

Swindon Borough Council

Audit Committee

Wednesday, 13 September 2017

Committee Room 6, Civic Offices

At 6.00 p.m.

Conservative Councillors

Steve Weisinger
(Chair)
Malcolm Davies
Mary Friend
Nick Martin

Labour Councillors

John Ballman
Des Moffatt
Kevin Small

Committee Officer: Iain Tucker (01793 463602)

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(Telephone 01793 445500)

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

AGENDA

1. Apologies for Absence

2. Declarations of Interest

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

3. Public Question Time

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

4. Minutes (Pages 5 - 8)

To receive the minutes of the meeting held on 27th June 2017

5. Risk Management - Education attainment HIA (Pages 9 - 12)

6. Annual Governance Statement HIA (Pages 13 - 28)

7. Annual Statement of Accounts DF (Pages 29 - 32)

8. **External Audit - Audit Findings** (Pages 33 - 76)
9. **Internal Audit Charter HIA** (Pages 77 - 88)
10. **Head of Internal Audit update HIA** (Pages 89 - 100)

Date of Despatch: 01 September 2017

Key:

Officers:

HIA - Head of Internal Audit
DF - Director of Finance (S151 Officer)

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.

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AUDIT COMMITTEE

TUESDAY, 27 JUNE 2017

PRESENT:- Councillors Steve Weisinger (Chair), John Ballman, Malcolm Davies, Mary Friend, Des Moffatt and Kevin Small.

An apology for absence was received from Councillor Nick Martin.

1. Appointment of Vice-Chair

Resolved – That Councillor Nick Martin be Vice-Chair of this Committee for the Municipal Year 2017/18.

2. Declarations of Interest

The Chair reminded members of the need to declare known interests in any matters to be considered at the meeting. No declarations were made.

3. Public Question Time

There were no public questions.

4. Minutes

Resolved - (1) That the minutes of the meeting held on 4th April, 2017, be confirmed and signed.

5. Corporate Fraud Team presentation

The Committee received a presentation regarding the work of the Corporate Fraud Team. The Principal Auditor advised that following a successful bid to the Department for Communities and Local Government for counter fraud funding in 2014, a team was set up to focus on the prevention and detention of Housing Tenancy Fraud with the aim of promptly recovering properties being misused. It was noted that the team was now being funded through the housing budget following successful results. The Principal Auditor referred to the role of the team and elaborated on the areas being investigated and invited the Committee to note the team's successes and the revenue that had been generated to date as a result of its introduction. In order to better explain the work being undertaken by the team, the Principal Auditor took members through an example case. The Committee noted that data was collated nationally to aid the benchmarking process.

The Principal Auditor responded to members' questions and comments on the following:

- The interview process and confirmation that those interviewed were not normally under police caution.
- The financial implications when people were prosecuted.
- Actions undertaken to address the misuse of disabled blue badge parking permits.
- Discounts saved through checks carried out on right to buy applications.

- Actions taken to address tenants unlawfully living in a property.
 - The work of the building control officers.
 - Confirmation of continuing single person status was requested from tenants every two years for council tax purposes.
 - Academy staff recruitment processes.
- Resolved – That the report be noted.

6. Treasury Management Performance 2016/17

The Committee received a report of the Director of Finance (Section 151 Officer), setting out the Treasury Management performance for 2016/17. The Director presented the report and responded to questions regarding the investment associated with the Housing Revenue Account, the investment capital programme for 2016/17, long and short term loans, the profile of repayment of these loans and the future of the Public Works Loan Board.

Resolved – (1) That the 2016/17 Treasury Management performance, as detailed at paragraphs 3.1 to 3.17 of the report, and the Prudential Indicators shown at Appendix 1 to the report, be noted.

(2) That the Director of Finance circulate information regarding the investment associated with the Housing Revenue Account.

(3) That the Director of Finance provide an information on the duration of long-term borrowing, based on the term at the time the borrowing was undertaken

(4) That the Director of Finance inform Elected Members if changes to the Public Works Loan Board are to be implemented.

7. Audit Committee: Annual Report 2016/17

The Chair of the Committee introduced the Committee's Annual Report for 2016/17.

Resolved – (1) That the report be noted.

(2) That the Head of Internal Audit and his team be thanked for all their hard work in support of the Council's audit function over the course of the year.

8. Audit Committee: Terms of Reference and Work Plan

The Committee received a report of the Head of Internal Audit on the Audit Committee's terms of reference and details of the Committee's draft work programme for 2017/18.

Resolved – That the Audit Committee's terms of reference and its draft work programme for 2017/18, appended to the report, be approved.

9. Head of Internal Audit Annual Report

The Committee received the Head of Internal Audit's Annual Report for 2016/17. It was noted that it was a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit deliver an annual internal audit opinion and report that could be used by the organisation to inform its governance statement and that the annual internal audit opinion must conclude on the overall governance, risk management and internal control arrangements of the organisation. The Annual Report provided the Committee with assurance from the Head of Internal Audit regarding the work of the Internal Audit section and his opinion with regard to the Council's overall arrangements for internal control.

The Head of Internal Audit responded to members' questions and comments on the following:

- The importance of auditing business partners.
- Areas requiring targeted focus to progress from "moderate" to "high" standards and the need for cabinet members to be proactively involved in the process.
- The recruitment of a Senior Auditor.
- Contract management, particularly relating to the delivery of the Housing Capital programme.

Resolved – That the report and, in particular, the Head of Internal Audit's overall opinion that the Council's internal control arrangements relating to its main financial systems during 2016/17 were found to be satisfactory, resulting in an overall risk assessment to the Council as being 'moderate' be noted.

10. DRAFT Annual Governance Statement

The Head of Internal Audit submitted a report providing the Committee with details of the draft Annual Governance Statement 2016/17, setting out the Council's governance arrangements and providing an assessment of the performance of those arrangements over the year. He commented on the key areas of focus that included GCSE attainment and the transfer of staff from SEQOL. He responded to a query regarding the Local Authority's involvement with academies to raise attainment standards and on the working relationship between the Local Authority and academies.

Resolved – (1) That the draft Annual Governance Statement 2016/17, appended to the report, be approved.

(2) That it be noted that the final version of the Annual Governance Statement would be signed off by the Leader of the Council and the Chief Executive in September 2017.

(3) That the Head of Education be requested to submit a report regarding the work being conducted with academies to raise attainment standards in schools.

11. Update regarding changes to arrangements for appointment of an External Auditor

The Head of Internal Audit submitted a report updating the Committee regarding 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. He referred to the Auditor Appointment Timetable that reflected the procurement process and members noted that there were five contracts for the bids.

Resolved – That the updated position regarding the appointment of External Auditors including the timescales for challenging any appointment, report be noted.

12. External Audit - progress and update report

Chris Hackett (Grant Thornton) presented the Audit Committee Progress and Update Report for the Council for the year ended 31st March 2017, referring to the progress, as at 14th June 2017, in respect of the delivery of their audit responsibilities and also the timetable of work being undertaken by the External Audit team, including deadlines for work to be undertaken. The report also included

a summary of key emerging national issues and developments that might be of interest to the Committee. Mr Hackett responded at the meeting regarding the purpose of the annual school pension return and the property investments being undertaken by the Local Authority. He confirmed that property investment currently represents best value for money for the Local Authority.

Resolved – That the Update and Progress Report for the year ended 31st March 2017 be accepted.

13. Head of Internal Audit Update

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit reports finalised since the last Audit Committee in April 2017, progress made against the Annual Internal Audit Plan 2016/17 and Internal Audit staffing and resource issues. The Head of Internal Audit advised that a more structured project management approach to guide the TUPE was necessary to ensure consistency and robustness to the process. He confirmed that designated officers from the Legal and Finance departments would be involved in any transfer processes.

Resolved – (1) That the report be noted.

(2) That, in addition to the Audit reports scheduled for consideration at the next meeting of the Committee, the Head of ICT be requested to update the Committee on the position regarding the Council's IT Security arrangements and IT Service provision.

(3) That an update on the effects of Universal Credits on housing rent collections be submitted at the next meeting of this Committee.

Risk Management – Education Attainment

Audit Committee

Date: 13th September 2017

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

1. Purpose and Reasons

- 1.1 Audit Committee's terms of reference include the following statement in relation to risk management:
- 1.2 *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.*
- 1.3 In order to help meet these requirements Members are presented with a half yearly update on the corporate risk register by the Corporate Planning Lead. It was also agreed that the Chair of Audit Committee would, in consultation with other Committee Members, the Head of Internal Audit and the Corporate Planning Lead, select areas from the corporate risk register for further discussion. In the past Members have received reports on:
- Emergency planning and business continuity
 - Child sexual exploitation
 - Information technology
- 1.4 At the June 2017 meeting of Audit Committee Members requested that the Head of Education provide an update on work being carried out to improve education attainment within Swindon.

