

Responses from Management: Swindon Borough Council

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2013/14?	Reintegration of services from SCS
Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	No major change
Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	No
How would you assess the quality of the Council's internal control processes?	Good
How would you assess the process for reviewing the effectiveness of internal control?	Good
How do the Council's risk management processes link to financial reporting?	All cost centres and Budget managers are risk assessed and provided with appropriate financial support to match the level of risk. Financial control and risk management are considered together as part of the project pack for the Council's major change programmes driving a more sustainable financial position for the Council
How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	Adequate
What has been the outcome of these arrangements so far this year?	All suspected cases of fraud should be reported to the Head of Internal Audit who will investigate appropriately. If allegations are received through the Council's Whistleblowing process then these will go to the Council's Monitoring Officer to allocate an appropriate investigating officer, this will be Internal Audit if financially related
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Internal Audit has a risk-based annual plan that includes proactive fraud work. These focus on areas that are susceptible to fraud and have been identified as such in the Audit Commission publication <i>Protecting the Public Purse</i> i.e. SPD discounts, direct payments etc.
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Yes. During 2013/14 nine whistleblowing cases were referred to the Council's Monitoring Officer. All were investigated.
Have any reports been made under the Bribery Act?	None

Chartered Accountants

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As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Key risks are included in the Council's Corporate Risk Register which is reported 6 monthly to the Council's Audit Committee.
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	Through All staff briefings and Team meetings
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	Close liaison with the Council's Legal Team
Is there any use of financial instruments, including derivatives?	No change to last year, Treasury make use of standard short/long term borrowing/investments and a LOBO.
Are you aware of any significant transaction outside the normal course of business?	Equal Pay settlements totalling over £1m were made in May / June 2014 resulting in a contingent liability in the 2013-14 accounts
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	No
Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?	No
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	No
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	These are disclosed in the accounts and relate to reintegration of SCS Ltd services, PFI re-modelling and school transfers.
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	The PFI re-modelling is based upon a range of input criteria from the original PFI model, that can have a significant variation over the long-term, but the remodelling has been undertaken with reference to Grant Thornton.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	No specific going concern assessment has been made, however, as a local authority there is reasonable assurance that it will continue to exist for the foreseeable future. This is supported by the medium term resource plan that forecasts the expected government funding against estimated cost changes, and the Council's plans for on-going service development under Stronger Together. The Council has two wholly owned companies – SCS and Thamesdown Transport (TT). SCS has 3 areas of activity within its business with the largest focused around waste related services. The

	<p>Council has a contract with the company for these services until 2020-21 with an option to extend for a further two years and the Council's MTRP assumes the company will provide these services for the foreseeable future.</p> <p>TT is a bus company with a range of subsidies provided by the Council through section 106 monies and on-going revenue funding. The two organisations have been working together for some years to reduce the subsidy of specific bus routes and this work continues but there are no assumptions in the Council's MTRP to make significant financial changes to the funding of the company in the foreseeable future.</p>
<p>Management is required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?</p>	<p>As above, plus review has also been undertaken around Leisure service provision with the expectation that services will transfer to a third party. This will reduce the subsidisation from the Council and reduce market exposure. Reintegration of services previously provided by a subsidiary company places greater direct control over how and what the Council is providing in-house. The remaining element of the subsidiary is subject to routine review.</p> <p>During 2014, further contracted services currently provided by Capita will be insourced back into the Council again increasing the direct control of service provision.</p> <p>The Council has a robust MTRP with firm plans to deliver the 2014-15 budget within its overall cash limit and well-progressed plans for 2015-16. Detailed plans are in place to deliver £16m of the £18m of savings required for 2015-16 with further work on-going to identify the remaining £2m gap.</p>
<p>Can you provide details of those solicitors utilised by the Council's during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>Solicitors firms: <i>Monitoring Officer Investigations:</i> Weightmans and Veale Wasbrough</p> <p><i>Conveyancing and Property:</i> Davitt Bold Jones LLP – SBC v DLA Piper (the Premier House case); Ashfords LLP – several Academy conversion contracts and leases; Browne Jacobson LLP – Oasis Leisure Centre Business transfer and Clare site transfer Leisure and Culture project; Pinsents Mason LLP – Wichelstowe JV scheme Barristers: No 5 Chambers (Tim Jones) - Mid-counties Co-op v SBC (Judicial Review) <i>Litigation:</i> There was one case only put out to external Solicitors during Last year. The case was a Gypsy traveller/housing case and was handled by Bevan</p>

	Britann and was started and completed during the last year.
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Litigation: We have instructed a number of Barristers to advise on a range of matters including Child Protection, Adult Protection, Commercial litigation, prosecutions and employment law.
Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
CONSIDERATION OF THE COUNCIL'S SUBSIDIARIES - Swindon Commercial Services, Thamesdown Transport and Forward Swindon.	
What is your view on the control environment in place and the process of reviewing the effectiveness of the system of internal controls?	Improving now SCS is a smaller limited company
How do the subsidiaries risk assessment processes relate to their financial reporting?	Through risk assessments reported to programme and governance Boards
Have there been any matters or events which have occurred at subsidiaries which could impact on our audit approach or on the Council's group financial statements?	Transfer of a significant number of services back from SCS to the Council on 1-11-13.
Are the group accounting policies appropriate? Are there any changes in the group's activities which require them to be updated?	Yes and no.
How do subsidiaries identify and respond to the risk of fraud?	Subsidiaries have own governance arrangements and report through their own Boards etc.
How do the Audit Committee monitor group management's processes for identifying and responding to risks of fraud?	Swindon Commercial Services has its own Audit Committee who would be responsible for monitoring management arrangements.
What do you see as the fraud risks within the subsidiaries?	That is a matter for the subsidiaries issues would be communicated back to the Council through the current governance arrangements.
How do subsidiaries communicate business risks to the Council's Audit Committee?	Business risks are identified at Board meetings and would be communicated back to the Council through the current governance arrangements.
Are you aware of any events or changes in circumstance which would cause an impairment of non-current assets?	No
Have there been any instances or allegations of fraud, errors or other irregularities at subsidiaries during 2013/14?	No
Are there any transactions, events or conditions which may lead to recognition or disclosure of significant accounting estimates that require significant judgement?	No