overall governance framework.
  - The effectiveness of the Council's financial and non-financial performance to the extent that it might impact on the above.
  - Reviewing the performance of the Council's Internal Audit section
  - Receipt and review of External Audit reports and liaison with external auditors on significant matters identified.
  - Advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview and Scrutiny and Regulatory Committees.
  - To consider, accept and take a view on the Statement of Accounts and the Annual Governance Statement.
  - Oversight of the Council's Treasury Management activities.
- 3.4 The Committee's Terms of Reference are reviewed annually to ensure that they reflect best practice and are kept up to date.

### **Membership**

- 3.5 The membership of the Audit Committee has comprised of the following Elected Members:
- Councillor Steve Weisinger (Chair)  
Councillor Steve Allsopp  
Councillor Oliver Donachie  
Councillor Mark Edwards  
Councillor Nick Martin  
Councillor Des Moffatt  
Councillor Maureen Penny  
Councillor Kevin Small
- 3.6 The Board Director: Resources and the Head of Internal Audit regularly attend meetings of the Committee. The Council's External Auditor Grant Thornton also attends meetings on a regular basis. Steve Jones (Senior Committee Clerk) supports the committee.
- 3.7 The Committee met five times during 2015/16. Committee agenda papers and minutes are available on the Council's website at: [www.swindon.gov.uk](http://www.swindon.gov.uk)

## **Audit Committee: Annual Report 2015/16**

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

### **Benefits of an effective audit committee**

3.8 An effective audit committee can bring many benefits to the Council, including:

- Promoting the principles of good governance
- Giving additional assurance through a process of independent and objective review
- Helping achieve the Council's objectives by assisting in improving the adequacy and effectiveness of risk management and internal control
- Reinforcing the objectivity, importance and independence of internal and external audit and therefore the effectiveness of the audit function
- Raise awareness of the need for sound control and the implementation of recommendations by internal and external audit

3.9 The Audit Committee's work programme has allowed it to provide assurance to the Council regarding governance, risk management and internal control arrangements. In summary, during the course of 2015/16, the Committee has:

- Reviewed and challenged the contents of the Annual Governance Statement and review the actions taken to address significant issues included in the Statement.
- Reviewed the Corporate Risk Register
- Received updates from risk owners including a presentation from the Head of Information Technology regarding the current risks/issues within Information Technology and what action is being taken to address them.
- Received and challenged reports received from the External Auditor regarding the Council's financial statements.
- Received and approved the Treasury Management Strategy; mid-year Treasury Performance report and the Treasury Management annual report.
- Received and reviewed the Council's Annual Statement of Accounts
- Reviewed its own terms of reference and work programme and issued its annual report for 2014/15.

3.10 The Committee has carried out a self-assessment against the CIPFA Guidance on Audit Committees Good Practice checklist (see Appendix 1) to ensure it operates in line with this guidance.

### **Internal Audit Assurance**

3.11 Internal Audit is a key source of assurance for both Members and officers on the effectiveness of the Council's governance, risk management and internal control

---

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

## **Audit Committee: Annual Report 2015/16**

### **Audit Committee**

**Date: 28<sup>th</sup> June 2016**

arrangements. The Audit Committee has a responsibility for ensuring the effectiveness of Internal Audit in providing this assurance.

3.12 The Committee has received regular reports from the Head of Internal Audit including:

- Head of Internal Audit's annual report - which provides the Head of Internal Audit's overall opinion on the Council's risk management, governance and internal control arrangements.
- Annual Internal Audit Plan 2015/16 – which presented Members with a risk based plan and an opportunity to consider areas for inclusion in the plan before it was finalised.
- Strategic Fraud Update – that provided Members with details of the fraud work carried out by Internal Audit along with details of national and local initiatives in this area.
- Internal Audit Charter – Members reviewed and approved the Charter for Internal Audit.
- Regular progress reports – that provided Members with details of progress against the audit plan along with any significant updates regarding the section etc.

3.13 The Committee has also received full Internal Audit reports on the following service areas where an audit has been carried out and an opinion of 'significant' or 'of concern' risk has been identified. For all these reports relevant Members and officers have attended to provide explanations and details of progress made in implementing agreed audit recommendations:

- Isambard School
- Corporate Buildings: statutory compliance
- Licencing: Private Hire and Taxis – follow-up review
- Licencing: Private Hire and Taxis – income reconciliation
- Brindley Close – lessons learnt

3.14 The Committee's terms of reference also include responsibility for oversight of the treasury management function. Therefore an audit report on Treasury Management was also presented to the Committee. The report identified that there was a high standard of internal control within the system resulting in only a moderate risk to the Council.

3.15 Internal Audit work to the Public Sector Internal Audit Standards. The Standards require that an external assessment be carried out of the service at least once every five years. A paper setting out this process was considered and agreed by

---

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

## **Audit Committee: Annual Report 2015/16**

### **Audit Committee**

**Date: 28<sup>th</sup> June 2016**

Audit Committee. The assessment will be undertaken by Bristol City Council in June 2016 and the results will be reported to Audit Committee in 2016/17.

### **External Audit Assurance – Governance and Statement of Accounts:**

- 3.16 External Audit is an essential part of the assurance process providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management as well as arrangements for securing economy, efficiency and effectiveness across the Council. External Audit works closely with Internal Audit to ensure that statutory responsibilities are delivered.
- 3.17 The following reports were received from External Audit during 2015/16:
- External Audit Plan
  - Annual Statement of Accounts and External Audit findings
  - Annual Audit Letter
  - Certification annual report
  - Briefing notes and regular progress update reports.

### **Looking forward:**

- 3.18 Given the continued financial pressures facing the Council, the importance of an effective Audit Committee remains critical in providing independent assurance on the governance, risk management and internal control arrangements in the Council and effective challenge where improvement is needed.

## **4. Alternative Options**

- 4.1 Not Applicable

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

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

### Legal and Human Rights Implications

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

## Audit Committee: Annual Report 2015/16

### **Audit Committee**

**Date: 28<sup>th</sup> June 2016**

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

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.4 Effective systems of governance and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

Diversity Impact Assessment

5.5 None

Risk Management

5.6 Not applicable

### **6. Consultees**

6.1 Councillor Steve Weisinger (Audit Committee Chair 2015/16)

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

### **7. Background Papers**

7.1 None

### **8. Appendices / Background papers**

8.1 Appendix 1 – Audit Committee Self-assessment against the CIPFA Guidance on Audit Committees

### **9. Key Decision/Decision in Forward Plan**

Not Applicable

<b>ESTABLISHMENT, OPERATION AND DUTIES</b>				
<b>Issue</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
<b>Role and remit</b>				
Does the audit committee have written terms of reference?	Yes			Reviewed annually.
Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Yes			Considered as part of the annual review.
Are the terms of reference approved by the council and reviewed periodically?	Yes			Approved by Cabinet.
Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Yes			
Can the audit committee access other committees and full council as necessary?	Yes			
Does the authority's statement on internal control (SIC) include a description of the audit committee's establishment and activities? Note: SIC now replaced by the annual governance statement.	Yes			Referred to in AGS including establishment as a full committee. More detail included on the Audit Committee's activities in this year's AGS.
Does the audit committee periodically assess its own effectiveness?	Yes			
Does the audit committee make a formal annual report on its work and performance during the year to full council?	Yes			
<b>Membership, induction and training</b>				
Has the membership of the audit committee been formally agreed and a quorum set?	Yes			
Is the chair independent of the executive function?	Yes			Chair is Cllr Steve Weisinger who is not a Cabinet member (neither are any other members of the committee).
Has the audit committee chair, previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Yes			
Are new audit committee members provided with an appropriate induction?	Yes			New Members are offered 1:1 meetings with the Head of Internal Audit additional training is also offered.
Have all members' skills and experiences been assessed and training given for identified gaps?		No		Not formally.
Has each member declared his or her business interests?	Yes			Requirement of all Members. Also requirement at the start of each meeting.
Are members sufficiently independent of the other key committees of the council?	Yes			
Does the audit committee meet regularly?	Yes			Met five times during 2015/16
Do the terms of reference set out the frequency of meetings?	Yes			
Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Yes			Timetable for 2016/17 prepared to align these requirements.
<b>Meetings</b>				
Are members attending meetings on a regular basis and if not, is appropriate action taken?	Yes			
Are meetings free and open without political influences being displayed?	Yes			

