

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Tuesday, 6th March, 2012
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

1. To note any items which the Chairman considers to be of an urgent nature.
2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

3. **Admission of Public and Press**

To consider whether the public and press should be excluded from the meeting during consideration of any of the items on the agenda.

4. Disclosure of Interests.

A Member with a personal interest in a matter to be considered at this meeting must either before the matter is discussed or when the interest becomes apparent disclose

1. ***The existence of that interest to the meeting.***
2. ***The nature of the interest.***
3. ***Decide whether they have a prejudicial interest.***

A note on declaring interests at meetings, which incorporates certain other aspects of the Code of Conduct and a pro-forma for completion where interests are disclosed will be available at the meeting.

5. To confirm the Minutes of the meeting held on 15th December, 2011 (copies attached).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Audit Commission Reports.
- (D) 8. Risk Management.
- (D) 9. Performance Management.

- (D) 10. Governance Report.
- (D) 11. Internal Audit – Progress Report April 2011 to February 2012.
- (D) 12. Internal Audit Plan 2012-2013.
- (D) 13. Internal Audit – Final Reports.
- (R) 14. Review of Financial Regulations and Contract Standing Orders.

**NOTE (D) - Delegated
(R) - For Referral to Council**

Membership of Committee

Councillors Burns (Chairman)
Pointer (Vice-Chairman)
W McClure
Murray
Thurlow
Wilson

For queries regarding this agenda, please contact:

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BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 15th December, 2011
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Murray, Pointer, Thurlow and Wilson.

Also present were Keith Jackson from Internal Audit and Gina Martlew and Gareth Kelly from the Audit Commission.

17 – Disclosure of Interests

Councillor Burns declared a personal interest in any items relating Cumbria County Council as she was a Member of that Council.

18 – Minutes

The Minutes of the meeting held on 29th September, 2011 were agreed as a correct record.

19 – Apologies for Absence

An apology for absence was received from Councillor W. McClure.

20 – Audit Commission – Annual Audit Letter for the Year 2010-2011

The Committee considered the Annual Audit Letter 2010-2011 produced by the Audit Commission following the completion of their audit for each financial year.

The letter had summarised findings from the 2010/11 audit. The audit had comprised the audit of the financial statements and an assessment of the Council's arrangements to achieve value for money in use of resources.

The Audit Commission had issued an unqualified opinion on the Financial Statements.

The Audit Commission had identified significant weaknesses in the timely management action and reporting on agreed recommendations following Internal Audit work and assurance gathering arrangements to support the Annual Governance Statement. The Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2011.

The Council's External Auditor attended the meeting to present the reports to Members.

RESOLVED:- To note the report.

21 – Annual Review of Internal Audit 2010-2011

The Borough Treasurer reported that an annual review of the effectiveness of the Internal Audit Service was required by the Accounts and Audit Regulations 2011.

Internal Audit must comply with proper practice as defined by the Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code was recognised in the Accounts and Audit Regulations as proper practice.

Regulation 4 of the Accounts and Audit Regulations 2011 required audited bodies to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 4 also required the findings of the review of the system of internal control to be considered by this Committee. This review was contained within the Annual Governance Statement, approved by Members in September 2011.

Regulation 6 of the Accounts and Audit Regulations 2011 required audited bodies to review the effectiveness of their Internal Audit Service once a year and for the findings of the review to be considered by this Committee. This was a part of the system of internal control referred to in Regulation 4.

The Borough Treasurer concluded that the Internal Audit arrangements for the Council complied with standards set out in the CIPFA Code of Practice for Internal Audit in Local Government.

RESOLVED:- To agree to endorse the review.

22 – Internal Audit Strategy

The Internal Audit Manager presented an Internal Audit Strategy for Members' approval. Adopting the strategy would comply with good practice guidance issued by the Chartered Institute of Public Finance and Accountancy.

The Internal Audit Strategy was attached to the report for information.

The Internal Audit Strategy included Internal Audit Objectives, Outcomes, How the Head of Internal Audit would form an opinion on the control environment, How Internal Audit's work would identify and address significant local and national issues and risks, How the service would be provided and How the strategy would be resourced.

RESOLVED:- To agree to approve the Strategy.

23 – Internal Audit – Progress Report April 2011 to December 2011

The Borough Treasurer submitted a report stating that the Committee would receive regular progress reports on the programme of work carried out by the Internal Audit Service. A copy of the Internal Audit Progress Report from April 2011 to December 2011 had been appended to his report.

