

# Annual Governance Report

**Swindon Borough Council**  
**Audit of Accounts 2008/09**  
**September 2009**

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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Ladies and Gentlemen

**2008/09 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Director of Finance on 11 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 27);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Martin Robinson  
District Auditor  
September 2009

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# Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

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Financial Statements	Results	Page
Unqualified audit opinion?	Yes	6
Financial statements free from material error?	Yes	6
Adequate internal control environment?	Yes	6
Use of resources	Results	Page
Use of resources judgements finalised?	Yes	13
Adequate arrangements to secure value for money?	Yes	14

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## Audit opinion

- 1 Although we have yet to fully complete our work we expect to issue an unqualified opinion on the financial statements after the Audit Committee meeting on 22 September 2009.

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## Financial statements

- 2 The financial statements submitted for audit contained nine non trivial errors all of which have been adjusted. None of these were material. In addition there were a number of opportunities identified to improve disclosure in the statements.

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## Use of resources

- 3 Our work on the Value for Money Conclusion has been completed and we expect to issue an unqualified opinion after the Audit Committee meeting on 22 September 2009.

## Next steps

**This report identifies the key messages that you should consider before I issue my opinion on the financial statements, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**4** I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 27);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

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# Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

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## Opinion on the financial statements

- 5 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

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## Errors in the financial statements

- 6 The financial statements contained nine non-trivial errors, none of which were material and all of which have been adjusted (see Appendix 2). This year we have reduced the level of error we feel obliged to report to you in this document from £0.6 million to £0.08 million. This has increased the number of reported issues compared to last year (from 3 to 9). However, the finance team has responded positively to the recommendations contained in our report last year and has continued to improve the overall quality of the accounts. In particular the Statement of Recognised Gains and Losses now contains no balancing figure.

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## Material weaknesses in internal control

- 7 There were no material weaknesses in internal control identified from our audit, although a number of opportunities to improve internal control were identified and these are set out in Appendix 6

### Recommendation

- R1** The improvements in internal control identified in Appendix 6 should be implemented by management.

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## Letter of representation

- 8 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

## Financial statements

### Key areas of judgement and audit risk

- 9 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 2.

**Table 1**      **Key areas of judgement and audit risk**

Issue or risk identified at planning stage of the audit	Finding
Changes required by the 2008 Statement of Recommended Practice (SoRP) may not be implemented correctly	All changes required by the SoRP that we have considered have been implemented correctly.
Preparations for the move to International Financial Reporting Standards (IFRS) may not be adequate to ensure future compliance	Preparations for the move to IFRS are well underway, although the work on improving the level of information held in respect of Council assets is not yet completed. This is an important element as it will help to ensure correct accounting for fixed assets. We will continue to monitor progress.
Asset values may not reflect the impact of the recent economic downturn	Asset values have been subject to adjustment as a result of the economic downturn.
The Council may not be able to produce a fully reconciled Statement of Total Recognised Gains and Losses (STRGL)	The STRGL was fully reconciled in June 2009.
The Council may not have accounted correctly for the liability in relation to Single Status	The Council has accounted correctly for the impact of single status based on its knowledge to date.
The accuracy of the housing accounts may be affected by the loss in knowledge as a result of the departure of the Chief Housing Accountant during the year and by the examples of non compliance with grant rules identified in our 2007/08 grants report.	We have not yet completed the audit of all housing related claims and returns which provide the basis for estimated figures in the housing accounts but we have concluded that the risk of a material mis-statement in the accounts is low.

### Accounting practice and financial reporting

- 10 I consider the qualitative aspects of your financial reporting. Table 3 contains the more significant issues I want to raise with you.