2. Recommendations

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

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

Risk Management – Education Attainment

Audit Committee

Date: 13th September 2017

3. Detail

Background

- 3.1 Audit Committee are presented with regular update reports regarding risk management activity within the Council along with the latest corporate risk register.
- 3.2 The corporate risk register reflects current and emerging strategic risks from across the organisation. Mitigating actions are actively monitored for implementation and effectiveness as part of this process.
- 3.3 It was agreed that the Chair of Audit Committee will select, in conjunction with other Committee Members and the Head of Internal Audit and Corporate Risk Manager, future risks to be covered. Members of Audit Committee selected Education Attainment as the corporate risk to be discussed at the September meeting.

Education Attainment

- 3.4 The Head of Education will attend Audit Committee to give Members a presentation on the current issues/risks within his area and what action is being taken to address these.

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 Board Director: Resources 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 Not applicable.

Diversity Impact Assessment

- 5.4 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.

Risk Management – Education Attainment

Audit Committee

Date: 13th September 2017

Risk Management

- 5.5 Education Attainment is appropriately recorded on the Risk Register for the services.

6. Consultees

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

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 None

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Annual Governance Statement

Audit Committee

Date: 13th September 2017

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 Regulations 2015 that the Council prepares an Annual Governance Statement.
- 1.2 The purpose of this report is to provide Audit Committee with an Annual Governance Statement in respect of 2016/17 for approval.
- 1.3 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 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 and approves the Annual Governance Statement prior to sign off by the Leader and Chief Executive in September 2017.

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.

Annual Governance Statement

Audit Committee

Date: 13th September 2017

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 at its meeting in September 2017.
- 3.7 CIPFA/SOLACE has issued 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 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 2016/17. 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 2015/16 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 (further detail is provided in the Annual Governance Statement):
- IT service provision
 - Capacity and capability in the context of large scale change
 - Financial relationships with wholly owned subsidiaries
- 3.11 Further progress is still required in the following areas before they can be taken off the statement (again further detail is provided in the Annual Governance Statement):
- Information Governance and Security
 - GCSE attainment
- 3.12 There are three new areas recommended for inclusion in the statement for 2016/17:
- Transfer of staff from SEQOL
 - Housing contract management
 - Parishing

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

Annual Governance Statement

Audit Committee

Date: 13th September 2017

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

Annual Governance Statement

Audit Committee

Date: 13th September 2017

7. Background Papers

7.1 None

8. Appendices / Background papers

Appendix 1 – The Annual Governance Statement 2016/17

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: 2016/17

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 (2016)*. 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, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to and 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 an absolute assurance of effectiveness. The system of internal control is based on an on-going 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 Code is based upon the following seven core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective 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 Council 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.

Corporate 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, performance 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 Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues.
- The role of the Director of Finance 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.
- The Internal Audit section has been externally assessed against the Public Sector Internal Audit Standards during 2016/17. The assessment, carried out by Bristol City Council, concluded that the Council's Internal Audit section conforms to the

requirements of the Standards. A self-assessment of the Head of Internal Audit's role has also 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 officer (SIRO) has assessed the Council's information governance and security arrangements and has stated that:

'Work has continued to develop and embed information governance policies and supporting processes in 2016/17. The Council has completely refreshed its information and technology policies. These policies have been out to consultation in 2016/17 and have now been approved, with a formal launch planned in early 2017/18. The launch will be supported by a programme of training.

There have been variable levels of take-up of mandatory information governance and security related training in the Authority in 2016/17. Work has been undertaken to address this and day one training for all new staff has been agreed as part of the Council's induction process, a new training platform has been procured to delivery mandatory ongoing training and Council has procured and is piloting a policy management solution to support the launch of new information policies.

Due to several changes in the holder of the SIRO role in 2016/17, some information governance practices have not developed to their full potential. The Information Governance Board has not met in 2016/17. However, the SIRO role has now been allocated and the Chief Information Officer role designated. The Information Governance Group's membership has been refreshed and is due to start meeting again in early 2017/18. Information Asset Managers roles have started to mature but more work is required to embed these roles and the role of the Information Asset Assistant in the organisation.

Work to develop Information Risk Management is continuing and the Council's Information Asset Register is being developed to provide a more comprehensive picture of the information the Council holds and the threats and risks to be managed. Information risk has been escalated to the Council's corporate risk register, for Corporate Management Team awareness and scrutiny.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita.

The Council's archive for paper records has been made largely fit for purpose and a long-term archiving solution has been identified and is in the process of procurement.'

Other in-year reviews included:

- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2016/17. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified one material issue (£11m) in relation to the valuation of heritage assets during their audit of the financial statements. However, an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2015/16.

- 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 revised its Local Code of Corporate Governance to reflect the updated guidance from CIPFA/SOLACE during 2016/17.
- Risk Management: the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Management Team 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.
- The Council's Change Manager: Equality and Diversity has stated that 'the Council is compliant with the Public Sector Equality Duty (Equality Act 2010) and has in place a consistent approach to equality analysis. All Cabinet reports include specific equality consideration showing 'due regard' to the duty. This information is quality assured prior to Cabinet meetings. The Council has clear 2017/18 Equality objectives in place and receives scrutiny of its work by the Equalities Advisory Forum.'

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

- Obtaining assurances from all Corporate 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 the following area included in last year's statement have progressed sufficiently for them not to be included as areas of focus in this year's statement:

- IT service provision - this was included in the 2015/16 AGS as the IT service provided by Capita was deemed to be failing to deliver an appropriate level of service. The service was brought back in-house in early 2016. Since then the Council has undertaken a significant IT infrastructure modernisation and upgrade programme.
- Capability and capacity in the context of large scale change - significant additional resources have been allocated over the past few years to bring new transformational skills and capacity into the Council. The delivery of this change is now included as a risk in the corporate risk register.
- Financial relationships with wholly owned subsidiaries - the Director of Law and Democratic Services submitted a report to Audit Committee summarising the various governance arrangements in place in relation to Council-owned companies and, in the absence of any overall oversight to ensure that risks are minimised and services are delivered as intended, or summary record of how individual partner arrangements are

managed, seeking the Committee's agreement to the establishment of a Cabinet Member Advisory Group (CMAG) to consider how the Council's role as shareholder can best be exercised and a more consistent approach adopted.

These areas will continue to be reviewed and relevant risks will be included and managed through the Council's Corporate Risk register.

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

- Information Governance and Security
- GCSE attainment

More detail on these areas is provided below.

5. **Opinion on the Council's governance arrangements**

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

6. **Governance and internal control issues**

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** – the Council has completely refreshed its information and technology policies. These have now been approved and will be launched in early 2017/18 supported by a programme of training. There have been variable levels of take-up of mandatory information governance training and work has been undertaken to address this.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita

- **GCSE Attainment** - Significant action was taken during 2016/17 to establish a robust governance structure that enables and challenges performance concerning school improvement in Swindon. This has included the establishment of the new Swindon Challenge Board. GCSE results are improving slowly but raising attainment across the Borough will not be a quick fix and time will be needed for the Board to have an impact on a rise in standards.

An on-going challenge for the Council will be ensuring the involvement of Academies in contributing to the improvement agenda. This has improved over the past twelve months with the Council and the Academies working closer together with national organisations and external academy trusts. All bar one of the Council's secondary schools is an academy and 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.

- **Transfer of staff from SEQOL** – due to SEQOL ceasing to trade approximately 500 staff had to be brought back in-house over a very short time period. Services brought back in-house included: the front line social work team; two older people care homes; a learning disability care service; shared lives; building futures; Swindon Support team; the Hospital social work team; Enterprise Works etc. Work was also required to find new providers for four older people day services.

The transfer of staff and services required significant work regarding consultation with staff, sorting out accommodation requirements and the novation of contracts. On transfer budgets and cost centres needed to be rebuilt; staffing vacancies filled, TUPE arrangements agreed, as well as restructuring the staff as there was no management structure.

The staff transfers were carried out in a very short period and involved a significant amount of officer time, however there was no adverse effect on service users.

- **Housing contract management** - an Internal Audit review of the contract management arrangements within Housing was undertaken during 2016/17. The audit found a number of significant weaknesses including:
 - Management arrangements were not sufficiently robust to effectively monitor and manage the overall Housing capital programme of works. A number of contracts have overspent their contract award/contract extension values breaching the Council's Contract Standing Orders requirements i.e. section 28 relating to Contract Variations specifically relating to works contracts.
 - Emerging key risks and issues have not been identified within projects and the overall programme of work.
 - There have been delays in getting contracts mobilised due to difficulties encountered in clearing contract awards at Gateway three.