The Council's Internal Audit Manager attended the meeting present to the report to Members.

The report contained a statistical summary of the number of audit recommendations (56). It was noted that 52 had been fully accepted, 4 partly accepted and 0 had not been accepted. Each of the recommendations had been assigned a priority graded 1-3' 1 being major issues and 3 being minor issues.

A breakdown of restricted assurance audits had also been appended to the report.

The Internal Audit Manager reported at the meeting that Report IT46 – IT General Controls (Liberata) had now been received.

RESOLVED:- That the report be received.

24 – Internal Audit – Final Reports

The Borough Treasurer reported that Internal Audit had completed a number of audits in accordance with the approved annual programme. On completion, final reports were presented to this Committee for consideration.

There were 16 final reports for consideration attached to his report. The reports and the assurance levels for the reports were as follows:-

1. Council Tax – Unqualified Assurance;
2. National Non Domestic Rates – Unqualified Assurance;
3. Budgetary Control – Unqualified Assurance;
4. Treasury Management – Unqualified Assurance;
5. Car Park Meter Income – Substantial Assurance;
6. Payroll – Substantial Assurance;
7. Accounts Payable – Substantial Assurance;
8. Housing Rents – Substantial Assurance;
9. Disabled Facilities Grants – Substantial Assurance;
10. Insurance – Substantial Assurance;
11. Construction of Link Road Phase II – Cornmill Crossing to North Road – Substantial Assurance;
12. Partial Demolition of a Darlington Steel Portal Framed Warehouse and Re-establishing Structure etc. – Restricted Assurance;
13. Barrow Town Centre Public Realm Scheme Phase II – Substantial Assurance;
14. Heating, Ventilation and Air Conditioning Servicing – Substantial Assurance;
15. Sutherland Street – Demolition – Substantial Assurance; and
16. Marsh Street – Group Repairs – Substantial Assurance.

The Council's Internal Audit Manager attended the meeting to present the reports to Members.

Referring to the Payroll report, Members requested an additional report to the next meeting detailing mileage for both Officers and Members.

Referring to the Construction of Link Road Phase II – Cornmill Crossing to North Road report, Members requested the Assistant Director of Regeneration and Community Services be invited to the next meeting to clarify variations to the contract sum which were in excess of 10%.

RESOLVED:- (i) That the Policy Review Officer provide a report to the next meeting detailing mileage for both Officers and Member;

(ii) That the Assistant Director of Regeneration and Community Services be invited to the next meeting; and

(iii) That the reports be received.

25 – Performance Management

The Policy Review Officer provided Members with the performance report for the first half of 2011/12. There were a number of national indicators and local indicators where it was appropriate to report data on a quarterly basis. The information was not presented to this Committee in September to allow Members to focus on the Final Accounts but the information was circulated to Members on 4th October, 2011.

The data for the first two quarters for the local and national indicators were:-.

Table 1: Local indicator for first half 2011/12

Indicator	Description	2010/11	2011/12	Change
9	Percentage of Council tax collected	56.89	57.08	↑
10	Percentage of NNDR collected	61.57	62.31	↑
12	Average number of days sick per member of staff	4.46	3.72	↑
126	Number of burglaries per 1000 households	2.35	1.72	↑
127a	Violent offences per 1000 population	8.66	9.57	↓
127b	Robberies per 1000 population	0.13	0.08	↑
128	Vehicle crimes per 1000 population	1.83	0.93	↑
218a	Percentage of abandoned vehicles removed within 24 hours	66.6	100	↑
	Number of incidences of racial violence	17	12	↑
	Number of incidences of racial Damage	0	0	→
	Number of hate crimes	23	22	↑

Table 2: National Indicator for first half 2011/12

Indicator	Description	2010/11	2011/12	Change
NI 191	Residual waste per household	451	446	↑
N1192	% of waste recycled, composted	38.62	39.36	↑
	Tonnage of recycling	5787	5831	↑

The Performance Indicators for Quarter 1 for 2011/12 were appended to the report.
RESOLVED:- To note the information.

26 – Annual Governance Statement

The Policy Review Officer provided Members with an update on the progress being made against recommendations Annual Governance Report for 2011.

The Annual Governance Statement was presented to the Audit Committee at its meeting in July and updated in September 2011. One of the key control issues identified in the statement was the Internal Audit report IT 44. The Council had now responded to this report and a copy was circulated at the meeting.

Preparation for the 2012 Annual Governance Statement had started and progress would be reported to this Committee on a quarterly basis.

RESOLVED:- To note the information.