Issue	Yes	No	N/A	Comments
Does the authority's S151 officer or deputy attend all meetings?	Yes			S151 Officer or his representative attends meetings.
Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Yes			Relevant Board Directors/Heads of Service attend.
<b>Internal Control</b>				
Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Yes			Head of Internal Audit's report provides overall opinion which is reviewed by Audit Committee.
Does the audit committee have responsibility for review and approval of the SIC (now annual governance statement) and does it consider it separately from the accounts?	Yes			
Does the audit committee consider how meaningful the SIC (now annual governance statement) is?	Yes			
Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Yes			
Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?			N/A	The Audit Committee has responsibility for risk management.
Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Partial			This was published in 2006. The Council's Anti-Fraud and Corruption Strategy has been reviewed. The CIPFA publication is very onerous and the West of England Heads of IA group consider it unrealistic to meet all the requirements of the document.
Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Yes			See above.
Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Yes			A significant part of the Internal Audit plan is based on the Corporate risk register and those risks identified by Heads of Service. Audit Committee approves the annual Internal Audit plan.
Does the audit committee review the authority's strategic risk register at least annually?	Yes			Corporate Planning Lead reports to the Audit Committee and includes reference to strategic risk register.
Does the audit committee monitor how the authority assesses its risk?	Yes			
Do the audit committee's terms of reference include oversight of the risk management process?	Yes			
<b>FINANCIAL REPORTING AND REGULATORY MATTERS</b>				
Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Yes			Annual accounts approved by Audit Committee and included in the Committee's terms of reference.
Does the audit committee consider specifically: • the suitability of accounting policies and treatments; major judgements made; large write-offs; changes in accounting treatment; the reasonableness of accounting estimates; the narrative aspects of reporting?	Yes			Audit Committee receive papers on any updates to accounting policy/procedure.



Issue	Yes	No	N/A	Comments
<b>FINANCIAL REPORTING AND REGULATORY MATTERS cont.</b>				
Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Yes			
Does the audit committee review management's letter of representation?	Yes			External Audit's Annual letter is presented to and discussed at Audit Committee.
Does the audit committee annually review the accounting policies of the authority?	Partial			At the last review Members considered this to be within the remit of the Board Director: Resources. However, any updates on accounting policy/standards etc. are reported to committee.
Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Yes			
<b>INTERNAL AUDIT</b>				
Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Yes			The Audit Committee approves the Annual Audit Plan and Strategy.
Does internal audit have an appropriate reporting line to the audit committee?	Yes			Line Manager is Chief Executive. Direct to Audit Committee. Head of Internal Audit also has access to Chair of Audit Committee if required.
Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Yes			Head of Internal Audit provides an update at each Audit Committee meeting. Head of Internal Audit's Annual report is also presented to Audit Committee in accordance with PSIAS.
Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Yes			Results of follow up audits would be reported to Audit Committee. Responsible officers can be called in by Audit Committee to explain progress with implementing internal audit recommendations.
Does the audit committee hold periodic private discussions with the Head of Internal Audit?		No		This is included in the Committee's terms of reference. Members were given the option but this has not been taken up to date.
Is there appropriate cooperation between the internal and external auditors?	Yes			Yes with the Audit Commission.
Does the audit committee review the adequacy of internal audit staffing and other resources?	Yes			Benchmarking results have been reported to committee in the past.
Has the audit committee evaluated whether its internal audit service complies with the Public Sector Internal Audit Standards?	Yes			External Audit would report any non-compliance to Audit Committee. Head of Internal Audit also carries out a self-assessment against the standards. External Assessment planned for June 2016.
Are internal audit performance measures monitored by the audit committee?	Yes			Performance against plan is reported to Audit Committee along with results from Customer Feedback. Members may wish to consider whether they would like more performance information.

Issue	Yes	No	N/A	Comments
<b>INTERNAL AUDIT cont.</b>				
Has the audit committee considered the information it wishes to receive from internal audit?	Yes			Included in terms of reference.
Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?	Yes			External Audit's plan is presented to Audit Committee.
Does the audit committee hold periodic private discussions with the external auditor?		No		Same as for Internal Audit – offered but not taken up by Audit Committee to date.
Does the audit committee review the external auditor's annual report to those charged with governance?	Yes			External Auditor's report presented to Audit Committee.
Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Yes			
Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	Yes			Yes for External Audit i.e. annual audit and inspection letter. However, limited reporting of other inspection agencies.
Does the audit committee assess the performance of external audit?		No		Not formally but reviews regular progress reports.
Does the audit committee consider and approve the external audit fee?	Yes			This is included in the External Audit's plan that is presented to Audit Committee.
<b>ADMINISTRATION</b>				
<b>Agenda management</b>				
Does the audit committee have a designated secretary from Committee/Member Services?	Yes			Steve Jones (Senior Committee Officer).
Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Yes			Within prescribed timescales.
Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Yes			Outline work plan submitted with terms of reference approved annually.
Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	Yes			
<b>Papers</b>				
Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Yes			
Does the audit committee issue guidelines and/or a pro-forma concerning the format and content of the papers to be presented?	Yes			Papers are in the Council approved format.
<b>Actions Arising</b>				
Are minutes prepared and circulated promptly to the appropriate people?	Yes			
Is a report on matters arising made and minuted at the audit committee's next meeting?	Yes			
Do action points indicate who is to perform what and by when?	Yes			

## Audit Committee: Terms of Reference and Work Plan

### **Audit Committee**

**Date: 28<sup>th</sup> June 2016**

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

---

### **1. Purpose and Reasons**

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

### **2. Recommendations**

The Committee is recommended to:

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

### **3. Detail**

- 3.1 The terms of reference for Audit Committee are reviewed on an annual basis to ensure that they comply with best practice and legislation.
- 3.2 CIPFA issued updated guidance regarding local authority audit committees in December 2013 in their publication *Audit Committees: Practical Guidance for Local Authorities and Police*. This still remains the most up-to-date guidance.
- 3.3 The Head of Internal Audit has reviewed the terms of reference for the Audit Committee in light of this guidance and recommends that the terms of reference remain as they are. The current terms of reference are attached as Appendix 1.
- 3.4 The draft work programme for the Committee for 2016/17 is attached as Appendix 2.

### **4. Alternative Options**

- 4.1 Not Applicable
- 

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

## **Audit Committee: Terms of Reference and Work Plan**

### **Audit Committee**

**Date: 28<sup>th</sup> June 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.

##### Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Board Director: Resources (in his role as Director of Finance) regarding the requirements of Section 151 of the Local Government Act 1972.

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

- 5.3 None

##### Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of governance and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

##### Diversity Impact Assessment

- 5.5 None

##### Risk Management

- 5.6 Not applicable

#### **6. Consultees**

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

#### **7. Background Papers**

- 7.1 None

#### **8. Appendices / Background papers**

Appendix 1 – Audit Committee terms of reference

Appendix 2 – Draft work programme

## **Audit Committee – Terms of Reference (June 2016)**

### **Purpose**

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

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

The core functions of the Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- In relation to the authority's internal audit function:
  - 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 and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

### **Accountability**

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

### **Authority and Access**

The Audit Committee:

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

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

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

## **Membership**

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

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

## **Attendance and Meetings**

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

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

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

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

Appendix A contains an outline Audit Committee timetable.