A subsequent follow-up audit carried out during 2016/17 found that procedures had improved but there was still a significant amount of work required to implement agreed audit recommendations.

- **Parishing** – a significant diversion of resources was required to:
 - Work with pilot parishes regarding the transfer of services
 - Establish new parishes including the election of new Councillors
 - Disaggregate budgets and service provision
 - Consult regarding the proposed changes

All areas of the Council have now been successfully parished. The bedding in of the transition process will be closely monitored to ensure that this continues to happen smoothly.

7. 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 6. 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

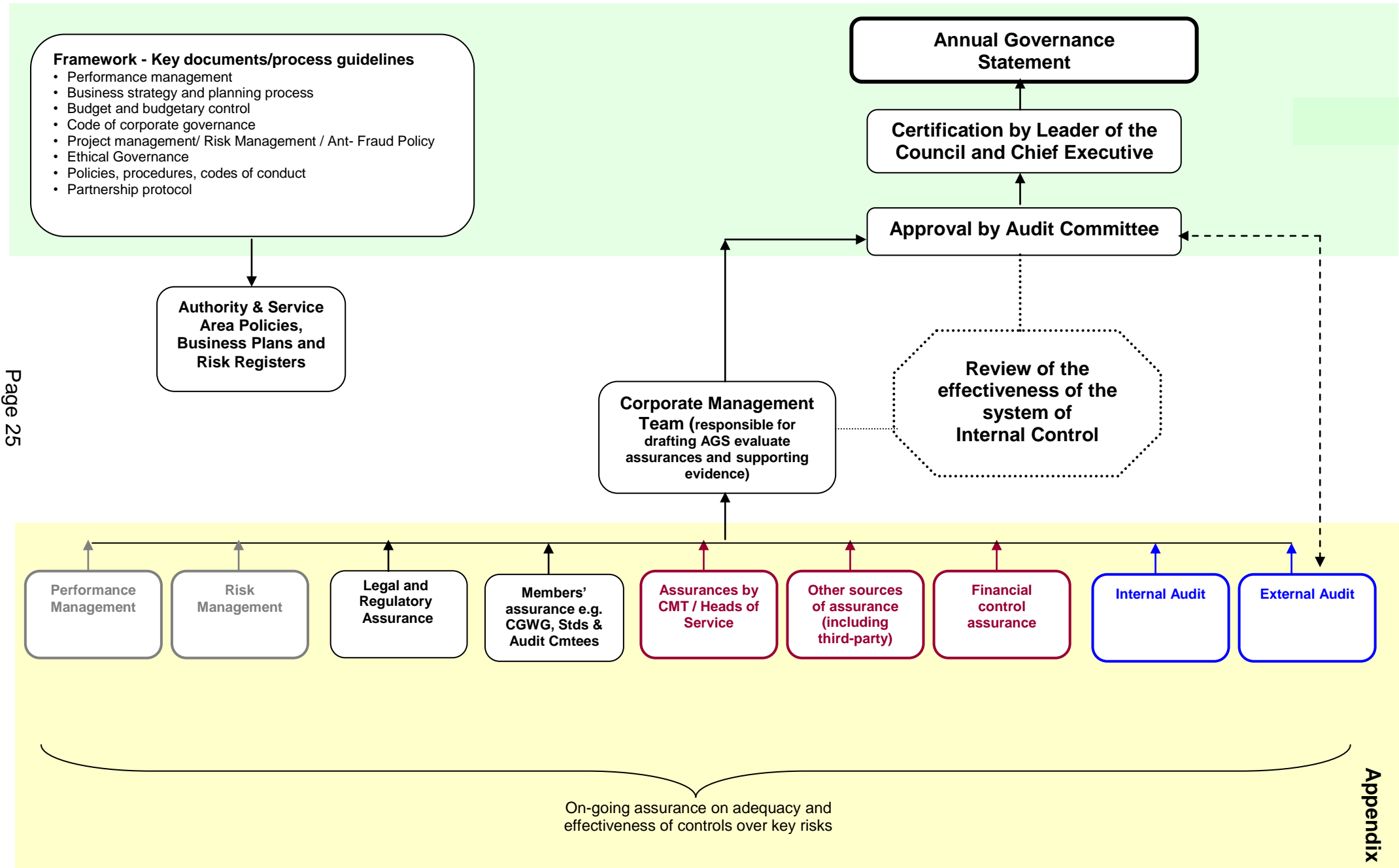
John Gilbert, Chief Executive

Governance and Internal Control issues - Action Plan

Ref.	Area of Governance/Internal Control	Action
1	Information governance and security	<p>Areas for improvement during 2017/18:</p> <ul style="list-style-type: none"> Obtain and maintain Public Service Network Code of Compliance certification and achieve NHS Information Governance Toolkit compliance. Launch refreshed information policies and supporting training. Increase compliance with mandatory information and security training. Ensure the organisation is prepared to comply with the General Data Protection Regulations by May 2018. Continue to embed Senior Information Risk Officer, Information Asset Owner and Information Asset Assistant roles in the Authority and continue to develop and embed good information management processes and practices.
2	GCSE attainment	<p>A governance structure that enables and challenges performance concerning school improvement in Swindon has been put in place. This has included the establishment of the new Swindon Challenge Board (which has its own objectives). Improving attainment across the Borough will not be a quick fix and time will be needed for the Board to have an impact on a rise in standards.</p> <p>An on-going challenge for the Council will be ensuring the involvement of Academies in contributing to the improvement agenda.</p>
3	Housing contract management	This was included following an internal audit review of this area. A full action plan has been produced and agreed with senior management.
4	<p>The following two areas were included in the AGS as a significant diversion of resources was required during the year to ensure that staff were successfully transferred across from SEQOL and services transferred to parishes:</p> <ul style="list-style-type: none"> Parishing Transfer of staff from SEQOL 	

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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.

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Annual Statement of Accounts 2016/17

Committee: Audit Committee

Date: 13 September 2017

Author:	Director of Finance
Wards:	All
Locality Affected:	All
Parishes Affected:	All

1. Purpose and Reasons

- 1.1 This report presents the 2016/17 Statement of Accounts and the outcome of the audit of the financial statements.
- 1.2 The audit committee is the designated body for approval of the Council's final accounts.

2. Recommendations

The Committee is recommended to:

- 2.1 Consider the content of this report, the attached Statement of Accounts, and separate report of the External Auditors.
- 2.2 Approve the Statement of Accounts for 2016/17.

3. Detail

Statutory Deadlines

- 3.1 Under statutory requirements the draft annual accounts for 2016/17 required authorisation by the Council's Section 151 Officer (S151) by 30 June 2017 and Audit Committee finalisation by 30 September. From 2017/18 the draft accounts must be authorised by the S151 Officer by the 31 May and by the Audit Committee by 31 July.
- 3.2 In completing the statement of accounts for 2016/17 the draft accounts were signed off a month earlier than required, by the 31 May. This means completion of the statements, and increased review of working papers over prior years, has taken place within the new statutory dates.
- 3.3 In achieving the new deadline a year early and moving into the audit stage earlier, awareness has arisen of other factors that will now require review, for example:
 - 3.3.1 Revision to the working paper process for some disclosures to provide greater detail for audit up front,
 - 3.3.2 Updates to standard reports to analyse system data in new ways to aid audit reconciliation and sampling,

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

Annual Statement of Accounts 2016/17

Committee: Audit Committee

Date: 13 September 2017

3.3.3 Simpler consolidation process for group companies where material,

3.3.4 Timescales around staff availability through the audit process and earlier agreement of audit coverage

Key Points from the Audit of the Final Accounts

3.4 The statement of accounts for 2016/17 had changes for the restatement of the CIES (comprehensive income and expenditure statement) and the inclusion of a new statement, the EFA (expenditure funding analysis). These changes are designed to make it easier for the user to follow the amounts reported to Cabinet as outturn through to the amounts included within the CIES. Update has been made to these tables through the audit to improve the presentation.

3.5 Beyond a range of minor adjustments aimed to improve consistency and reduce repetition, the two main changes to figures that have resulted from the audit are:

3.5.1 The reversal of two accruals, which has seen cash and creditor balances reduce by a net £7m, and

3.5.2 The updating of group CIES service balances, where gross expenditure and income were incorrectly linked, but the net position was correct and passed control checks.

3.6 There have been no changes impacting on the balance of the General Fund.

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.