27 – Risk Management

The Policy Review Officer provided Members with the latest version of the Council's Risk Register for 2011/12.

The Audit Committee had responsibility for monitoring the Council's risk register on a quarterly basis to ensure that risks were being reviewed appropriately.

The risk register was reviewed by Management Board on 9th December, 2011 and the following amendments were made:-

Risk 6: Impact of pay review, the mitigating action had been changed to "funding is still available to undertake the pay review and it will be revisited in 2012/13; and

Risk 14: Impact of a large influx of inexperienced Members had been removed because it was no longer relevant.

The updated Risk Register was attached as an appendix to the report.

RESOLVED:- To note the information.

The meeting closed at 3.40 p.m.

AUDIT COMMITTEE	Part One (D) Agenda Item 7
Date of Meeting: 6th March, 2012	
Reporting Officer: Borough Treasurer	
<p>Title: Audit Commission Reports</p> <p>Summary and Conclusions:</p> <p>The Audit Commission have produced two reports; Audit Plan 2011-2012 and Grants Claims 2011-2012.</p> <p>The Council's External Auditors will attend the meeting to present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive the report; 2. Raise any questions or concerns with the appointed Auditor; and 3. Approve the recommendations contained in the report. 	

Report

The Audit Commission two reports; Audit Plan 2011-2012 and Grants Claims 2011-2012 will form **Appendices 1 and 2** and are to follow.

Background Papers

Nil

Audit plan

Barrow in Furness Borough Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Council to identify any risk of material misstatement, whether due to fraud or error, in the accounting statements. I do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the financial performance of the Council;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

Identification of significant risks

I consider the following significant risks are relevant to the audit of the accounting statements:

Table 1: **Significant risks**

Risk	Audit response
<p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for its contribution to knowledge and culture.</p> <p>In the Council's 2010/11 accounts heritage assets are estimated to be in the region of £2.3m. There is a risk the Council may be unable to identify and account for all heritage assets due to the nature of these assets and artefacts, and the complexity of the valuations.</p>	<p>I will evaluate the management controls you have in place to recognise both ownership and the value of heritage assets. I will also undertake testing to check that the Council has accounted for heritage assets in accordance with FRS 30 and IFRS Code.</p>
<p>The Council has changed the payroll system it uses during 2011/12, with a new service organisation providing the service from November 2011. Internal Audit has also raised some issues, which I assess to be key control weaknesses, in relation to the old payroll system as used up to October 2011.</p> <p>There is a risk that payroll figures in the 2011/12 accounts could be misstated through a combination of the control issues on the old system and with the introduction of a new payroll system.</p> <p>Internal Audit is to carry out a review of the new payroll system and I will rely on their work where possible.</p>	<p>I will work with Internal Audit to assess the impact of the control weaknesses identified in the old payroll system on our testing strategy for 2011/12. I will also consider Internal Audit's findings and conclusions from its work on the new payroll system.</p> <p>I will discuss with the Borough Treasurer the impact of Internal Audit's payroll system testing.</p> <p>I am required to carry out a number of additional audit procedures as a result of the Council using a new service organisation, which provides material payroll figures within the financial statements.</p> <p>I will carry out detailed payroll testing as part of the final opinion audit ensuring consistency between the two payroll systems and the main financial statements.</p>

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of all material transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is set out in table 2 as follows.

Table 2: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	Reliance on any controls and substantive testing providing it clearly covers the relevant assertions on material financial system. Review any work on management controls in place to recognise and value heritage assets.	Accounts payable	-	-	Investments and other non-current assets – ownership and existence. Payroll classification. Accounting entries relating to pension contributions and liabilities. Review of accounting policies. Discussions on litigation. Review of reconciliations. Review of the going concern assumption.

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Final visit	Head of Internal Audit's Opinion on internal control.		Pensions assets and liabilities – auditor to Cumbria Local Government Pension Fund	Pensions liabilities and assets – Mercers (the Pension Fund actuary) and our own consulting actuary Valuation of property, plant and equipment – the Council's Valuer.	All material accounts balances and amounts. Year-end feeder system reconciliations.

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Council's arrangements is based on two criteria, specified by the Commission. These relate to the Council's arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of VFM related risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following risks that I will address through my work and will report my findings in my Annual Governance Report.