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

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

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

## **Work Profile of the Audit Committee**

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

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

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

## Consideration of core functions

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

### • Annual Governance Statement (AGS)

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

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

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

### • Internal Audit

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

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

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

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

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

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

- **Risk Management**

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

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

- **External Audit**

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

- **Financial Reporting**

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

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

- **Treasury Management**

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

- **Countering Fraud and Corruption**

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

- **Value for Money**

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

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

- **Assurance Frameworks and Assurance Planning**

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

## **Review**

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



### Audit Committee – Draft Work Plan for 2016/17

		2016			2017	
	Agenda Item / Issue	June	September	November	February	April
1	Review of internal audit annual plan.					X
2	Review of internal audit progress reports and summary of key findings.	X	X	X	X	X
3	Review of final accounts timetable, plans, progress and any updates on changes to financial procedures.				X	
4	Review of draft final accounts and financial statements.	X				
5	Review and approval of audited final accounts and financial statements		X			
6	Review of the draft (June), and approval of the final (September), Annual Governance Statement	X	X			
7	Review of external audit annual plan (April) and their annual letter (November).			X		X
8	Receipt of Head of Internal Audit's annual report.	X				
9	Self-assessment of Audit Committee's effectiveness and review its terms of reference.	X				
10	Risk Management update		X		X	
11	Review of Internal Audit's terms of reference and the Council's Audit Strategy			X		
12	Review of other reports and policies as appropriate e.g. Internal audit reports identifying significant risks, changes to Financial Regulations, Inspection Reports.	X	X	X	X	X
13	Scrutiny of treasury management policies and practices including the annual investment strategy, annual and half yearly report.	X		X		X
14	Risk Owner responsible for a Corporate Risk		X	X	X	
15	Private discussions with internal and external audit.	As / if required				

Note: Training to be provided to Members in accordance with their need, including induction of new Members.

This page is intentionally left blank

**DRAFT Annual Governance Statement**

**Audit Committee**

**Date: 28<sup>th</sup> June 2016**

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

---

**1. Purpose and Reasons**

- 1.1 It is a requirement of the Accounts and Audit Regulation 2015 that the Council prepares an Annual Governance Statement.
- 1.2 The purpose of this report is to provide Audit Committee with details of the draft Annual Governance Statement for comment.
- 1.3 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.4 The Annual Governance Statement sets out the Council's governance arrangements and is therefore a key source of assurance for the Audit Committee.

**2. Recommendations**

The Committee is recommended to:

- 2.1 It is recommended that the Audit Committee reviews the content of the draft Annual Governance Statement and identifies any additional significant control issues that it would like to be considered for inclusion in the Annual Governance Statement prior to sign off by the Leader and Chief Executive in September 2016.

**3. Detail**

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

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

## DRAFT Annual Governance Statement

### Audit Committee

Date: 28<sup>th</sup> June 2016

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

- 3.5 The guidance for the AGS requires the Council to set out its governance arrangements and key elements of internal control and the sources of assurance; a review of the effectiveness of those governance and internal controls and a requirement to identify significant governance issues. The Council must ensure that it can provide evidence for any of the systems of internal control included in the AGS.
- 3.6 Guidance issued by CIPFA regarding the statement also recommends that a suitable independent management group should review the content of the AGS. The Council's Audit Committee will undertake this role. The Chief Executive and the Leader of the Council will sign the statement once the Audit Committee has approved it in September 2015.
- 3.7 CIPFA/SOLACE has recently been issued updated guidance '*Delivering good governance in Local Government*' which came in to effect from 1st April 2016 and will impact on the AGS for 2016/17.
- 3.8 The draft Annual Governance Statement is set out in Appendix 1 to this report.
- 3.9 As part of the document the Council must identify any areas of significant governance or internal control issues that have occurred during 2015/16. Potential areas for inclusion were discussed at Corporate Board. This included a review of last year's statement and agreeing whether any issues raised for 2014/15 could be taken off and whether any new issues needed to be included.
- 3.10 It is recommended that the following issues could be removed from the statement:
- ☐ Supporting Vulnerable Children
  - ☐ Licensing: Taxi and Private Hire
  - ☐ Corporate Buildings: statutory compliance
  - ☐ Waterside depot improvement plan
  - ☐ Isambard School
- 3.11 Further progress is still required in the following areas before they can be taken off the statement:
- ☐ Information Governance and Security
  - ☐ Financial relationships with wholly owned subsidiaries
  - ☐ Capacity and capability in the context of large scale change
  - ☐ GCSE attainment
  - ☐ Provision of the IT service
- 3.12 There were no new areas recommended for inclusion in the statement for 2015/16.

---

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

## DRAFT Annual Governance Statement

### **Audit Committee**

**Date: 28<sup>th</sup> June 2016**

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

### **4. Alternative Options**

- 4.1 Not Applicable

### **5. Implications, Diversity Impact Assessment and Risk Management**

#### Financial and Procurement Implications

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

#### Legal and Human Rights Implications

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

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

- 5.3 None

#### Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of governance and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

#### Diversity Impact Assessment

- 5.5 None

#### Risk Management

- 5.6 Not applicable

### **6. Consultees**

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

## **DRAFT Annual Governance Statement**

***Audit Committee***

**Date: 28<sup>th</sup> June 2016**

### **7. Background Papers**

7.1 None

### **8. Appendices / Background papers**

Appendix 1 – The Annual Governance Statement 2015/16

Appendix 2 – Assurance Framework

Appendix 3 – Definition of significant governance or control issues

### **9. Key Decision/Decision in Forward Plan**

Not Applicable

# SWINDON BOROUGH COUNCIL

## ANNUAL GOVERNANCE STATEMENT: 2015/16

### 1. Scope of responsibility

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

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

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

### 2. The purpose of the governance framework

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

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

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

Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusion. The Council's Local Code of Corporate Governance sets out the framework by which the Council will meet that commitment.

The Council's governance framework has been in place for the year ended 31<sup>st</sup> March 2016 and up to the date of approval of this Statement and the Statement of Accounts. The Code is based upon the following six principles:

- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Local Code of Corporate Governance forms part of the Council's Constitution and the full version can be found at:

<http://ww5.swindon.gov.uk/moderngov/ecCatDisplay.aspx?sch=doc&cat=13338&path=0>

#### **4. Review of effectiveness**

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

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

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

In year review mechanisms include:

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



- The Senior Information Risk Owner (SIRO) has assessed the Council's information governance and security arrangements and has stated that: A significant amount of work was undertaken in 2015/16 to develop Information Governance policies and supporting processes.

The Council's Information Governance Group has made progress establishing a greater level of corporate Information Governance maturity, not least of which was establishing and filling the new post of Information Governance Manager from June 2015. Fundamental policies, roles and practices are now starting to be embedded in the Authority.

In line with progress made, the Group's terms of reference have been reviewed in 2015/16, to ensure that there are robust links between the group and others charged with Information Governance responsibilities throughout the Council. The change will establish corporate networks to support the work of the group going forward.

A significant amount of work has been undertaken to further establish and embed SIRO, deputy SIRO and Information Asset Owner/Assistant roles in the Authority, which has been supported by comprehensive external training and internal support by the Information Governance Manager in 2015/16.

Work continues to ensure the Council achieves compliance with Cabinet Office Public Sector Network requirements. Following insourcing of the ICT department from Capita in 2015/16 and additional recruitment, a dedicated Council team are working on all outstanding compliance issues, which have been reduced significantly. Work is underway to align PSN code of compliance submission with the NHS Information Toolkit Version 13 submission, which will be due in 2016/17.

Facilities for secure email transfer have been rolled out across the Council, to ensure that we can securely communicate with organisations and individuals who are not part of the Public Sector Network. The Council's Information Asset Register has been developed and enhanced with comprehensive Information Asset Ownership training being delivered across the Council.