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

Annual Statement of Accounts 2016/17

Committee: Audit Committee

Date: 13 September 2017

Links to One Swindon, Strategic Objectives, Plans and Policies

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

Diversity Impact Assessment

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

6. Consultees

- 6.1 The Director of Finance (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 – 2016/17 Statement of Accounts

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The Audit Findings for Swindon Borough Council

Year ended 31 March 2017

01 August 2017

Elizabeth Cave

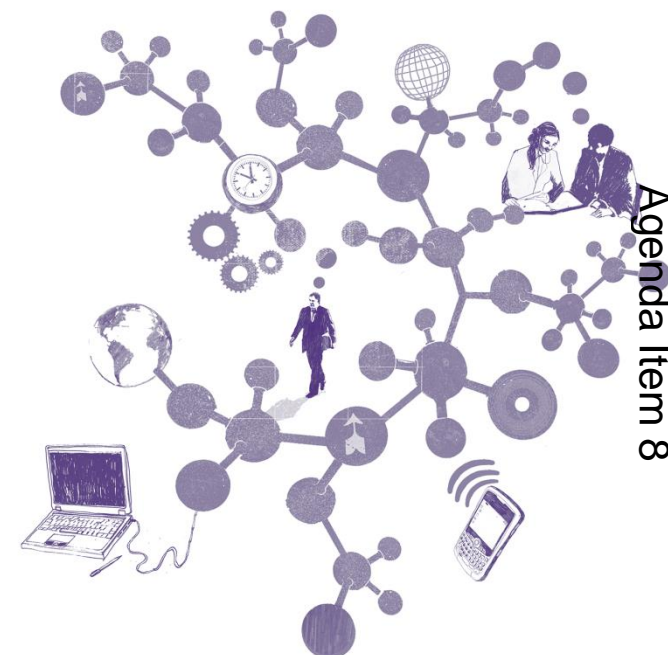
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Agenda Item 8

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31 August 2017

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Dear Members of the Audit Committee

Audit Findings for Swindon Borough Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Swindon Borough Council, the Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Elizabeth Cave
Engagement Lead

Chartered Accountants

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4. Other statutory powers and duties	31
5. Fees, non-audit services and independence	33
6. Communication of audit matters	37

Appendices

Appendix A	Action plan
Appendix B	Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Swindon Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 16 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the Group Accounts
- review of the pension fund disclosures
- testing on schools payroll
- obtaining confirmations on short term debtors
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements at the commencement of our work, although some working papers were refined after our audit commenced for example in relation to the reconciliation of operating expenditure to the draft accounts. This did result in our having to do additional working querying differences on the draft accounts.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the group and Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £494,464k, the audited financial statements show the same net expenditure.

We have recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

The creditors balance was amended by £7.2m to exclude amounts that were timing difference rather than actual creditors, with a corresponding adjustment to cash

The Council needs to continue to review its accounts processes to enable it to meet the earlier closedown timetable next year of July 31st as set out by the Government.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We identified some weaknesses in the division of duty. This is detailed further in section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

In reaching this conclusion we completed an overall assessment of arrangements and risks for the year of audit (2016/17) and looked in detail at the how the Council built up savings plans and included them in to budgets. We considered also how the Council managed its adult social care budget.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to Audit Committee which is due in February 2018.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance and the Director of Resources.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
August 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £10,000k (being 1.88% of gross revenue expenditure). Expenditure in 2016/17 is less than 2015/16, therefore we have reduced materiality to reflect the reduction in gross expenditure. Our revised overall materiality was set at £9,500k (being 1.9% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £480k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Page 41

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000
Disclosure of the auditors' remuneration in the notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Swindon Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Swindon Borough Council, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have completed the following work: <ul style="list-style-type: none">• review of journal entry process and controls• review of accounting estimates, judgments and decisions made by management• tested of journal entries• considered and reviewed unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings from our review of journal controls, testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of property, plant and equipment (PPE) The Council re-values its assets on a rolling basis over a five year period. (Although larger assets are valued more regularly). The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	We have <ul style="list-style-type: none"> walked through the PPE valuation process reviewed the competence, expertise and objectivity of management experts used discussed with the Valuer the basis on which the valuation is carried out and considered and where necessary challenged the key assumptions tested revaluations made during the year to ensure they are input correctly into the Council's asset register reviewed and challenged the information used by the Valuer to ensure it is robust and consistent with our understanding evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value review of accounting estimates, judgements and decisions made by the Valuer review of unusual significant transactions. 	<p>The Valuer has valued £719,372,000 assets including Council dwellings and a portion of other land and buildings. The valuations were done as at 1 April and the Valuer provided a further estimate (£22.6 m) of the overall increase in value to the balance sheet date of 31 March 2017.</p> <p>The Valuer considered also the assets not valued during the year and provided an estimate of the increase needed to uplift these values to the 31 March 2016 (£10.3m). The Valuer decided not to apply a similar up-lift to 31 March 2017. As a consequence our audit review identified that these values were understated. The likely value of the understatements is £5.2m which is not material.</p> <p>A note has been added to the accounts at our request to explain the nature of the valuations they include.</p> <p>Overall, from our testing of the assumptions for up-lifting the valuations to 31 March 2017 by comparing to national indices and referring to independent reports prepared on movements nationally in property values we found the estimated values were materially correct.</p> <p>The up-lifted asset values are not formal valuations and are not reflected at individual asset level in the fixed asset register but entered as a single line adjustment. Officers felt this was necessary to avoid any errors in future years when assets are revalued further and to avoid errors in depreciation Overall the total on the fixed asset register reconciles to the accounts.</p>

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<p>We have</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation to gain an understanding of the basis on which the valuation is carried out undertaken procedures to confirm the reasonableness of the actuarial assumptions made reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>We have one outstanding query relating to the value of the pension fund liability assessed by the Actuary. We are seeking additional assurances as to how it was calculated.</p>
<p>Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have</p> <ul style="list-style-type: none"> documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Prior period restatement note:</p> <p>The note which analyses the old Service headings used in the 2015/16 Consolidated Income and Expenditure statement (CI&ES) in line with the Code of Practice into the new CIES format had to be amended as it did not provide sufficient detail to enable the readers to see where the costs are mapped to in the new format.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Employee remuneration accruals understated (Remuneration expenses not correct) 	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> completed walkthrough of system and associated controls testing of employee remuneration expenses trend analysis of payroll expenditure by month to identify any significant variances reviewed post year end payments to ensure all expenditure is included reviewed of reconciliation of gross payroll to ledger to ensure complete 	<p>We have some testing on schools payroll to complete, otherwise we have completed our work and identified no significant matters to report.</p>
Operating expenses	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated) 	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> completed walkthrough of system and associated controls testing of operating expenses reviewed unrecorded liabilities and post year end payments to ensure all liabilities identified review of accruals determine whether liabilities have been recorded in the correct period 	<p>We have completed our work and identified no significant matters to report in relation to the risk of creditors being understated or not recorded in the correct period.</p> <p>Our specific findings from our other testing of Operating expenses are reported in the audit adjustments section.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that they are satisfactory.

Significant matters discussed with management

	Significant matter	Commentary	
1	Disposal of Thamesdown Transport Limited	<p>The Council disposed of its interest in its bus company during the financial year. Officers took independent advice that the receipt from the sale of the interest was a revenue receipt. We disagreed with this.</p> <p>The related sale of the depot was treated as a capital receipt. We agreed with this treatment.</p>	<p>Auditor view</p> <ul style="list-style-type: none">Based on a review of the statutory capital financing regulations the sale of the interest in the business was a capital receipt. This is based on the mirror principle that if expenditure would be capital then receipts arising from the same type of expenditure would be capital. Purchase of a company would be capital. Therefore the sale receipt is a capital receipt. <p>Management response</p> <ul style="list-style-type: none">Agreed to treat it as a capital receipt.

Group audit scope and risk assessment

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



Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Public Power Solutions	Yes	Targeted	Revenue recognition	Liaised with company auditor, review their reports and review accounting policies.	At the time of drafting the report this is still to be completed
Thamesdown Transport	No	Targeted	Revenue recognition	Undertaken direct testing for transactions and review accounting policies. This was necessitated as the Company had been sold. The Company's auditors were required to support a valuation at the point of disposal but not to give us assurance the transactions for the year.	At the time of drafting the report this is still to be completed
Common Farm	No	Analytical	N/A	Desktop review performed by GT UK	At the time of drafting the report this is still to be completed
The following are owned by the Council but not originally included in the Group					
Forward Swindon	No	Analytical	N/A	Desktop review performed by GT UK	At the time of drafting the report this is still to be completed
Chapel Farm	No	Analytical	N/A	Desktop review performed by GT UK	At the time of drafting the report this is still to be completed