Table 3: **VFM related risks**

Risk	Audit response	Audit output
The Council's proposals for cost reduction do not progress as quickly as forecast and savings are not made which reduces the Council's financial resilience.	I will review the financial monitoring reports and updates to the Medium Term Financial Plan. I will discuss any concerns with the Borough Treasurer.	Include as part of my Annual Governance Report to be issued in September 2012.
The fails to maintain improvements made on its tendering and contracting arrangements during 2011/12.	I will review the current tendering and contracting arrangements to ensure that the progress made since December 2011, has been sustained.	Include as part of my Annual Governance Report to be issued in September 2012

Key milestones and deadlines

The Council is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	February 2012 – May 2012	Review of Financial Systems
Opinion: receipt of accounts and supporting working papers	By 30 June 2012	None
Opinion: substantive testing	Late June – September 2012	Annual Governance Report
Present Annual Governance Report at the Audit Committee	By 30 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Certify Whole of Government Accounts return	By 30 September 2012	Certificate
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Gina Martlew Appointed Auditor	g-martlew@audit-commission.gov.uk 0844 798 4759	Responsible for the overall delivery of the audit including quality of reports, signing the Auditor's report and liaison with the Chief Executive.
Gareth Kelly Audit Manager	g-kelly@audit-commission.gov.uk 0844 798 4757	Manages and coordinates the different elements of the audit work. Key point of contact for the Borough Treasurer.
Tracy Seton Principal Auditor	t-seton@audit-commission.gov.uk 0844 798 1318	Responsible for interim and final opinion audit work. Key point of contact for the Borough Treasurer and the accounts section staff.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The planned fee for the audit, as set out in my letter of 15 April 2011, is £112,100. The Audit Commission has given the Council an 8 per cent rebate of £8,968.

The audit fee

The Audit Commission's scale audit fee is £112,100 which represents a 5 per cent reduction on the planned audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements including reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Borough Treasurer and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I have identified the following actions:

- clear evidence of sustained improvement in the Council's tendering and contracting arrangements;
- Internal quality assurance against the IFRS Code and consistency check within the statement of accounts;
- Clear referencing between material items of account and supporting working papers;
- undertaking a more robust approach to ensuring the cash flow statement is correct; and
- ensuring that your Whole of Government Accounts (WGA) are consistent with your main financial statements.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charges fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 6: Fees

	2011/12 planned	2010/11 actual	Variance	Comment
Audit	£112,100	£122,030	(£9,930)	Reduction following one-off work in 2010/11 associated with the first-time adoption of International Financing Reporting Standards and reduced value for money conclusion requirements.
Certification of claims and returns	£22,575 (estimate)	£41,821	£19,246	Additional work required on the 2010/11 housing and council tax benefit claim. 2011/12 grant certification fee is based on Internal Audit carrying out initial testing and finding no issues on housing and council tax benefit claim work.
Non-audit work	0	£1,250	(£1,250)	None planned for 2011/12

The Audit Commission gave a rebate for 2010/11 totalling £8,087 so the final net amount payable by the Council for the 2010/11 was £115,191. The Audit Commission has also given the Council a rebate of £8,968 (8 per cent) in 2011/12 and therefore the net amount payable to the Commission is £103,132.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 7: **Independence and objectivity**

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively;
 - internal audit completes its work on the Council's key financial systems in accordance with the agreed deadlines.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Council provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 30 June 2012;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Council is required to prepare, which report the financial performance and financial position of the Council in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of a Council and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Council establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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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.



Certification of claims and returns - annual report

Barrow in Furness Borough Council

Audit 2010/11



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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of my 2010/11 certification work

The Council has performed reasonably well in preparing claims and returns.

My work gave rise to amendments in four of the seven claims and returns for the year ended 31 March 2011, that the Council was required to submit for certification. In two cases I issued a qualification letter accompanying my certificate: on the Housing and Council Tax Scheme claim and the Housing Finance Base Data return.

Table 1: **Summary of 2010/11 certification work**

Number of claims and returns certified	
Total value of claims and returns certified	£46,914,277 excluding the Housing finance base data return
Number of claims and returns amended due to errors	4 out of 7
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	2 out of 7
Total cost of certification work	£41,821

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

Table 2 and 3 outline the changes to the Housing and Council Tax Benefit Scheme claim and National Non Domestic Rates Return for 2010/11. There were also some very minor changes to the Housing finance base data return and the Pooling of housing capital receipts claim.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
HRA subsidy	£777,331	Yes	Nil	No
Housing and council tax benefit scheme	£26,643,320	Yes	(£13)	Yes, I reported errors on incorrect eligible rents, income, and applicable amount applied (housing benefit allowances and premiums) See the Housing and council tax scheme section below for the detail.