Following the 2014/15 review of the off-site document archive facility, substantial improvements have been made to its security and the organisation of records and additional dedicated resource has been allocated to staff the facility.

ICT Security policies (for example access control) have been comprehensively updated and the consultation process to approve these policies is underway, to roll-out across the Council in 2016/17. To continue to improve take-up of Information Security training and awareness in the Council, a procurement exercise to obtain policy management and monitoring software has been undertaken and an appropriate solution will be implemented in 2016/17.

Areas of improvement for 2016/17 include:

- As a priority, continue to resolve outstanding PSN compliance issues and achieve NHS Information Governance Toolkit Version 13 compliance.
- Monitor and enforce compliance with mandatory training on core topics, e.g. Information Security, Data Protection and Freedom of Information.
- Carry out an options appraisal on future records management arrangements, including the suitability of arrangements at the off-site storage facility.
- Continue to develop the Council's Information Risk Management process and risk registers.

- Continue to embed and develop SIRO, Information Asset Owner and Information Asset Assistant roles throughout the Council along with the establishment of a single corporate Information Asset and Risk Register.

Other in-year reviews included:

- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2015/16. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified no material issues in their audit of the financial statements and issued an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2014/15.
- A Corporate Governance Working Group, consisting of both Members and officers including the Monitoring Officer, reviews the effectiveness of the Council's corporate governance arrangements by reference to the CIPFA/SOLACE corporate governance standards and other best practice. The Group has streamlined the Council's decision-making process ensuring that agreed decisions could be implemented promptly and some decision making has been devolved locally. It has also looked at devolving some powers to localities and how this can be achieved.
- The Council has also adopted a Local Code of Corporate Governance.
- Risk Management: the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Board and presented to both Cabinet and Audit Committee.
- The Council's Performance Framework is led by the Head of performance, People and Engagement. The framework includes a Performance and Corporate Health dashboards that enables the Council to better target resources and demonstrates the organisation's desire to be as transparent as possible.

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

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

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

- Supporting vulnerable children
- Licensing: Taxi and Private Hire
- Corporate buildings: statutory compliance
- Waterside depot improvement plan
- Isambard School

Further progress is still required in the following areas before they can be taken off the statement:

- Information Governance and Security

- GCSE attainment
- Capacity and capability in the context of large scale change
- Financial relationships with wholly owned subsidiaries
- Provision of the IT service

More detail on these areas is provided below.

The review has found that the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

## 5. Governance: Key Areas of Focus

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

- **Information governance and security** – A significant amount of work was undertaken in 2015/16 to develop information governance policies and processes. The appointment of an Information Governance Manager has helped to establish a greater level of information governance maturity. Fundamental policies, roles and practices are now starting to be embedded in the Council. SIRO and Information Asset Owner roles and appropriate training have been allocated. Training has been delivered to relevant staff and is due to be completed by October 2016. Refresher training will be carried out where appropriate.

However, further work is needed to ensure that the Council achieves compliance with Cabinet Office Public Sector Network requirements. Following insourcing of the ICT department from Capita in February 2016 and additional recruitment, a dedicated Council team are working on all outstanding compliance issues, which have been reduced significantly. Work is underway to align PSN code of compliance submission with the NHS Information Toolkit Version 13 submission, which will be due in 2016/17.

- **Financial relationships with wholly owned subsidiaries** – Swindon Borough Council are the sole shareholder of Thamesdown Transport Ltd (TT) and Public Power Solutions Ltd. (PPS). There are close financial links between the Council and both companies, which mean there is a degree of inter-dependence.

The Council funds some subsidised routes and pays reimbursements for concessionary fare usage and, in recent years, bought-out the company's local government pension scheme deficit and the Company's interest in its operational depot building in return for increased annual payments. The cash flow and tight trading position of the company has led to part of the expected returns from these arrangements to be foregone by the Council although full payment was received in 2015-16.

The Council has lent £8.7m to PPS for the capital purchase of a plant to convert waste into fuel plus a further £2.95m in cash flowing and capital repayment loans. The company's future profit levels are critical to ensuring repayment of these loans at differing periods with full repayment due by November 2022. The current trading position of the company suggests that these loans are unlikely to be repaid based on current cash flows and, as a result, the Council is currently renegotiating commercial terms for its waste disposal operations.

As well as managing the Council's waste disposal arrangements, the company also trades in power and solar projects. These projects can be high-risk in terms of deliverability success but offer relatively high returns when completed.

For the reasons set out above, it is important that the Council retains a particularly close oversight of the financial performance of its subsidiaries at this time, as part of its overall financial risk management arrangements.

- **Capacity and Capability in the context of large scale change** – During 2013-14, Cabinet approved a strategy to deliberately deliver annual budget savings early to create some in-year funding capacity to fund future years' transformation. This strategy has continued since that date and has led to transformational funding being available on the Council's balance sheet to fund new posts.

During 2014-15, the organisation ran a targeted recruitment campaign to bring new transformation skills and capacity into the organisation and successfully recruited four new senior change leaders and additional support posts to deliver specific change programme work. Further recruitment took place during 2015-16 and these new skills and additional capacity helped deliver the 2015-16 Budget on target and enable complex change programmes that contributed towards the 2016-17 Budget. The extra capacity and skills now in place within the organisation are now being re-distributed to work on the 2016-17 change programmes to deliver the 2017-18 budget.

- **GCSE Attainment** - significant action has been undertaken to establish a robust governance structure that enables and challenges performance concerning school improvement in Swindon. However, raising attainment across the Borough will not be a quick fix, and time will be needed for the Education Strategy Board to have an impact on a rise in standards.

A continued challenge for the Council will also be ensuring the on-going involvement of Academies in contributing to the improvement agenda, especially the secondary schools that have a large impact on overall attainment. There are twelve secondary schools in Swindon (including the University Technology College), only one of which is maintained (Isambard). Although the Local Authority has responsibility for School Improvement, there is a lack of direct power that the Council can use to influence the performance of Academies and ultimately, attainment.

- **IT Service** - The ICT Service was successfully transferred back to the Council from Capita in February 2016. Recruitment has been carried out to ensure that key skills and capacity are present in team to achieve operational competence and develop the service further in the future. Significant work was carried out in conjunction with Capita to migrate the core infrastructure to a modern, virtual environment. has partially removed the reliance on ageing servers allowing the Council to plan for a more transformational use of IT in the near future. Work continues with the new in-house department to complete the removal of end of life technology and there are clear plans in place for future modernisation of the service and infrastructure. This work includes remedial work that is required to ensure Council compliance with PSN and PCI standards; it also includes bringing our Major IT systems back in contract in a compliant way with EU Procurement rules.

## 6. Certification

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

Signed:

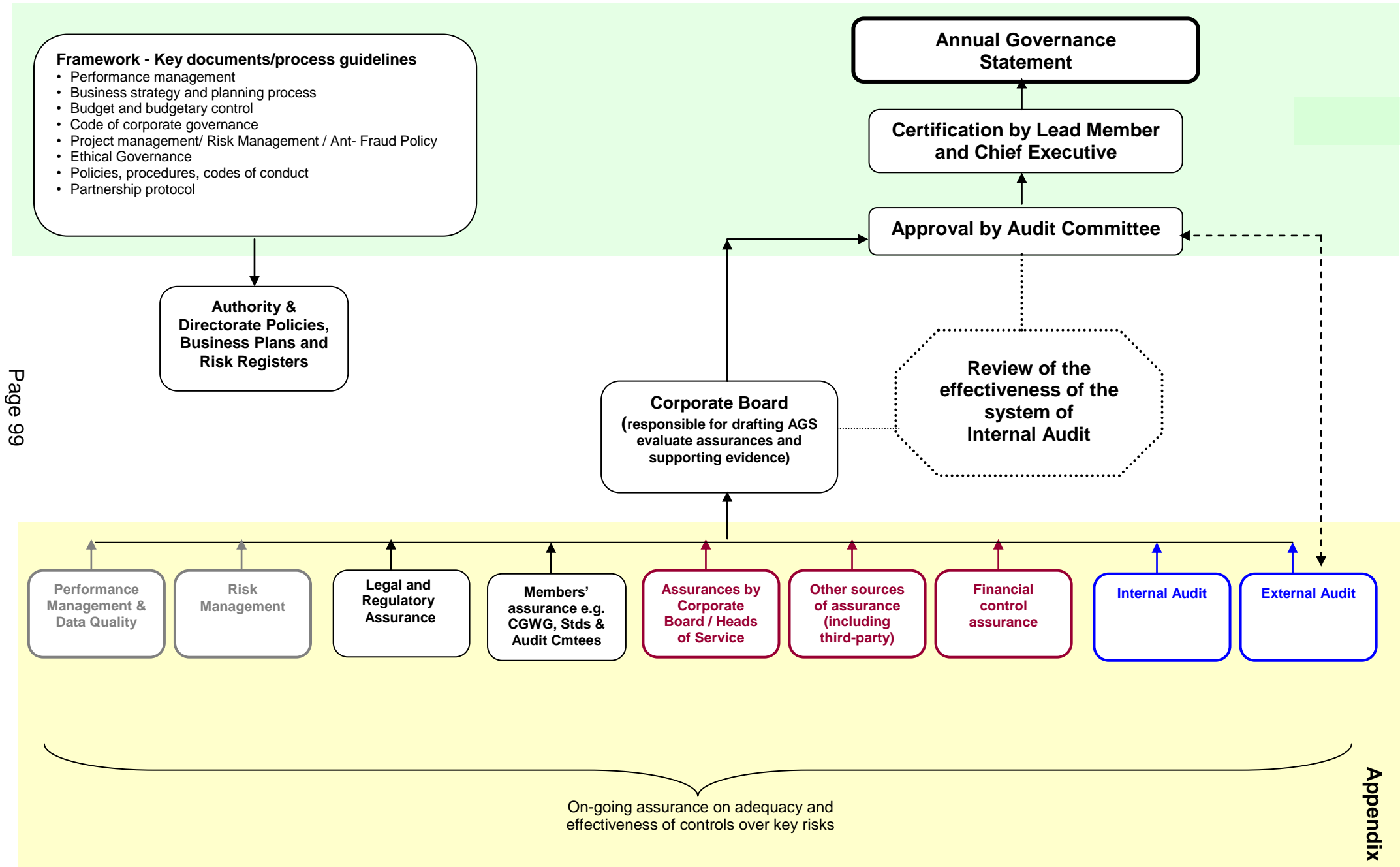
Signed:

Councillor David Renard  
Leader of the Council

Gavin Jones  
Chief Executive

This page is intentionally left blank

# ANNUAL GOVERNANCE STATEMENT FRAMEWORK (FLOWCHART)







**Definition of Significant Control and Governance Issues**

Guidance issued by CIPFA in relation to what should be considered 'significant', for inclusion in the Council's Annual Governance Statement, may be those which:

- Have seriously prejudiced or prevented achievement of a principle objective
- Has resulted in the need to seek additional funding to allow it to be resolved
- Required a significant diversion of resources
- Has had a material impact on the accounts
- The Audit Committee has advised that it should be considered as significant
- Has resulted in significant public interest or has seriously damaged reputation
- Has resulted in formal actions being taken by the Chief Financial Officer or Monitoring Officer
- Received significant adverse commentary in external; inspection reports that has not been able to be addressed in a timely manner.

The above is only guidance and not an exhaustive list.

This page is intentionally left blank



# Grant Thornton

An instinct for growth™

Stuart McKellar  
Board Director Resources  
Swindon Borough Council  
Civic Centre  
Euclid Street  
Swindon  
SN1 2 JH

Grant Thornton UK LLP  
Hartwell House  
Victoria Street  
Bristol BS1 6FT  
T +44 (0)117 3057600  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

7 April 2016

Dear Stuart

## **Planned audit fee for 2016/17: Swindon Borough Council**

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

## **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

## **Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales No OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see [grantthornton.co.uk](http://grantthornton.co.uk) for further details.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £128,378.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return (if applicable).

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### **Value for Money conclusion**

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

### **Certification of grant claims and returns**

The Council's indicative grant certification fee has been set by PSAA at £13,500. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2016	32,095
December 2016	32,095
March 2017	32,094
June 2017	32,094
<b>Total</b>	<b>128,378</b>
<b>Grant Certification</b>	
March 2017	13,500

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in December 2016 to March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed in August 2017.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	December 2016 to March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July to August 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	December 2016 to August 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.

Phase of work	Timing	Outputs	Comments
Annual audit letter	September 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	November 2017	Grant certification report	A report summarising the findings of our grant certification work

### Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Elizabeth Cave	+44 (0)117 305 7885	<a href="mailto:liz.a.cave@uk.gt.com">liz.a.cave@uk.gt.com</a>
Engagement Manager	Chris Hackett	+44 (0)117 305 7784	<a href="mailto:chris.i.hackett@uk.gt.com">chris.i.hackett@uk.gt.com</a>
In Charge Auditor	Sophie Morgan	+44(0)117 305 7757	<a href="mailto:Sophie.j.morgan@uk.gt.com">Sophie.j.morgan@uk.gt.com</a>

### Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

### Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via [jon.roberts@uk.gt.com](mailto:jon.roberts@uk.gt.com).