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of these companies will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the company auditor's audit documentation and meeting with appropriate members of management.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the sale of goods is recognised in the period that the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. Revenue from the provision of services is recognised in the period when the Authority provides the service and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that: <ul style="list-style-type: none"> The Authority will comply with the conditions attached to the payments, and The grants or contributions will be received. Retained Business Rates, Top-up income and Council Tax included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income. NDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably. Revenue relating to Council Tax and general rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. 	<p>We found:</p> <ul style="list-style-type: none"> The policies were appropriate under relevant accounting framework The policies were adequately disclosed and Required limited judgement. 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include [examples only]: <ul style="list-style-type: none"> Useful life of PPE Revaluations Impairments Accruals Valuation of pension fund net liability Provision for NNDR appeals Other provisions 	<p>Our comments on the valuation of the pension fund liability and the valuation of PPE are included in the previous slides covering significant risks.</p> <p>We have no other matters to report.</p>	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Director of Finance, as s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	<div>●</div> <div>Green</div>
Other accounting policies	The accounting policies are set out in detail in the statement of accounts.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	<div>●</div> <div>Green</div>

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> We draw your attention to the draft Letter of Representation included as agenda item . A standard letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit Committee papers
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the Council's bankers and counter parties holding investments from Swindon BC. This permission was granted and the requests were sent. We are awaiting three responses.
6.	Disclosures	<ul style="list-style-type: none"> Our review found a number of omissions in the financial statements which are detailed later in the section of our Audit Findings Report.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report on a number of matters by exception in a number of areas: <p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<ul style="list-style-type: none"> We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £350m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. There is currently a national problem locking the data collection tool the NAO required to be submitted. The work is scheduled to be completed before the Audit Committee meeting in September.
9.	Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.
10.	Significant difficulties	<ul style="list-style-type: none"> We did not encounter any significant difficulties during the audit. We note the deadline for completing the accounts, auditing them and Committee approval is coming forward next year to July 31st.
11.	Other matters	<ul style="list-style-type: none"> There are no other matters we need to report to you.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	<div><div></div><div>Amber</div></div>	<p>IT controls: Segregation of Duties</p> <p>Segregation of duties is a fundamental principle of control. It requires that record keeping, custody of assets; authorisation and reconciliation processes are not performed by the same person.</p> <p>We performed a review of the access rights, known as responsibilities, assigned to users within Oracle E-Business Suite. Some action was taken following our 2015/16 review and recently following our 2016/17 review further progress has been made, specifically that the number of users who can override segregation of duties has reduced. The following high-risk segregation of duties conflicts still remain</p> <ul style="list-style-type: none">• staff who can enter an invoice and change the Masterfile, 5 staff, (78 last year)• staff who can record receipt of income and access the bank reconciliation system 2 staff (5 last year) <p>Management has responded to our detailed report and this will be followed up by Internal Audit.</p>	<ul style="list-style-type: none">• Access rights be restricted to prevent override of segregation of duties
Page 53	<div><div></div><div>Amber</div></div>	<p>IT controls: administrator access</p> <ul style="list-style-type: none">• we noted the continued use of generic accounts, which provide administrators with additional access for system maintenance. Best practice is that such accounts should not have additional responsibilities allocated to them, as this could enable a user to perform end to end transactions overriding the division of duties. <p>Management has responded to our detailed report and this will be followed up by Internal Audit.</p>	<ul style="list-style-type: none">• Responsibilities' relating to business process should not be assigned to the system administrators.

Assessment
● Significant deficiency – risk of significant misstatement
● Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	<ul style="list-style-type: none"> We identified that journals over £1.6m require authorisation. We noted that a report had been put into place to retrospectively identify all postings over £1.6m. This report was done for part of the financial year, however, there is no evidence it is being reviewed to provide a control and the report is produced retrospectively after journals have been posted. 	<ul style="list-style-type: none"> No action has been taken. We have extended our review to take account of this weakness.
2.	✓	<ul style="list-style-type: none"> We identified during our testing that fifteen contracts of employment were unsigned or unavailable. We were able to obtain assurance over the existence of employees by confirming NI numbers with HMRC, however, signing contracts is an important governance control. 	<ul style="list-style-type: none"> All new staff sign contracts electronically. We have agreed that for older contracts we will rely on confirming NI numbers and reviewing information on employee files.
3.	X	<p>IT controls: segregation of duties</p> <ul style="list-style-type: none"> Segregation of duties is a fundamental principle of control. It requires that record keeping, custody of assets, authorisation and reconciliation processes are not performed by the same person. We identified conflicts for 26 functional roles across the Council where people could override the segregation of duty. 	<ul style="list-style-type: none"> We have raised similar issues this year, see previous slide.
4.	X	<p>IT controls: administrator access</p> <ul style="list-style-type: none"> We identified that in the period under review there have been three administrators that have assigned additional access rights to themselves in the production environment. We note that, although an authorisation process is in place and is monitored individuals should not assign themselves user rights. 	<ul style="list-style-type: none"> We identified similar issues this year.

Assessment

- ✓ Action completed
X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	Creditors included £7.2m net of timing differences relating to payments through the bank	Nil	7,200	Nil
	Creditors have reduced by £7.2m with a corresponding adjustment to the cash balance on the Balance Sheet		(7,200)	
2	Provision for debtor impairment When testing the provisions we noted an element of £0.761m, could not be supported. It is historical in nature and it has been written back to reserves.	0.761	0.761	

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	1,300	Capital Adjustment Account	A number of amendments were required due to incorrect disposal and depreciation write-back figures being included in respect of the sale of Thamesdown Transport Limited. The net overall affect on the account was £1.3m.
2 Disclosure	5,000	Narrative Report	A number of amendments were made to the Narrative Report to ensure consistency with the rest of the accounts. The largest one was to change the movement on the pension liability from £19m to £14m.
3 Disclosure	1,398	Note explaining fair value of loans	The note originally incorrectly omitted £1.398m of loans and receivables.
4 Disclosure	1,800	Note 10 Grant Income	Grant Revenue Credited to Services: shown in Note 10 is overstated by £1.8m because it includes revenue that wasn't actually grant revenue.
5 Disclosure	16,030	Note 27 to the cash flow statement	Interest received was changed by £2.708m to £2.812m and interest paid was changed by £13.322m to £16.497m. Amendments were also done to the cash flow to correctly record adjustments for non cash movements including impairment and write-back back of depreciation.
6 Disclosure	1,278	Expenditure and Funding Analysis	The amount disclosed for net expenditure on the service heading resources was incorrect and changed to agree to the Outturn report submitted to Cabinet with compensating adjustments to other headings. The Expenditure and Funding Analysis was included in the Notes to the Accounts as it is not considered a main statement.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that 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.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 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.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 16 March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The overall arrangements the Council has in place for developing plans
- Arrangements in place in the year of audit, 2016/17

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages on the next two pages.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk identified when planning the audit	Work to address	Findings and conclusions
Financial Planning The Council is currently forecasting that it will overspend its 2016/17 revenue budget by £6.5m. For 2017/18 budget savings of £7.5m have been assessed and a contingency of £4.1m has been established to cover non-delivery. There is a risk that the savings plans for both years will not be delivered as planned.	To support our work to give our conclusion on the Council's arrangements for planning finances we will review how the Council has built up its savings plans and risk assessed the prospects for delivering them.	<p>Savings are developed and monitored for each area through the Transformation Programme. The Council has recently appointed a new Programme Management Officer to coordinate arrangements. There is also a Transformation Board for each key area supported by a Head of Finance for that area. Savings and transformation plans are developed linked to the Council's key themes of growing the economy, going local and building resilience.</p> <p>When setting the 2017/18 Budget in February 2017 savings plans were risk assessed. Finance officers had detailed discussions with service managers and project leads, reviewed implementation plans and took a view at a point in time about the level of risk. This was based on relevant factors such as the likely timing of implementing IT infrastructure, when new contracts could be in place, and the take up schemes. Those savings plans where officers felt there was a higher degree of risk were highlighted in the Budget report to Members. High risk savings plans included those to make savings from; digitisation, procurement, headcount reduction and small scale housing development. A provision of £4.1m was included in the 2017/18 budget to cover this risk.</p> <p>Officers have continued to monitor risks. Current projections for 2017/18 show a projected overall year end overspend of £2.4m if the provision of £4.1m is released to cover pressures.</p> <p>Overall the Council has standardised the way savings are monitored across the Council. Savings are incorporated into the budget and monitored through budget reporting, but also there is now a standard spreadsheet showing specifically progress against savings which is monitored monthly by officers for all areas, with reporting by exception to Members.</p> <p>Overall processes support the Medium Term Financial Strategy covering the period to 2019/20 which is underpinned by an analysis of risks eg to funding and spending pressures.</p> <p>Based on our work we concluded that the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions were satisfactory.</p>