Claim or return	Value of claim or return presented for certification (£)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing finance base data return	N/A as it contains various base data return information	Yes	Number of dwellings amended from 2,711 to 2,710.	Yes to outline slight difference in the average weekly rent figure disclosed and to confirm the changes in valuations were as a result of disposals.
National non-domestic rates return	£18,717,777	Yes	Gross rates payable was reduced by £24,962 to £23,566,487.00 Net amounts of rates payable on previous years was reduced by £49,926 to -£2,238,571. on Small business rate relief was reduced by £24,962 to £382,094.50 The above had no impact on the overall contributions to or from the pool.	No

Table 3: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£)	Value of any amendments made	Qualification letter
Pooling of housing capital receipts	£267,961	(£548)	No
Single programme – Barrow Task Force Furness House	£216,000	Nil	No
Single programme – Link Road Phase II	£292,449	Nil	No

Housing and Council Tax Benefit Scheme Claims

Certification and Reporting

The certification instruction for this claim is agreed with Department of Works and Pensions (DWP), which requires me to seek amendment and report all errors found no matter how minor. DWP require me to do initial testing of 20 cases on each part of the Housing and Council Tax Benefit scheme claim and if I identify any errors I am required to carry out additional testing on 40 more cases.

I am required to report to the DWP on all errors whether under or overpaid to claimants. However, only the value of overpaid cases is extrapolated for the impact on the subsidy due to the Council. Therefore, the Council should also be concerned about the errors where underpayments to claimants have occurred as:

- claimants have received less benefit than they are entitled to; and
- in most cases the type of error could just as easily have led to an overpayment as an underpayment.

Rent allowances

The overall sample of 60 cases identified 10 cases in error, including:

- 1 case was identified where the incorrect local housing allowance (eligible rent), had been used resulting in an underpayment of benefit;
- 1 case was identified where the eligible rent had been incorrectly identified due to omission of rent increase and confusion over service charges where there was a joint tenancy, resulting in an underpayment of benefit;
- 1 case where capital from the sale of a property had been omitted; resulting in overpaid benefit
- 1 case where benefit was overpaid as a result of incorrect claim dates;
- 2 cases underpaid as a result of incorrect income one of which was a student case;
- 1 case overpaid due to understated income; and
- 1 case underpaid due to incorrect Local Housing Association (LHA) rent.

The value of the errors found range from £161 to £1,543 and if the error rate for over paid benefit is extrapolated it could amount to as much as £118,000 in lost subsidy as a result of Council error.

Council tax benefit

The total sample of 60 cases identified 6 cases in error, including:

- 2 cases where the wrong start date had been used resulting in an underpayment of benefit;
- 1 case where an incorrect applicable amount had been awarded resulting in an overpayment of benefit;
- 1 case where a pension increase had not been input resulting in an overpayment of benefit; and
- 2 cases overpaid due to incorrect income.

The value of these errors was £590 and if the error rate is extrapolated it could amount to as much as £91,000 in lost subsidy as a result of LA error.

Non Housing Revenue Account (HRA) Cases

As a result of errors identified as part of the initial sample the entire population of 41 cases was tested with errors found in 11 cases, including:

- 4 cases where benefit had been underpaid because an incorrect rent was used in the benefit calculation;
- 1 case where the end date for the claim had not been established;
- 1 case was identified where benefit had been underpaid because the wrong start date had been used; and
- 2 cases where the Council had no specific proof of rent for the claims but relied on proof of rent on other claims. from the same address
- 1 cases where the income was not verified

None of these errors indicated that benefit had been overpaid therefore there was no impact on the subsidy claimed by the Council.

In addition I found 9 cases where the Benefits system (systems error is currently being addressed by Northgate) did not allocate benefit paid correctly between under and over the cap, and where the claimant had part weeks at the start or end of their tenancy. As a result of these errors, subsidy had been incorrectly reclaimed from the DWP.

HRA Cases

The overall sample of 60 cases identified 3 cases in error, including:

- 1 case was identified where there was an underpayment of benefit due to not calculating earned income correctly.
- 2 cases where the Council had not used the correct working tax credit figure in calculating entitlement. In one case this led to an overpayment of benefit and in the other an underpayment of benefit.

The value of the overpayment was only £4 and extrapolating this error to the population did not lead to a loss of subsidy.