Yours sincerely



Elizabeth Cave  
Director  
For Grant Thornton UK LLP

# Audit Committee Progress and Update Report for Swindon Borough Council *Year ended 31 March 2016*

14 June 2016

Page 107

**Elizabeth Cave**

Director

**T** 0117 3057855

**E** [Liz.A.Cave@uk.gt.com](mailto:Liz.A.Cave@uk.gt.com)

**Chris Hackett**

Audit Manager

**T** 0117 3057876

**E** [Chris.I.Hackett@uk.gt.com](mailto:Chris.I.Hackett@uk.gt.com)

**Sophie Morgan**

Executive

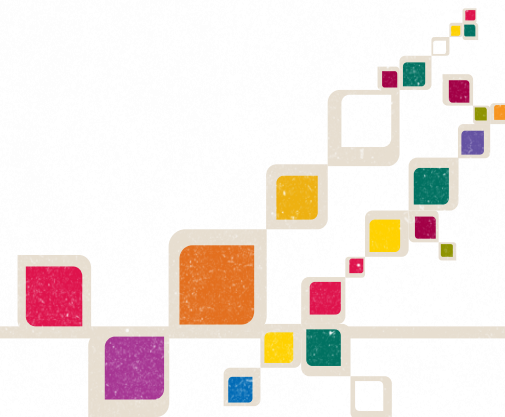
**T** 0117 3057757

**E** [Sophie.J.Morgan@uk.gt.com](mailto:Sophie.J.Morgan@uk.gt.com)



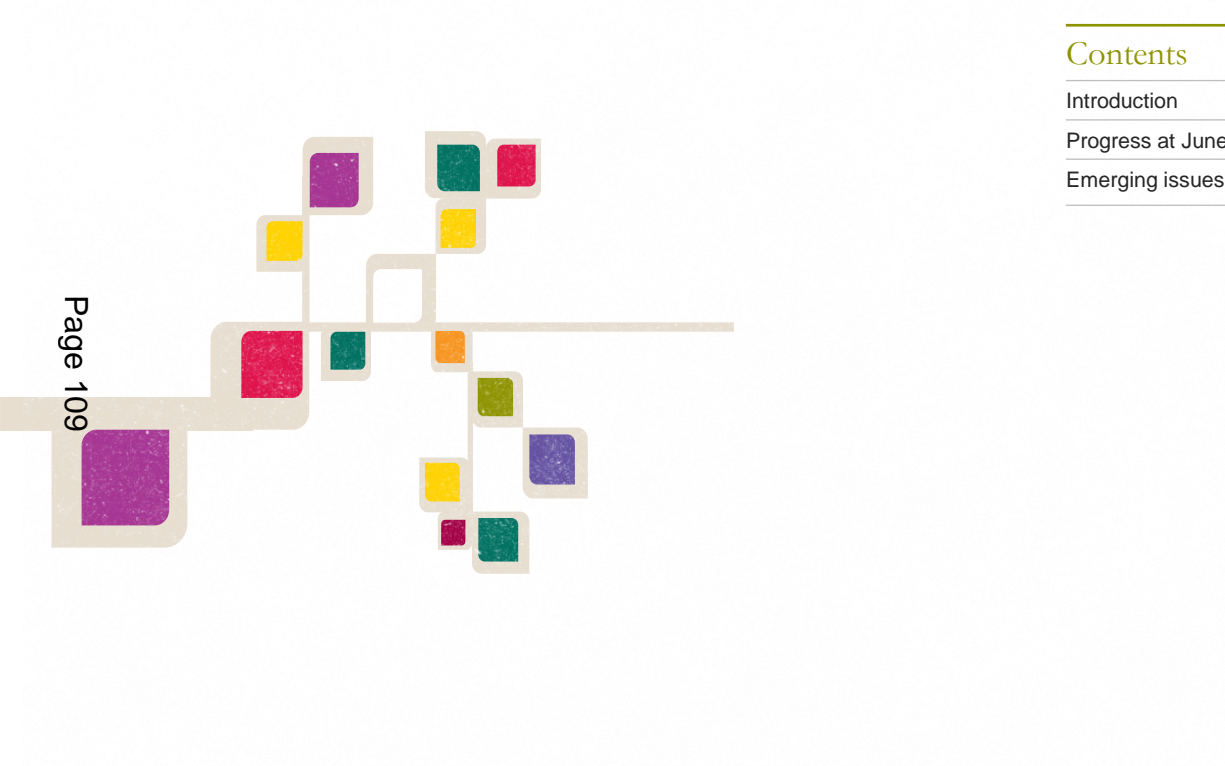


The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible 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



Contents	Page
Introduction	4
Progress at June 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.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://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 including:

- Better Together: Building a successful joint venture company;  
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;  
[www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Making devolution work: A practical guide for local leaders (October 2015)  
[www.grantthornton.co.uk/en/insights/making-devolution-work/](http://www.grantthornton.co.uk/en/insights/making-devolution-work/)

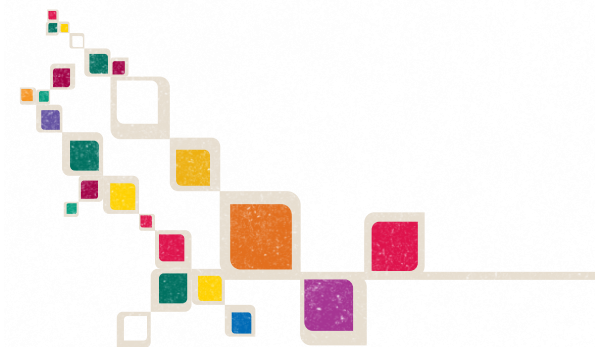
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



**Elizabeth Cave**  
**Engagement Lead**  
**T** 0117 3057885  
**M** 07880 456128  
**E** [Liz.A.Cave@uk.gt.com](mailto:Liz.A.Cave@uk.gt.com)



**Chris Hackett**  
**Manager**  
**T** 0117 3057876  
**M** 07880 456130  
**E** [Chris.I.Hackett@uk.gt.com](mailto:Chris.I.Hackett@uk.gt.com)



# Progress at 14 June 2016



**Progress against plan**  
On track



**Opinion and VfM conclusion**  
Plan to give before deadline of  
30 September 2016

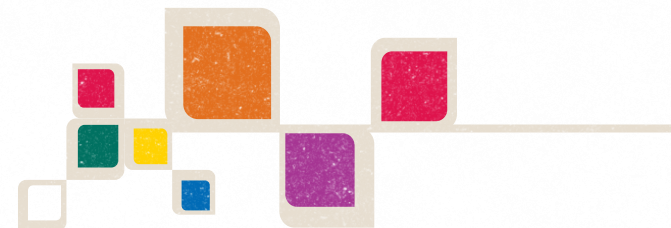


**Outputs delivered**  
Fee letter, Progress Reports, delivered  
to plan

Page 111

2015/16 work	Completed	Comments
<b>Fee Letter</b> We issued the 'Planned fee letter for 2015/16 in April 2015.	April 2015	We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This is reported to this meeting of the Audit Committee.
<b>Accounts Audit Plan</b> 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.  We also inform you of any subsequent changes to our audit approach.	April 2016	This was included in our Audit Plan presented to the Audit Committee in April.
<b>Interim accounts audit</b> Our interim fieldwork visit includes: <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> </ul>	April 2016	This was presented to the Audit Committee in April, findings were included within the Audit Plan.

# Progress at 14 June 2016



2015/16 work	Completed	Comments
<b>Final accounts audit</b> Including: <ul style="list-style-type: none"> <li>Audit of the 2015-16 financial statements</li> <li>proposed opinion on the Council's accounts</li> </ul>	<i>Planned for July - August</i>	<p>We are planning to complete our audit by 31<sup>st</sup> August as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>To help the Council prepare appropriate evidence to support the financial statements, we have discussed working papers that we expect and the implications of emerging accounting matters with finance staff.</p>
<b>Value for Money (VfM) conclusion</b> The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: <ul style="list-style-type: none"> <li>Informed decision making</li> <li>Sustainable resource deployment</li> <li>Working with partners and other third parties</li> </ul>	<i>Field work in March – July , formal conclusion reported by 30 September 2016</i>	<p>We set out the result of our risk assessment and the proposed focus of our work in our Audit Plan presented to the April Audit Committee.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>
<b>Other activities</b> We provide a range of workshops, along with network events for members and publications to support the Council.	2016	<p>We have provided local workshops covering the accounting treatment of the Better Care Fund and the Local Authority Accounts Code.</p> <p>In May we completed further testing on the Housing Benefit Grant Claim.</p>

# Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together  
Building a successful  
joint venture company



# Fighting Fraud and Corruption Locally

CIPFA publication

**Fighting Fraud and Corruption Locally** is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape.

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

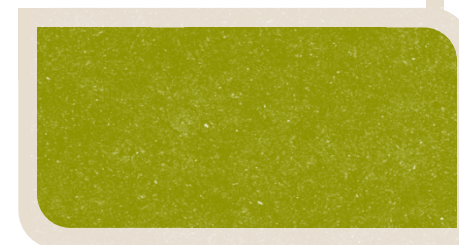
Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





© 2016 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](http://grant-thornton.co.uk)**

This page is intentionally left blank



## Head of Internal Audit Update

### **Audit Committee**

**Date: 28 June 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 June 2016, 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 2016/17

- 3.1 Details of audits finalised since the June 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 2016/17 plan as at the year-end. As at the end of May 2016, 8% of the number of audits in the audit plan has been completed against a target of 12%.

### **4. Alternative Options**

- 4.1 Not Applicable

## Head of Internal Audit Update

**Audit Committee**

**Date: 28 June 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.

#### 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 2016/17.

### **7. Background Papers**

- 7.1 None

## Head of Internal Audit Update

***Audit Committee***

**Date: 28 June 2016**

### **8. Appendices**

Appendix 1 – Internal Audit Reports finalised since the June 2016 Audit Committee.