Key findings continued

Significant risk	Work to address	Findings and conclusions
Adult Social Care In common with many other councils nationally Swindon's Adult Social Care Services are under considerable pressure. It is projected currently the Service will overspend its budget by £4.6m this year. There is a risk demand cannot be managed and the service cannot be funded in the medium term.	We will review: <ul style="list-style-type: none"> - actions to contain the current overspend, - longer term actions to manage demand and to transform services. 	<p>The 2016/17 Adult Social Care budget of £60.4m was overspent by £5m. Demand pressures around Older People and Learning Disability transition cases were the main reason for the additional spend. In addition the Council only delivered savings of £3.9m against a target of £6.1m.</p> <p>The Council has a number of projects aimed at helping social care clients to increase their independence and move to lower levels of care. These are managed through the Council's Transformation Programme with Adult Social Care being one of six key areas of focus.</p> <p>As part of the 2017/18 budget setting process, officers did a detailed exercise to rebased the Adult Social Care budget. This involved looking at the costs of residential care providers. The outcome of this was to increase the Adult Social Care Budget to £70m and build this in to the medium term financial strategy. Against this it is currently projecting a small overspend of £151k related to increased demand from young people. The 2017/18 budget includes savings plans of £2.6m. All the actions to achieve these were identified. The current projection, July 2017, is that £2m of the total savings have been achieved and officers project all £2.6m will be realised.</p> <p>The Council continues to face budget pressures. Looking ahead to 2018/19 a further £2.7m of savings need to be identified.</p> <p>Based on our work we concluded that the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions were satisfactory.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

01.	Executive summary
02.	Audit findings
03.	Value for Money
04.	Other statutory powers and duties
05.	Fees, non audit services and independence
06.	Communication of audit matters

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none"> We have not identified any matters that would require a public interest report to be issued.
2.	Written recommendations	<ul style="list-style-type: none"> We have not made any written recommendations that the Group is required to respond to publicly
3. Page 64	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none"> We have not used this duty.
	Issue of an advisory notice	<ul style="list-style-type: none"> We have not used this duty .
5.	Application for judicial review	<ul style="list-style-type: none"> We have not used this duty.

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. The firm, its partners, senior managers, managers have complied with the Financial Reporting Council's Ethical Standard and the Auditing Practices Board Ethical Standards as applicable and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- We have received confirmation that Deloitte's are independent in respect of the Group Companies they audit

We confirm below our final fees charged for the audit and fees for other services charged from the beginning of the financial year to the date of this report.

Fees

	Proposed fee £	Final fee £
Council audit	128,278	133,278
Grant certification Housing Benefit (HB)	13,500	TBC
Total audit fees (excluding VAT)	141,778	TBC

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA), except that additional work was done in respect of Thamesdown Transport this year. This work was to provide assurance on the transactions in the Group for 2016/17 for the Company up to the point it was sold. In previous years this assurance has been provided by the Company's own auditors. This latter fee is subject to approval by Public Sector Audit Appointments.

Grant certification

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

Our final fee for HB work will be confirmed on completion of the work in November and will be subject to sign off by PSAA.

Fees for other services

Service	Fees £
Audit related services:	
• Teacher's Pension Agency Reporting Accountant's return	4,200
• Pooled capital receipts return	2,200
• Homes and Communities Agency Return	2,500
Non-audit services	0

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council’s auditor and have ensured that appropriate safeguards have been applied to mitigate these risks

	Service provided to	Fees	Threat identified	Safeguards
Council audit	Swindon Borough Council	133, 278	• None	N/A
Housing benefit grant certification	Swindon Borough Council	13,500	• None	N/A
Audit related services	Swindon Borough Council	8,900	• None	N/A

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- None of the above services were provided on a contingent fee basis.
- For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Swindon BC. The table summarises all non-audit services which were identified.
- The fees reconcile to the financial statements.

This covers all services provided by us and our network to the group/Council, its members and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

Section 6: Communication of audit matters

01.	Executive summary
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05.	Fees, non audit services and independence
06.	Communication of audit matters

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

Appendices

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A

Action Plan

Audit Opinion

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	Accounts close We note the deadline for completing the accounts, auditing them and Committee approval is coming forward next year to July 31 st . For the current year it is 30 September. The Council needs to ensure processes for preparing the accounts, producing working papers and responding to audit queries continue to be reviewed such that the Council can meet the revised Statutory timetable.	Red	The draft accounts for 2016/17 were produced and signed in line with the earlier deadline of 31 May, a year ahead of the statutory requirement to do so. We will work with the Council's auditors to identify how the audit process can be streamlined, including greater use of the interim audit period and working paper improvements, to ensure that the 31 July deadline can be met.	July 2018 Director of Finance
Page 72	PPE uplift The adjustments made to uplift assets from the valuation date to the balance sheet date should be reversed out next year to maintain the integrity of the underlying asset valuations. Arrangements should ensure there are robust controls over when everything was last valued.	Amber	The process will be reviewed in 2017/18 to ensure ongoing consistency of treatment, for both original entries and reversals, and for both in-year and prior year asset adjustments.	December 2017 Finance Manager
3	PPE Valuations Valuations should be done at 31 December in future years.	Red	Agreed.	March 2018 Head of Property Assets
2	IT controls <ul style="list-style-type: none"> Access rights be restricted to prevent override of segregation of duties Responsibilities' relating to business process should not be assigned to the system administrators. 	Amber	Access rights have been removed where possible and officers have ensured reconciliations are in place to address remaining risks. The oracle team now perform a cash reconciliation as well as the finance team. Capita have advised the Council it is not possible to completely remove system administrators access to business process. The Council is planning to test this further and has introduced controls to put 'end dates' on user access so that such access can be monitored.	On-going

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
	Journals All journals above £1.6m should be authorised in line with Council Policy.	Red	An updated policy is being implemented during 2017/18 that will make better use of the Financial System to record and document segregation of journal creation and authorising/posting. Journals posted prior to new policy implementation will be subject to separate review of authorisation confirmations.	October 2017 Finance Manager

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B: Audit opinion

We anticipate we will provide the Group with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWINDON BOROUGH COUNCIL

We have audited the financial statements of Swindon Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Note: For local authorities the presentation of group financial statements is that group financial statements follow in their entirety after authority financial statements.

Guidance: Delete if no HRA statement

Guidance: The CIPFA Code makes it clear that the new EFA is a note to the financial statements, so please ensure it is clearly labelled as a note to the accounts in the financial statements or it will not be covered by the audit opinion.

Guidance: The primary statements are shown in the CIPFA Code in paragraph 3.4.2.17. The Expenditure and Funding Analysis note is new in 2016-17 and if shown separately other than in the notes should be labelled as a note in the heading.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial

statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, the Group Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any Guidance: ensure the title you use here is in line with that used in the statement of responsibilities within the accounts

Guidance: ensure you consistently use a capital or lower case g for group throughout the report and that this is consistent with the terminology used by the client in the accounts. For illustration purposes we have opted for upper case in this template information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Group Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority 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 Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Elizabeth Cave
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

September 2017



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Internal Audit Charter

Audit Committee

Date: 13th September 2017

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

1. Purpose and Reasons

- 1.1 At the November 2016 Audit Committee Members received and approved an updated Internal Audit Charter that met the requirements of the Public Sector Internal Audit Standards. It was agreed that the terms of reference for Internal Audit would be reviewed annually.
- 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.

2. Recommendations

The Committee is recommended to:

- 2.1 It is recommended that the Audit Committee reviews and approves the Internal Audit Charter.

3. Detail

- 3.1 The requirement for an Audit Charter is set out in the Public Sector Internal Audit Standards. These Standards are mandatory guidance that constitutes the principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for the evaluation of the effectiveness of Internal Audit's performance.
 - 3.2 The Public Sector Internal Audit Standards have replaced the CIPFA's Code of Practice for Internal Audit in Local Government as the mandatory guidance for internal audit in the public sector.
 - 3.3 The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility. The charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with Audit Committee; rights of access to records, personnel and physical properties relevant to the performance of audits; and defines the scope of internal audit activities.
 - 3.4 Last year amendments were made to the terms of reference to reflect the change from the CIPFA to the Public Sector Internal Audit Standards and were agreed by Audit Committee.
-

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

Internal Audit Charter

Audit Committee

Date: 13th September 2017

3.5 Audit Committee will be aware that an External Assessment of the Internal Audit section against the Public Sector Internal Audit Standards was carried out by Bristol City Council during 2016/17. As part of that review two recommendations were made that related to the Audit Charter i.e.

- A need to reflect the responsibilities of the service with regard to external work it takes on behalf of other bodies; and
- The requirement to report to Audit Committee any acceptance by management of risks that may be unacceptable to the Council.

3.6 These additions have been included in the Audit Charter attached.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

5.2 The Audit Charter ensures compliance with the mandatory guidance under the Accounts and Audit Regulations 2015.

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

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

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

Diversity Impact Assessment

5.5 None

Risk Management

5.6 Not applicable

Internal Audit Charter

Audit Committee

Date: 13th September 2017

6. Consultees

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

7. Background Papers

- 7.1 None

8. Appendices / Background papers

Appendix 1 – The Internal Audit Charter

9. Key Decision/Decision in Forward Plan

Not Applicable

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Internal Audit Charter

September 2017

Internal Audit Charter

Purpose

This Charter formally defines the purpose, authority and responsibility of Internal Audit within Swindon Borough Council and outlines the scope of Internal Audit's work.