Student income assessment testing

My testing of 8 student income assessments occurring in 2010/11 found:

- 2 were underpaid as a result of the grant being calculated over the wrong number of weeks and the books and travel deduction being omitted in error;
- 2 where there was no impact on the benefit payable as the claimant was already on full benefit but their income had been overstated as a result of the grant income being calculated over the wrong number of weeks and in one of the cases no deduction being made for books and travel; and
- 1 case overpaid as the grant was calculated over the wrong number of weeks.

Student cases represent a very small proportion of the overall population of cases at the Council and the findings in both 2009/10 and 2010/11 suggests that the value of errors identified will not be significant.

Summary of progress on previously agreed actions

This section considers the progress the Council has made in implementing the previously agreed action following my certification work on housing benefit and council tax benefit.

There is still scope for further improvement in the claimant benefit assessment processes to minimise errors.

Table 4: Summary of progress made on the recommendation arising from the 2009/10 certification work on Housing Benefit and Council Tax Benefit claim

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Ensure that adequate quality assurance processes are in place to minimise the occurrence of error in claimant benefit assessments	High	Ongoing	Borough Treasurer	Partially implemented	The detailed issues identified in 2009/10 are outlined below. Testing of Rent Allowance expenditure and student income assessments in 2010/11 indicates scope remains for further improvements to the assessment arrangements.

The housing benefit and council tax benefit claim audit testing in 2009/10 found errors including:

- testing of rent allowance expenditure and council tax benefit expenditure identified 7 cases where there were errors in the benefit assessment resulting in an overpayment of benefit;
- testing of rent allowance expenditure identified 5 cases where there were errors in the assessment of student income resulting in overpayment of benefit; and
- testing of rent allowance expenditure, rent rebate expenditure and council tax benefit identified 4 cases where there were errors in the benefit assessment resulting in an underpayment of benefit to the claimants.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Ensure that adequate quality assurance processes are in place to minimise the occurrence of error in claimant benefit assessments which lead to over and underpayments.	High	Agree	June 2012	Borough Treasurer
Review Northgate system correction report to allocate non Housing revenue account benefits for part week cases for misclassification of expenditure.	Medium	Agree	June 2012	Borough Treasurer

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 6: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Grants planning and administration	£941	£945	-
Housing and council tax benefit scheme	£33,490	£13,661	A significant increase in the audit fee on the benefits claim as a result of more external audit input compared with that required in 2009/10. Note the fee charged in 2010/11 is in line with the other Cumbria district councils and is lower than the fee of £35,678 charged in 2008/09.
Pooling of housing capital receipts	£595	£844	A reduced fee in 2010/11 as it is a small value and straightforward claim.
HRA subsidy	£1,860	£755	HRA subsidy return required additional testing in 2010/11 compared with 2009/10.
Housing finance base data return	£2,577	£1,800	The certification instructions agreed with the DCLG required a significant amount of additional testing in 2010/11 compared with the 2009/10 return. This is as a direct result of this return being used as the basis for the Housing Revenue Account self financing model.
National non-domestic rates return	£1,798	£1,950	-

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Single programme	£560	£2,143	Single programme claims fee has reduced as it covers continuation of existing programmes previously audited.
Total	£41,821	£22,098	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



AUDIT COMMITTEE	Part One (D) Agenda Item 8
Date of Meeting: 6th March, 2012	
Reporting Officer: Policy Review Officer	
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the Council's risk register.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>	

Report

The risk register for 2011/12 is attached as **Appendix 3** it continues to focus on those business critical risks which are under the control of the Council. There have not been any changes made to the risk register since it was presented to this committee in December 2011. The Chief Executive will have responsibility for the risks that were previously allocated to the Director of Corporate Services until other arrangements are in place.

The status of these risks and progress against any action plans will continue to be reviewed on a quarterly basis and reported to Management Board, the Leader of the Council and the Audit Committee.

The risk register for 2012/13 will be present to Management Board at their next meeting and will be presented to the Audit Committee in June.