**Table 2** Accounting practice and financial reporting issues

Issue or risk	Finding
Fixed Assets	<ul style="list-style-type: none"> <li>There is scope for finance to take more of a client approach in relation to specifying the valuation requirements for the in-house valuation team (e.g. cyclical valuation process) and in understanding the approach they have taken to impairment.</li> <li>Assets held for disposal have not been considered for impairment. The value of assets held for disposal is £6.107m so there is no risk of a material mis-statement in the accounts.</li> <li>Accounting for the disposal of assets is not strictly in line with the SoRP as disposals should be identified separately in the income and expenditure account whereas at present they are included in net cost of services. There is no impact on the financial position as a result of this treatment.</li> </ul>
Reconciliations	<p>We identified a number of concerns relating to reconciliation procedures including:</p> <ul style="list-style-type: none"> <li>Cash flow – an unexplained difference of £6.288m between the cash flow statement and the other financial statements</li> <li>Bad debts – a difference of £23k between the ledger and bad debt system</li> <li>Payroll – a number of small value reconciling items are still included in the reconciliation and should be written off</li> </ul> <p>We are not of the view that there is a risk of material mis-statement in the accounts associated with any of these issues.</p>
Prior Period Adjustments	<p>The Council made two adjustments to prior year comparatives which were not required by the SoRP:</p> <ul style="list-style-type: none"> <li>profit and loss on disposals (£23.425m) which has been amended</li> <li>pensions (various amounts) which have not been amended, but an additional note was made in the accounts.</li> </ul> <p>There is no impact on the income or expenditure or financial position of the Council as a result of these changes.</p>
Trade debtors	<p>The Council has estimated a provision for bad trade debts rather than carry out an impairment review, as required by the SoRP. As the total value of trade debtors is £1.8m there is no risk of a material mis-statement in the accounts.</p>
Related Party Transactions	<p>There are 3 returns outstanding from members as at September 2009</p>
Other amendments to the statements	<p>The largest of these was a £70k error in the apportionment of impairment between two accounts. This is below our triviality</p>

## Financial statements

Issue or risk	Finding
	level.
Disclosure issues	<p>The accounts have been amended to improve disclosure in a number of areas (e.g. addition of an accounting policy on cut off procedures). Other improvements have been deferred until next year. These include:</p> <ul style="list-style-type: none"><li>• changing the classification of tangible fixed assets on the balance sheet to comply with the SoRP</li><li>• including the costs of disposal in the Income and expenditure account</li><li>• impairment review of trade debtors and assets held for disposal</li></ul>

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### Recommendation

**R2** Members should ensure the finance team take a client-based approach to the work of the Council's in house asset valuation team

**11** Working papers were again provided promptly and in a helpful format and preparations are well underway to enable the 2010/11 accounts to be prepared in an International Financial Reporting Standards (IFRS) format.

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# Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

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## Use of resources judgements

- 12** In forming my scored use of resources judgements, I have used the methodology set out in the use of resources framework. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 13** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 14** The Council's use of resources theme scores are shown in Table 4 below.

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**Table 3      Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

- 15** The new framework applied this year is more challenging than last year as it is wider ranging and focussed more on outcomes. A score of 3 in two of the three themes is therefore a very creditable performance.
- 16** The Council scored 3 out of 4 for five of the nine KLOE areas, including one area (commissioning) which was assessed for the first time. The four KLOE which scored 2 out of 4 were financial reporting, data quality, natural resources and asset management.
- 17** The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 4.

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### Value for money conclusion

- 18** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 4.
- 19** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of Swindon Borough Council

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## **Opinion on the financial statements**

I have audited the Authority and Group accounting statements and related notes of Swindon Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Swindon Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## **Respective responsibilities of the Responsible Financial Officer and auditor**

The Responsible Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

### **Opinion**

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority’s Responsibilities**

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

#### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Swindon Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

#### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Martin Robinson (District Auditor)  
Audit Commission  
Westward House  
Stoke Gifford  
Bristol

Dated September 2009

# Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

**Table 4**

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Section 106 receipts	2 capital receipts were incorrectly shown as unapplied grants rather than unapplied capital receipts			£6,177	£6,177
CAA/Revaluation Reserve	A donated asset was incorrectly credited to CAA when it should have been credited to the Revaluation Reserve.			£1,350	£1,350
Community Assets	We identified a community asset) which was included in the valuation of community assets when it should be valued at £NIL as there is no alternative use.			£1,272	£1,272

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Creditors	The finance team identified an invoice relating to 2008/09 which was coded to 2009/10	£473	£473	£473	£473
Disposal	We identified a number of properties which were included in the value of fixed assets when they had been disposed of in the year.	£413	£413	£413	£413
Unapplied grants	The balance of the unapplied grants account should have been included in the Government Grants Deferred Account to be consistent with the Council's accounting policies			£124	£124
Government Grants	There was an error in the calculation of write down of government grants.	£84	£84	£84	£84
Other statements				Collection Fund	
NNDR	Payments to the National Non Domestic Rating pool are included in the accounts on a cash basis rather than accruals			£2,772	£2,772