The Audit Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

Definitions

The Public Sector Internal Audit Standards sets out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within Swindon Borough Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Management Team.

Role

Internal Audit is a statutory service in the context of The Accounts and Audit Regulations 2015, which state:

5.—(1) *A relevant authority must undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

Also, The Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Swindon Borough Council, the Director of Resources is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service'.

Internal Audit is defined by the Public Sector Internal Audit Standards as:

'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Professionalism

Internal Audit will govern itself by adherence to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations.

In addition, Internal Audit will adhere to Swindon Borough Council's relevant policies and procedures and the internal audit manual.

Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are required to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit Regulations 2015 section 5(2) that state that:

‘Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

- (a) make available such documents and records; and*
- (b) supply such information and explanations;*

As are considered necessary by those conducting the internal audit.

Accountability

Internal Audit is located within the Chief Executive's Unit. The Head of Internal Audit's line manager is the Chief Executive, who will monitor the performance of the Head of Internal Audit and the audit function.

The Head of Internal Audit reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter
- Approving the risk based Internal Audit plan
- Receiving reports from the Head of Internal Audit on the section's performance against the plan and other matters
- Approving the Head of Internal Audit's annual report
- Considering full internal audit reports

The Head of Internal Audit has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

Responsibility of Statutory Officers in relation to Internal Audit

The Head of Paid Service (Chief Executive) will line manage the Head of Internal Audit and is therefore responsible for monitoring performance, agreeing remuneration etc. and ensuring the Head of Internal Audit's independence.

The Head of Internal Audit will provide assurance to the Section 151 Officer (Director of Finance) regarding the adequacy and effectiveness of the Council's financial framework, helping him meet his obligations under the Local Government Act 1972 Section 151.

The Head of Internal Audit will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him meet his obligations under the Local Government and Housing Act 1989 and the Council's Constitution. He will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Independence and objectivity

Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

To ensure this, Internal Audit operates within a framework that allows unrestricted access to Members and senior management, particularly the Leader of the Council (who is also Cabinet Member for Internal Audit), the Chair of the Audit Committee, the Chief Executive, the Section 151 Officer and the Monitoring Officer. Additionally the Head of Internal Audit reports in his own name. The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will ensure that, where a member of staff moves in to the section from within the Council, they will not audit the area that they moved from for at least a period of one year. Auditors are also required to state any possible conflicts of interest at the start of each audit assignment to their manager to ensure a completely independent and unbiased audit is carried out.

Responsibility

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives.

Internal Audit is responsible for evaluating all processes (not just financial) of the entity including governance and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and ensures that there is a proper degree of coordination between Internal Audit and the Council's External Auditors.

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. Approval must be sought from the Audit Committee for any significant additional consulting services not already included in the annual audit plan. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

Internal audit plan and resources

At least annually, the Head of Internal Audit will submit to the Audit Committee a risk-based internal audit plan for review and approval. The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. This assessment will include input of senior management and the Audit Committee. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process. Any significant work for third parties should be approved by the Chair of Audit Committee.

It is a requirement of the Council's Anti-Fraud and Bribery Strategy that the Head of Internal Audit be notified of all suspected or detected fraud, corruption or impropriety. By its very nature fraud-related work is unpredictable in terms of its timing and extent. All reported irregularities will be investigated in lines with established strategies and policies. Audit resource will be allocated within the audit plan for this demand-led and variable activity based on best estimates available from previous year's work including an appropriate level of resource for national initiatives such as the Cabinet Office's Commission's National Fraud Initiative. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

The staffing structure of the section will reflect the demand upon the section. Members of the Internal Audit section will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad-hoc exercises. The Head of Internal Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate training.

Reporting and monitoring

A written report will be prepared and issued by the Head of Internal Audit or designee following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated to the Audit Committee.

The Internal Audit report will include management's response and corrective action taken, or to be taken, in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The Head of Internal Audit will report to the Audit Committee any acceptance by management of risks that may be unacceptable to the organisation.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations in conjunction with relevant senior management.

The Head of Internal Audit will produce an annual audit opinion concluding on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Head of Internal Audit's opinion will contribute to the Council's review of the effectiveness of its system of internal control and the authority's annual governance statement as required under the Accounts and Audit Regulations 2015.

Provision of assurance to external organisations

Internal Audit is able to provide an internal audit or consultancy service to a number of organisations. At the commencement of each assignment the Head of Internal Audit will agree with the Client the extent of the assurance service to be provided.

Periodic assessment

The Head of Internal Audit is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Head of Internal Audit will communicate to senior management and the Audit Committee on Internal Audit's quality assurance and improvement program, including results of on-going internal assessments and external assessments conducted at least every five years.

Review

The Head of Internal Audit will be responsible for the annual review of the Charter for subsequent approval by the Council's Audit Committee.

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Head of Internal Audit Update

Audit Committee

Date: 13th September 2017

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 2017, 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 Audit Committee comment on the proposed appointment of the Council's external auditor and note the remainder of the report.

3. Detail

Appointment of External Auditor

- 3.1 Members have been provided with regular updates regarding the appointment of the Council's external auditor with effect from 1st April 2018. Full Council agreed to opt for the national appointment process via Public Sector Audit Appointments Ltd. (PSAA).
- 3.2 PSAA has now informed the Council that it is proposing to appoint Grant Thornton (UK) LLP to audit the accounts of Swindon Borough Council for five years from 2018/19. The consultation will close on 22nd September 2017.
- 3.3 If the Council will need to confirm with PSAA whether it is satisfied with the appointment process; or whether it isn't and wishes to make representations about the proposed auditor appointment. This decision will be made by way of a Lead Member Decision Note.

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

Head of Internal Audit Update

Audit Committee

Date: 13th September 2017

- 3.4 Representations can include matters that the Council believe might be an impediment to the proposed firm's independence, were it to be the Council's appointed auditor. The following may represent acceptable reasons:
- there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA
 - there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
 - there is another valid reason, for example the Council can demonstrate a history of inadequate service from the proposed firm.
- 3.5 If the Council makes representations and these are accepted, PSAA will consult the Council on an alternative auditor appointment between 16th and 27th October 2017. If the Council's representations are not accepted, PSAA will confirm this with the Council.
- 3.6 PSAA will write to all bodies to confirm the Board's final decision on the appointment of their auditor before 21st December 2017.
- 3.7 PSAA will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on their website in March 2018. PSAA has stated that the results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17.

Progress on completion of Internal Audit Plan 2017/18

- 3.8 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.
- 3.9 Appendix 2 sets out progress against the 2017/18 plan as at the year-end. As at the end of August 2017, 37% of the number of audits in the audit plan has been completed against a target of 40%.

Staffing update

- 3.10 The section had been without a Senior Auditor since January 2017. Having gone through a second recruitment process we have successfully recruited to this post. The new Senior Auditor started with us on 31st July.

Corporate Fraud Team

- 3.11 Continued HRA funding for the Corporate Fraud Team has been agreed with the Head of Housing Services for 2017/18.
- 3.12 So far in 2017/18 the Corporate Fraud Team has received a total of 162 referrals. To the 24th August the team has:
- Recovered 10 housing properties (estimated savings £180,000)
 - Stopped 2 right to buy properties (discount saved of £142,143)

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

Head of Internal Audit Update

Audit Committee

Date: 13th September 2017

PSIAS update

- 3.13 Bristol City Council carried out an external assessment of the Internal Audit section against the Public Sector Internal Audit Standards during 2017/18. They made seven recommendations relating to areas such as the Audit Charter, Audit Plan and audit follow-ups. These recommendations have now been implemented.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

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

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

- 5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Internal Audit's remit is to examine the adequacy of the Council's governance, risk management and internal controls. Effective systems of governance, risk management and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy 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 Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

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

Head of Internal Audit Update

Audit Committee

Date: 13th September 2017

6.2 All Heads of Service, Corporate Directors and Members who have contributed to individual audits to date during the course of 2017/18.

7. Background Papers

7.1 None

8. Appendices

Appendix 1 – Internal Audit Reports finalised since the June 2017 Audit Committee.

Appendix 2 – Progress against the Internal Audit plan 2017/18

Internal Audit reports finalised since the June 2017 Audit Committee meeting

Audit Title:	Voluntary Sector Organisation – Supported Employment						
Date of Report:	June 2017				Materiality/Impact:		n/a
Number of ‘High Priority’ Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> The piece of work was carried out as a consultancy review to provide additional support to Swindon Borough Council Commissioners and a voluntary sector organisation providing supported employment and other services to the residents of Swindon. The review appraised processes for financial and performance management. Recommendations made are being implemented.							