Appendix 2 – Progress against the Internal Audit plan 2016/17

This page is intentionally left blank

<b>Audit Title:</b>	Appointees and Deputyships						
<b>Date of Report:</b>	May 2016			<b>Materiality/Impact:</b>		Medium	
<b>Number of 'High Priority' Recommendations:</b>	5	<b>Current Audit Opinion:</b>	3	<b>Previous Audit Opinion:</b>	N/A	<b>Overall Evaluation (Risk):</b>	<b>Moderate</b>

### **Key Recommendations**

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

- The Deputyship Team should undertake a service review against the professional standards and checklist issued by the Office of the Public Guardian.
- Deceased cases should be worked on more regularly, as and when information is received. An electronic dairy note should be set up to follow up outstanding issues. A review of the team's processes and work levels should be undertaken to find out how this can best be achieved. The introduction of case management (AP 1.3) may improve the position as a staff member would manage the case from beginning to end as part of their day to day work.
- A protocol needs to be agreed where by the Council recognises the probate holder, having suitably validated them and then have a process whereby the funds in the account can be transferred to an appropriate bank account arranged by the probate holder.
- Check with Legal the position regarding what financial transactions can and cannot be transacted after the client has died and before the grant of probate. If the view from the Legal Department is that only funeral related expenses are allowable then a review of the bank accounts of deceased clients, held at Lloyds Bank, should be undertaken. If any other payments, outside of funeral relate expenses, have been made these should be refunded and claimed from the client's estate if the account is still active.
- Performance targets should be introduced. These should show number of qualifying items, number processed within the target time and the percentage achieved against target. Overall targets e.g. time taken by the Appointee and Deputyships Team to prepare a case for submission to the Court of Protection (deputy) or for agreement to be reached with the Department of Work and Pensions (appointee) and for processing deceased cases. This would give an indication of the overall level of service. The team should also be able to evidence how they achieved the target i.e. which items were included in the monthly calculation.

<b>Audit Title:</b>	Information Governance Hillmead Follow-Up						
<b>Date of Report:</b>	June 2016			<b>Materiality/Impact:</b>		High	
<b>Number of 'High Priority' Recommendations:</b>	4	<b>Current Audit Opinion:</b>	N/A	<b>Previous Audit Opinion:</b>	3	<b>Overall Evaluation (Risk):</b>	Of concern

### **Key Recommendations**

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

- The Council should create a Records Management Policy, which should include the following:
  - reference to the Document Retention Disposal Policy
  - indexing and classification
  - storage and handling
  - access and security
  - tracking
  - disposal

The Policy should set out whose responsibility it is to ensure that records are disposed of after their retention period has passed, and a process for the secure disposal of items stored at Hillmead. This should include arrangements/requirements for transfer of documents to the County Archivist, where required.

- Restrictions on access to the Council's archived records should be implemented. This could be achieved by requiring an information owner for each record stored. Any retrieval requests must then be authorised by the information owner. Alternatively restrictions to documents based on their classification level e.g. OFFICIAL SENSITIVE and above, could be introduced. These restrictions should be enforced by Logistics when retrieval is requested.
- A Council wide assessment of the type of records that require storage should be performed. This should identify any types of records that due to their size or the medium used for storage have particular requirements. Designated storage areas for any such items should be identified.
- The length of time that Hillmead will continue to be used as the Council's record storage facility should be determined. Decisions whether or not to implement the outstanding recommendations made in the 2014 Hillmead Report, to ensure the building and arrangements are fit for purpose, can then be made.

<b>Audit Title:</b>	Complaints						
<b>Date of Report:</b>	May 2016			<b>Materiality/Impact:</b>		High	
<b>Number of 'High Priority' Recommendations:</b>	9	<b>Current Audit Opinion:</b>	3	<b>Previous Audit Opinion:</b>	N/A	<b>Overall Evaluation (Risk):</b>	<b>Of concern</b>

### **Key Recommendations**

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

- Evaluate where the complaints process best sits within the Council and whether it should be centralised, with an overall complaints manager and dedicated resource (neither role needs to be full time), or remain fragmented. Having a dedicated officer and team would enhance the profile of complaints within the organisation and to residents.
- Evaluate reducing the Corporate complaints process down from three stages to two stages. Stage 1 would be a service area investigation and Stage 2 could be a review by a senior service manager or a senior officer independent of the service area.
- Evaluate how to better publicise the ability to make complaints, the importance of them and how they can drive service improvements for the benefit of residents. An example was found at Coventry City Council who had a slogan "Speak up" to encourage complaints. Oxford County Council had a video on the value of complaining.
- Undertake a gap analysis of the Council's Corporate complaints process against the document entitled "My expectations for raising concerns and complaints" issued by the Local Government Ombudsman in their annual letter to the Council (June 2015). Following this, changes to the current process should be made as required.
- The Complaints Manager - Children Services and Adult Social Care should have a job description and service level agreement drawn up outlining their role, what is expected of them and what timescales are involved. Details of what could be included in the role can be found in the document "Getting the best from complaints: Social Care Complaints and Representations for Children, Young Persons and Others" – published by the then Dept. for Education and Skills.
- All documents with incorrect complaint information should be withdrawn, amended and re-issued. A review of all material which mentions the complaint process, which is given to children and families, should be undertaken to establish whether it is correct. Changes should be made accordingly. Owners should be established for all documents with complaints information in them and they should be reviewed at least annually to ensure they are still accurate and fit for purpose.
- Officers should be reminded, via the Intranet, or the Core Brief of the need to record all complaints either directly onto Lagan or via Business Support to enable accurate recording and effective management of complaints.
- Monitoring spreadsheets maintained by the Early Help Teams should be shared with the Complaints Officer on a regular basis to ensure all complaints (and compliments) are recorded on Lagan.
- Complaints reporting from Lagan should be re-introduced. In light of recommendations in this report e.g. action plan 3.3, service areas should be consulted with a view to providing more focus on performance management information.

<b>Audit Title:</b>	Flood Resilience Grant				<b>Date of Report:</b>	April 2016	
<b>Number of 'High Priority' Recommendations:</b>	N/A	<b>Current Audit Opinion:</b>	N/A	<b>Previous Audit Opinion:</b>	N/A	<b>Overall Evaluation (Risk):</b>	N/A
<b><u>Summary</u></b> A review of the Flood Resilience Grant claims was completed satisfactorily to allow the Head of Internal Audit to give reasonable assurance that the claims made by the Council fairly represent expenditure under the Scheme made in accordance with the terms of the Memorandum of Understanding.							

Audit Title:	Flood Resilience Grant					Date of Report:	April 2016	
Number of ‘High Priority’ Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A	



<b>Audit Title:</b>	Grange Federation						
<b>Date of Report:</b>	April 2016				<b>Materiality/Impact:</b>	Medium	
<b>Number of 'High Priority' Recommendations:</b>	11	<b>Current Audit Opinion:</b>	2	<b>Previous Audit Opinion:</b>	N/A	<b>Overall Evaluation (Risk):</b>	<b>Moderate</b>

### **Key Recommendations**

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

- Governors should continue to closely monitor each school's expenditure against its income. Detailed plans of how the schools can align their expenditure to their income should be produced in order to prevent an eventual deficit position.
- The Infant School Premises Plan should be updated to reflect the work required, as identified in the latest condition survey, and make provisions in its three year financial plan for the expenditure. The premises plans for both schools should include the estimated cost of each improvement required and expected completion dates. Progress against this should be monitored by the Premises Committee.
- An ICT Strategy or IT Improvement Plan should be created. This should include a rolling programme for replacement of and upgrading equipment. The Plan should be used when setting the budget to ensure that adequate funds are available when needed.
- The School's should ensure that an analysis of the cost for school meals, including staff costs, against income received is carried out to ensure that charges are set accurately, and that expenditure is managed appropriately. This information will allow Governors to make informed decisions about future meal provision.
- Annual performance appraisals should be introduced for all support staff. These should be carried out to identify and resolve any performance related issues, training needs, opportunities and to set objectives. The results can also be used to inform the staffing structure review.
- The budget monitoring report should be amended to show the expected total to date and actual to date so that variances can be easily identified. Where there has been a pattern of higher/lower monthly income/expenditure this should be reflected in the projected months in order to give a more accurate projection of the year end balances.
- It should be ensured that in line with the School's Scheme of Delegation all expenditure over £1,000 should have three written quotes as evidence that the best value exercise has been carried out. The Schools should ensure that they comply with the Financial Regulations, which set out that for all contracts for the supply of goods and services of £50,000 and over, a formal tender process is carried out. When carrying out a comparison of best value the Schools should take care to ensure that they are comparing the same level of service. This should be against a specification of the goods or service required that has been determined by the Schools.