# Appendix 3 – Draft letter of representation

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Management representation letter

To: Martin Robinson  
Appointed Auditor  
Audit Commission  
Westward House  
Lime Kiln Close  
Stoke Gifford  
Bristol

## **Swindon Borough Council - Audit for the year ended 31 March 2009**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of Swindon Borough Council, following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts and Group Accounts included within the financial statements.

### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, and the relevant Statement of Recommended Practice United Kingdom which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Cabinet and Audit Committee meetings, have been made available to you.

### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

## Appendix 3 – Draft letter of representation

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Law, regulations, contractual arrangements and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Fair Values**

I confirm the reasonableness of the significant assumptions within the financial statements. For the assumptions in respect of loans and investments, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- there are no subsequent events which require adjustment to the fair value measurement.

### **Group entities**

I confirm that the Council plan to hold their investment in Thamesdown Transport Ltd for a period of more than 12 months or longer.

### **Assets**

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;

## Appendix 3 – Draft letter of representation

- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 27 to the financial statements we have no other lines of credit arrangements.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

### Post balance sheet events

Since the date of approval of the financial statements by the Audit Committee the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### Specific representations

I am satisfied that the valuations of fixed assets takes adequately into account the potential impact on asset values of the current economic downturn.

### Signed on behalf of Swindon Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on behalf of the Council on 22 September 2009.

Stuart McKellar  
Director of Finance and Section 151 Officer

Date 22 September 2009

# Appendix 4 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three Use of Resources themes.

**Table 5**      **Theme 1: Managing finances**

<b>Theme score</b>	<b>3</b>
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
The Council has good arrangements for financial planning including: <ul style="list-style-type: none"><li>• Integrated financial and performance arrangements inclusive of key partners</li><li>• Sound arrangements for treasury management</li><li>• A good understanding of local communities and effective engagement</li><li>• Identification and management of cost pressures</li></ul>	
<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>

## Appendix 4 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>The Council had a good understanding of its costs and has a history of making efficiencies, evidenced by:</p> <ul style="list-style-type: none"> <li>• The Council's 2008 value for money baseline and use of benchmarking</li> <li>• Recent direction of travel assessments</li> <li>• Joint working and understanding with the PCT</li> <li>• Notable practice in relation to the use of the Gateway procurement system</li> <li>• £6.9m efficiencies achieved in 2008/09</li> </ul>	
<b>KLOE 1.3 (financial reporting)</b>  <b>Score</b>  <b>VFM criterion met</b>	<b>2</b>  <b>Yes</b>
Key findings and conclusions	
<ul style="list-style-type: none"> <li>• Budget monitoring and financial reporting is fit for purpose and supports the achievement of priorities</li> <li>• Budget holders understand their responsibilities and are happy with the currency of data provided</li> <li>• The Council manages its finances well within a fragile financial environment</li> <li>• The latest financial reports are readily accessible to the public</li> <li>• Accounts meet statutory requirements but contain a number of non trivial errors</li> <li>• There were a number of opportunities to improve disclosure in the financial statements</li> </ul>	

## Appendix 4 – Use of resources key findings and conclusions

**Table 6**      **Theme 2: Governing the business**

<b>Theme score</b>	<b>3</b>
<b>KLOE 2.1 (commissioning and procurement)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<ul style="list-style-type: none"> <li>• Notable practice submitted in relation to the use of the Gateway procurement system</li> <li>• Well-developed joint commissioning arrangements with the PCT</li> <li>• Service re-design and procurement options used to improve outcomes for local people</li> <li>• Involvement of local people and stakeholders in commissioning</li> <li>• Effective challenge to service performance</li> </ul>	
<b>KLOE 2.2 (data quality and use of information)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<ul style="list-style-type: none"> <li>• Notable practice submitted in relation to the provision of updates produced by the Council in respect of the economic downturn</li> <li>• Generally sound arrangements for data quality and security</li> <li>• Improvements made as a result of last years work were not embedded for the period up to 31 March 2009</li> <li>• Continuing examples of data inaccuracy identified form our spot check work</li> <li>• Performing monitoring arrangements are generally effective and action is taken when poor performance is identified (e.g. Housing Benefits)</li> </ul>	