Audit Title:	Children’s Health Visiting Performance						
Date of Report:	June 2017				Materiality/Impact:		Medium
Number of ‘High Priority’ Recommendations:	1	Current Audit Opinion:	2	Previous Audit Opinion:	N/A	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"> A review to determine the additional management information required to highlight factors that could impact individual team’s performance against the service delivery metrics should be carried out. This should be monitored and actions taken to help even out the performance across the service. This could include: <ul style="list-style-type: none"> Consideration to changing locality boundaries to even out caseloads and baselines. Temporary movement of staff or use of bank staff to provide support as required e.g. to cover absences Having specific staff to deliver targeted interventions while the rest continue to deliver the universal visits and safeguarding work as required, for teams with high proportions of universal plus and partnership plus involvements. 							

APPENDIX 1

Audit Title:	Business Continuity: Critical Systems						
Date of Report:	June 2017			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	6	Current Audit Opinion:	3	Previous Audit Opinion:	3	Overall Evaluation (Risk):	Of concern
<u>Key Recommendations</u> The key recommendations made as a result of the review are: <ul style="list-style-type: none"> • The Business Continuity Strategy and Policy should be reviewed and updated as necessary. The Strategy and Policy should be formally approved by Senior Management. This should include a determination of whether the Council should be working toward compliance or alignment to relevant International and British Standards for Business Continuity. • Once formally approved by the Corporate Management Team, the Strategy and Policy should be published and communicated to staff and strategic partners to ensure that all relevant people are made aware of their responsibilities for Business Continuity Management. • The rollout of the use of Resilience Direct should be continue to be rolled out to all relevant staff as a repository for all up-to-date business continuity plans. • The prioritised list of the Council's functions, should be reviewed and updated as required. It should then be taken to Corporate Management Team for approval. The list should be reviewed at least annually, or sooner if there are significant changes in the organisation. • The Performance monitoring for business continuity management within the Council should be put into place as planned. Compliance with the Business Continuity Policy should be monitored through a Business Continuity Forum as part of the risk and performance process. Comments should be provided by the Business Continuity Manager or Heads of Service where non-compliance issues are identified. • The new joint working procedure between business continuity and IT should be documented. The new procedure should then be followed as part of the business continuity plan creation and revision process. 							

Audit Title:	Asset Management-Accounting						
Date of Report:	27 th July 2017			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	1	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> There was no key recommendations made as a result of this review.							

APPENDIX 1

Audit Title:	Payroll System Control and Integrity Follow-Up						
Date of Report:	July 2017			Materiality/Impact:		N/A	
Number of 'High Priority' Recommendations:	2	Current Audit Opinion:	N/A	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"> • Access to People Manager should be restricted to Council managed devices only, to limit the risk of system compromise/information breaches. This can potentially be achieved through an IP range access restriction request to Midland, but this will require appropriate design. • Guidance on the use of strong, complex passwords, and not to reuse passwords for other accounts should be given to users in order to minimise the risk of successful password guessing attempts. Consideration should be given to greater user education in the risks of accessing personal data on the internet and how these can be managed in relation to the iTrent system. 							

Audit Title:	Workplace Health						
Date of Report:	July 2017			Materiality/Impact:		Medium	
Number of 'High Priority' Recommendations:	3	Current Audit Opinion:	3	Previous Audit Opinion:	N/A	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"> • A commitment to the achievement of the Workplace Wellbeing Charter and to the development of the Council's Workplace Health and Wellbeing Strategy should be made by the Corporate Management Team. This should include a commitment to the level of support and resources that will be made available. The Corporate Management Team should also determine whether they approve of the current approach being taken to develop the strategy and achieve the Workplace Wellbeing Charter through the work of the Workplace Wellbeing and Attendance Group. • Once the Workplace Health and Wellbeing Strategy is in place there will need to be ongoing communications in place to educate staff and raise awareness of their and management's responsibilities in relation to health and wellbeing. The importance of managers being held accountable for non-compliance with HR policies and procedures (people management processes) should be clearly communicated to staff. • An action plan to deliver the Health and Wellbeing Strategy, including the achievement of the Workplace Wellbeing Charter, should be created. Progress against this should be monitored by the Group Sponsors on a regular basis e.g. quarterly, and reported to Corporate Management Team. 							

APPENDIX 1

Audit Title:	Asset Management-Valuation and Ownership						
Date of Report:	27 th July 2017			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	0	Current Audit Opinion:	1	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> There was no key recommendations made as a result of this review.							

Audit Title:	Carbon Reduction Commitment				Date of Report:	20/07/2017	
Number of 'High Priority' Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
<u>Key Recommendations</u> A review of the Carbon Reduction Commitment was completed satisfactorily to allow the Grant Certification Letter to be signed by the Chief Executive and Head of Internal Audit.							

Audit Title:	Civic Campus Security						
Date of Report:	August 2017			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	1	Current Audit Opinion:	2	Previous Audit Opinion:	N/A	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"> A payroll report should be requested from Business Assurance listing all current employees and their service areas. This should be compared against those listed within Tru-Time system to identify any staff ID badges that should be disabled. There needs to be consideration of how temporary and agency staff are listed and any starters and leavers are recorded (<i>recommendation from ID Badges Follow-Up Review 2016/17</i>). 							

APPENDIX 1

Audit Title:	Creditors						
Date of Report:	August 2017			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"> The requirement to complete an official purchase order before purchase should be reinforced and regular reminders should be sent to all departments of the Council. The reminders should highlight that the order needs to be authorised by an approved officer and the order number should be recorded in the invoice payment grids. Training should be considered if necessary. 							

Audit Title:	Homelessness						
Date of Report:	August 2017			Materiality/Impact:		High	
Number of 'High Priority' Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
This was a consultancy style audit that researched other examples of initiatives being undertaken or planned by other local authority Homelessness Services that have achieved the 'Gold Standard' challenge (which the Council aims to achieve). These were provided to the Head of Housing and Community Safety for reference when carrying out a review of the Council's Homelessness Service.							

Audit Title:	Concessionary Travel Follow-up			Date of Report:		27/07/2017	
Number of 'High Priority' Recommendations:	-	Current Audit Opinion:	3	Previous Audit Opinion:	3	Overall Evaluation (Risk):	Moderate
<u>Key Recommendations</u> <ul style="list-style-type: none"> A follow-up was conducted of the Concessionary Travel audit. No new recommendations were made. 							

APPENDIX 1

Audit Title:	Investigations						
Date of Report:	February / March 2017			Materiality/Impact:		N/A	
Number of 'High Priority' Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	N/A
A number of investigations have also been completed:							

Key Audits Completed (Audits) - Draft - Total 36

	April	May	June	July	August	September	October	November	December	January	February	March
Key Audits Completed												
	Library evaluation	Corporate Reporting	Asset management-valuation	Compliance with Standing orders	New Eastern Villages							
		Risk management	Annual Governance Statement		Housing Benefits							
		Performance Framework										
Key audits Month Total	1	3	2	1	2	0	0	0	0	0	0	0
Key audits Cumulative Total	1	4	6	7	9	9	9	9	9	9	9	9
Key audits Target %	5	8	12	20	25	30	50	60	70	80	90	100
Key audits Achieved %	3%	11%	17%	19%	25%	25%	25%	25%	25%	25%	25%	25%

Total other Audits Completed - Draft (54)

	April	May	June	July	August	September	October	November	December	January	February	March
Other Audits Issued												
	Workplace Health	Improvement Grants	Security: Civic Campus	Management of Capital projects	Homelessness							
	Public Health Grant	Plas Pencelli	Organised crime checklist	Modern Slavery and Human Trafficking statement	Patch management							
	NFI	Inv 17/18-1	Managed accounts: DHI	Carbon Reduction Commitment Grant	Children legal costs							
		Duplicate Payments	Voluntary Sector Organisation – Supported Employment		SENRAP							
		Section 151 & HoIA responsibilities	Inv 17/18-2		W/B 17/18-1							
					Parking Enforcement							
					Inv 17/18-3							
Other audits total for month	3	5	5	3	7	0	0	0	0	0	0	0
Cumulative other audits	3	8	13	16	23	23	23	23	23	23	23	23

	April	May	June	July	August	September	October	November	December	January	February	March
Overall Month Total Audits	4	8	7	4	9	0	0	0	0	0	0	0
Overall Total Audits	4	12	19	23	32	32	32	32	32	32	32	32
Target Completion of Plan %	8	16	24	32	40	48	56	64	72	78	85	92
Audit Plan Achievement %	4%	13%	21%	26%	36%	36%	36%	36%	36%	36%	36%	36%

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