<b>Audit Title:</b>	Open Housing System Control and Integrity Follow-Up						
<b>Date of Report:</b>	June 2016			<b>Materiality/Impact:</b>		High	
<b>Number of 'High Priority' Recommendations:</b>	1	<b>Current Audit Opinion:</b>	N/A	<b>Previous Audit Opinion:</b>	2	<b>Overall Evaluation (Risk):</b>	<b>Moderate</b>
<b><u>Key Recommendations</u></b> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> <li>User access to the h:\ drive where system logs are stored should be reviewed and controls should be introduced to ensure that system logs cannot be amended.</li> </ul> When considering logging and monitoring requirements for the system identify whether running the application and database on upgraded hardware (virtual or physical) would remove performance issues that currently prevent the full audit log being enabled. Evaluate whether the cost of running the system in an upgraded environment is met by the benefit of enhanced logging.							

<b>Audit Title:</b>	Oracle System Control and Integrity Follow-Up						
<b>Date of Report:</b>	June 2016			<b>Materiality/Impact:</b>		High	
<b>Number of 'High Priority' Recommendations:</b>	0	<b>Current Audit Opinion:</b>	N/A	<b>Previous Audit Opinion:</b>	3	<b>Overall Evaluation (Risk):</b>	<b>Of concern</b>
<b><u>Key Recommendations</u></b> No key recommendations were made as a result of this review.							

<b>Audit Title:</b>	Northgate System Control and Integrity Follow-Up						
<b>Date of Report:</b>	June 2016			<b>Materiality/Impact:</b>		High	
<b>Number of 'High Priority' Recommendations:</b>	0	<b>Current Audit Opinion:</b>	N/A	<b>Previous Audit Opinion:</b>	2	<b>Overall Evaluation (Risk):</b>	<b>Moderate</b>
<b><u>Key Recommendations</u></b> No key recommendations were made as a result of this review.							

<b>Audit Title:</b>	Payroll Starters and Leavers						
<b>Date of Report:</b>	April 2016			<b>Materiality/Impact:</b>		Medium	
<b>Number of 'High Priority' Recommendations:</b>	6	<b>Current Audit Opinion:</b>	3	<b>Previous Audit Opinion:</b>	2	<b>Overall Evaluation (Risk):</b>	<b>Moderate</b>
<b><u>Key Recommendations</u></b> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> <li>• In cases where the vacancy form is not authorised, HR should obtain authorisation before it is processed. Evidence of this should be retained on the relevant personnel files.</li> <li>• It should be ensured that evidence of appropriate authorisation is obtained by the recruiting manager and retained by HR in instances when changes from the approved vacancy form are made.</li> <li>• The Council's Recruitment and Selection guidance should be updated to include the additional safer recruitment requirements for posts working with children, young people and vulnerable adults as identified in the audit on the Compliance Check of HR Data.</li> <li>• Procedures for the processing of new starters and leavers by HR and Payroll Officers should be created to ensure that there is clarity and consistency in the process. Compliance and quality checks should be introduced to monitor compliance with procedures e.g. all required documents are held on file. Evidence that these checks have been carried out should be recorded.</li> <li>• In line with the Right to Work in the UK guidance, HR should ensure that where a Right to Work Declaration form has not been submitted, that the copy of the right to work document/s is signed and dated.</li> <li>• In line with the safer recruitment guidance, references should be sought before interviews for all safeguarding posts working with children and vulnerable adults. For all safeguarding positions two safeguarding references should be required before the candidate is allowed to start, additional referees may need to be sought from the candidate in order to achieve this. In instances where it has not been possible to obtain two safeguarding references, evidence that the line manager is happy to progress with the recruitment should be retained by HR.</li> </ul>							

## Appendix 1

<b>Audit Title:</b>	Risk Management – Consultancy Review				<b>Date of Report:</b>		May 2016	
<b>Number of ‘High Priority’ Recommendations:</b>	N/A	<b>Current Audit Opinion:</b>	N/A	<b>Previous Audit Opinion:</b>	N/A	<b>Overall Evaluation (Risk):</b>	<b>No opinion</b>	
<b><u>Key Recommendations</u></b>								
<p>The Risk Management consultancy review provides five options for helping to embed risk management within the Council. These were assessed by the Auditor to be key steps in developing risk maturity at a Heads of Service level and their direct reports. The implementation of these options, when aligned with the new business planning, performance and risk process, should also assist in applying risk management best practice across the Council.</p>								
<p>The Corporate Planning Lead has agreed to phase the implementation of these options over the next twelve months.</p>								

Audit Title:	Main Payroll						
Date of Report:	June 2016			Materiality/Impact:		High	
Number of ‘High Priority’ Recommendations:	1	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"><li>The February 2016 payroll run was subject to a walkthrough test. All checks were completed except for the report produced showing bank account changes. The monthly bank detail change report should be run monthly and checked prior to the payroll being run</li></ul>							

Audit Title:	Public Health Grant Return 2015/16				Date of Report:		April 2016	
Number of ‘High Priority’ Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A	
<u>Summary</u> A review of the Public Health Grant was completed satisfactorily to allow the Preliminary Statement of Assurance Letter to be signed by the Director of Public Finance and Section 151 Officer.								

<b>Audit Title:</b>	Security Standards for procuring new IT systems						
<b>Date of Report:</b>	June 2016			<b>Materiality/Impact:</b>		N/A	
<b>Number of 'High Priority' Recommendations:</b>	N/A	<b>Current Audit Opinion:</b>	N/A	<b>Previous Audit Opinion:</b>	N/A	<b>Overall Evaluation (Risk):</b>	N/A

**Key Recommendations**

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

- An overarching guide to the procurement process for new systems should be produced, that shows which forms should be completed and which processes should be followed at which stage of the process. This should include non-ICT specific processes, such as PMO Business Case and other procurement related Form C documents.
- A diagram should also be produced to show how the new procurement process needs to feed into other relevant ICT processes for example change control, software asset management, etc.
- Consideration should be given to producing a checklist to use in new system procurement that includes key Information Security and other policy requirements, for both non-cloud based and cloud based systems. The form should be reviewed by the Information Asset Owner as part of their approval to procure the system.
- Consideration should be given to using the Cabinet Office Cloud Security guide to inform the questions asked on the "New Cloud Computing Initiative" assessment form.
- The Council should ensure that sufficient support for procuring managers when completing the PIA and IT01 forms is in place on an ongoing basis. Feedback from managers who have piloted the forms/process should be used to streamline the process and enhance self-service guidance available.

<b>Audit Title:</b>	RIPA Compliance				<b>Date of Report:</b>	May 2016	
<b>Number of 'High Priority' Recommendations:</b>	0	<b>Current Audit Opinion:</b>	2	<b>Previous Audit Opinion:</b>	2	<b>Overall Evaluation (Risk):</b>	<b>Moderate</b>

**Key Recommendations**

A follow-up audit of RIPA compliance was undertaken to ensure that recommendations made in the 2014/15 review of RIPA and those in the 2013 OSC inspection report had been implemented. The audit found that the majority of recommendations had been implemented with minor recommendations made.

This page is intentionally left blank

2024

[illegible][illegible]

This page is intentionally left blank