Background Papers

Nil

	Threat	Likelihood	Impact	Score	Impact	Mitigating actions	Contingency actions	Responsible Officer
1	The Council faces £5M budget deficit for the period up to 2015	5	5	25	The Council fails to address the budget deficit resulting in the Council having insufficient funds to deliver its statutory duties and contracted services	The Council has set a budget to achieve the savings for 2011/12. The council will undertake a comprehensive spending review in 2011/12 to identify future savings reduce with the deficit	The Council will use some of its reserve funds to reduce the impact on service delivery and the pace of change.	Chief Executive and Borough Treasurer
2	Impact of the Council's comprehensive spending review on delivery of services	5	4	20	The spending review will challenge all services and if it is not properly managed may result in a loss of staff moral and customer confidence. The Council will endeavour to avoid or minimise compulsory redundancies	The service review will reflect the Council's updated key priorities. Some reduction in service is inevitable given the size of the budget deficit The Council will give a clear statement on priorities and will establish effective internal and external consultation and communication processes.	The Council will use its reserves to control the pace of change to suit the of the organisation and the community	Chief Executive and Borough Treasurer
3	Impact of redundancies and recruitment freeze on service delivery and staff.	5	4	20	Voluntary redundancies and vacancies may result in short-term pressure on service delivery with consequential impact on staff moral and customer satisfaction	Business critical posts will be exempt from the recruitment freeze. Any significant impact on service delivery will be communicated internally and externally pending the outcome of the spending review.	The Council's policy is to avoid or minimise compulsory redundancies. The Government has provided a transition grant to meet the costs the redesign of service delivery and any redundancy costs therefore it will not impact on Council Tax payers.	Chief executive

4	The Government intends to introduce a self-financing regime for the future management of the Housing Revenue Account.	5	4	20	The introduction of self-financing will result in the Council being burdened with additional debt to replace the existing HRA subsidy system	Mitigating actions: The Housing Manager and Borough Treasurer will look to model the financial impact of the proposals as they become clearer and take necessary action to maintain services within the resources that will be available.		Colin Garnett, Housing Manager
5	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of Barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council has allocated sufficient capital funding to complete the site assembly. The Council and its partners have applied for Regional Growth Funding to support this project.	The project can progress in phases subject to the availability of funding.	Director of Regeneration and Community Services
6	Impact of pay review	4	3	12	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Funding is still available to undertake the pay review and it will be revisited in 2012/13.	An equal pay audit has been undertaken and no significant risks have been identified.	Chief executive
7	Council fails to achieve recycling targets	1	3	3	There will continue to be a shortfall in the budget unless the Council achieves a 37% recycling rate.	The Council continues to develop its recycling service to increase the amount of waste recycled. Any changes resulting from the implementation of the county wide waste strategy will need to be costed	The Council will continue to monitor county wide waste projections and will adapt its waste collection service appropriately.	Director of Regeneration and Community Services
8	The economy remains depressed	3	5	15	This will have a significant impact on the Council's revenue streams and may result in a larger than anticipated deficit	The Council will endeavour to maximise income streams and reduce costs	The Council monitors the budget on a regular basis and can review service delivery if required	Management team

9	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake regular credit checks on our contractors	The Council retains the intellectual property and assets that will support continuity of services	Management team
10	The Council incurs significant uninsured losses	3	4	12	This could have a detrimental impact on the Council's reserves and its reputation	The Council risk management arrangements will minimise uninsured losses.		Borough Treasurer
11	Level of sickness worsens	4	3	12	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to maintain the current relatively low levels. The impact of elevated levels would only be moderate.		Chief executive
12	Not having appropriate governance arrangements in place	2	5	10	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management Performance management Risk management		Chief executive
13	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Board has strengthened the Council's H&S arrangements.		Chief executive
15	Failure of ICT systems	1	4	4	Failure of ICT systems may adversely affect service delivery	The Council is prepraing a disaster recovery strategy.		Chief executive

AUDIT COMMITTEE	Part One (D) Agenda Item 9
Date of Meeting: 6th March, 2012	
Reporting Officer: Policy Review Officer	
<p>Title: Performance Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the performance management update for Quarter 3.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>	

Report

The Council has adopted 4 new Key Priorities as follows:

- 1. Provide good quality efficient and cost effective services while reducing overall expenditure.**
- 2. Continue to support housing market renewal including an increase in the choice and quality of housing stock and the regeneration of our oldest and poorest housing.**
- 3. Work to mitigate the effects of the recession and cuts in public expenditure and their impact on the local economy and secure a sustainable and long term economic recovery for our community.**
- 4. Continue to improve and enhance the built environment and public realm, working with key partners to secure regeneration of derelict and underused land and buildings in the Borough.**

The 4 Key Priorities will be used as the basis for all future business planning and to direct the activity of any spare capacity and resources.