## Appendix 4 – Use of resources key findings and conclusions

<b>KLOE 2.3 (good governance)</b> <b>Score</b> <b>VFM criterion met</b>	<b>3</b> <b>Yes</b>
Key findings and conclusions	
<ul style="list-style-type: none"> <li>• Notable practice submitted to promoting good governance in partnerships</li> <li>• Strong ethical framework and culture</li> <li>• Clear vision by leadership based around the Council's '50 promises'</li> <li>• Good relationships between senior officers and members</li> <li>• Level of training on treasury management for members is low</li> </ul>	
<b>KLOE 2.4 (risk management and internal control)</b> <b>Score</b> <b>VFM criterion met</b>	<b>3</b> <b>Yes</b>
Key findings and conclusions	
<ul style="list-style-type: none"> <li>• Risk management is embedded and a positive risk culture enables innovative projects</li> <li>• Strong anti-fraud culture with a zero tolerance policy</li> <li>• Internal Audit is an effective control mechanism and supports the Audit Committee with robust reporting and challenge concerning potential weaknesses in internal control</li> <li>• A transparent Annual Governance Statement is produced</li> </ul>	

## Appendix 4 – Use of resources key findings and conclusions

**Table 7**      **Theme 3: Managing resources**

<b>Theme score</b>	<b>2</b>
Key findings and conclusions	
<b>KLOE 3.1 (use of natural resources)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<ul style="list-style-type: none"> <li>• Systems and processes to manage the Council's performance in the use of natural resources are being developed, although they are not yet fully embedded</li> <li>• A high priority is given to sustainability within the Council, particularly at a strategic level</li> <li>• There are examples of effective measures to reduce the use and cost of energy</li> <li>• Partners are involved in the Councils sustainability strategy and work</li> </ul>	
<b>KLOE 3.2 (strategic asset management)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<ul style="list-style-type: none"> <li>• The Council has a strategic approach to the use of assets but this is not yet fully embedded throughout the Council or with partners</li> <li>• A number of different models of sharing, owning and management of public sector assets with key partners are used</li> <li>• The property estate is generally well maintained although there is a significant backlog of maintenance work</li> <li>• Redundant assets are disposed of</li> </ul>	

# Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<b>Annual Governance Report 2008/09 - Recommendations</b>					
6	The improvements in internal control identified in Appendix 6 should be implemented by management.	Medium	Director of Finance	Yes	System processes are being reviewed, with updates to policies being made and to document the existence of material assets.	31/3/10
9	The finance team should take a client focussed approach to the work of the Council's in house asset valuation team	High	Director of Finance	Yes	Routine meetings are being held with Property Services and review of annual requirements will be documented.	31/3/10

# Appendix 6 – Summary of opportunities to improve internal control

System	Areas for improvement
General Ledger	<ul style="list-style-type: none"><li>• reconciliations in respect of cash, accounts payable and accounts receivable undertaken during the year should be subject to formal review including an authorising signature</li><li>• authorisation of all material journals processed should be obtained as journals are processed, rather than after the year end as was the case this year</li></ul>
Fixed Assets	<ul style="list-style-type: none"><li>• to improve the controls in the fixed asset system, the property and finance sections should obtain verification from the legal section of the properties bought and disposed of each year</li><li>• a control should be established within the fixed asset system to demonstrate the existence of assets (e.g. a cyclical process to verify the existence of all assets)</li><li>• the asset register should contain a reference back to evidence of ownership (e. g. deeds).</li></ul>
TASK	<ul style="list-style-type: none"><li>• when requesting payment for work carried out via the TASK system, Swindon Commercial Services should ensure finance are supplied with sufficient information to ensure accurate apportionment of costs (i.e. materials invoices)</li></ul>
SWIFT	<ul style="list-style-type: none"><li>• improving access controls within the SWIFT system to ensure that leavers are not retained as potential users of the system</li></ul>

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# The Audit Commission

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