Although at this time there isn't a formal action plan there are a number of improvement activities being implemented and these include:

- Undertake a comprehensive service delivery review – **Complete.**
- Transfer management of waste collection, building cleaning and dog warden services to the street care team to reduce management costs - **Complete.**

- Undertake a business improvement review of the Development Control service and develop framework for setting local planning fees - **Complete.**
- Introduce self-financing of Council housing services – **Complete.**
- Re-let the responsive repair contract - **Complete.**
- Review housing support services - **Complete.**
- Update Information Technology and introduce Customer Relations Management service in the Housing department - **Subject to delay and has been rolled over to 2012/13.**
- Demolish the agreed areas of Marsh Street - **On-going expected to be complete in Q4.**
- Demolish 100 Abbey Road and carry out external improvements to 102 Abbey Road - **On-going.**
- Completion of the all weather soccer centre - **The funding for this project is under review.**

Performance Indicators

There are a number of national indicators and local indicators where it is appropriate to report data on a quarterly basis. We have demonstrated improved performance against these indicators:

- Collection of Council Tax is marginally higher than Q3 2010/11. The collection of National Non Domestic Tax is significantly lower than the previous year due to the timing of payments the position has recovered in January.
- The average number of day's sickness absence per member of staff worse improved against the same period in 2009/10.
- There has been a marginal increase in the number of violent crimes attributable to an increase in harassment and public order offences.
- There has been a decrease in the number of acquisitive crimes particularly household burglaries, the number of robberies remains the same but the number is small (14).
- There has been a decrease in the number incidences of racial violence hate crime reported and zero incidents of racial damage.

Local indicator for Q3 2011/12

Indicator	Description	Q3 2010/11	Q3 2011/12	Change
9	Percentage of Council tax collected	83.1	83.42	↑
10	Percentage of NNDR collected	90.21	88.19	↓
12	Average number of days sick per member of staff	7.38	6.03	↑
126	Number of burglaries per 1000 households	3.40	2.58	↑
127a	Violent offences per 1000 population	12.67	12.81	↓

127b	Robberies per 1000 population	0.16	0.16	
128	Vehicle crimes per 1000 population	2.47	1.37	
218a	Percentage of abandoned vehicles removed within 24 hours	75	90	
	Number of incidences of racial violence	24	15	
	Number of incidences of racial Damage	1	0	
	Number of hate crimes	34	26	

The national indicators show continuing improvements in waste management and street cleanliness.

National Indicator for Q3 2011/12

Indicator	Description	Q3 2010/11	Q3 2011/12	Change
NI 191	Residual waste per household	396	395	
N1192	% of waste recycled, composted	37.0	38.1	
NI 195a	% of streets that don't meet the cleanliness standard: litter	1	1	
NI 195b	% of streets that don't meet the cleanliness standard: detritus	2	2	
NI 195c	% of streets that don't meet the cleanliness standard: graffiti	0	0	
NI 195d	% of streets that don't meet the cleanliness standard: fly posting	0	0	

Background Papers

Nil.

AUDIT COMMITTEE	Part One (D) Agenda Item 10
Date of Meeting: 6th March, 2012	
Reporting Officer: Policy Review Officer	
<p>Title: Governance Report</p> <p>Summary and Conclusions:</p> <p>Provide Members with an update of the progress being made towards preparing the Council's Annual Governance Statement.</p> <p>Recommendations:</p> <p>Members are invited to endorse the updated Code of Corporate Governance.</p>	

Report

The Council is currently collecting evidence to support the Annual Governance Statement. The evidence will support the six core principles defined in the CIPFA/Solace framework for delivering good governance.

These are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

One piece of evidence is the Code of Corporate Governance which has been updated to include the role of the Chief Financial Officer. The latest version is attached as **Appendix 4** and the changes from the 2011 code are highlighted in grey.

Background Papers

Nil



Local Code of Corporate Governance 2012

Author	Chief Executive
Date published	April 2008
Latest review	February 2012
Review date	January 2013

Endorsed by Audit Committee March 2012

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Version control: changes to previous publication.

The code has been updated to reflect the Accounts and Audit Regulations 2011 and changes to the Council’s management structure in 2012/13.

Introduction

The Local Code of Corporate Governance is the document that sets out the framework within which the Council conducts its business and affairs. The Council is required to conduct an annual review of the application and adherence to the Local Code of Governance and formally produce an Annual Governance Statement.

The preparation of the Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2011.

Background

Every Council operates through a governance framework. The governance framework is an interrelated system that brings together legislative requirements, governance principles and management processes. Governance arrangements are not merely bureaucracy. Good governance means that, whatever executive arrangements are in place, the way the Council operates is based on sound decision making with an effective process to support it.

Delivering good governance in local government is based on six core principles emphasising the role of the Council in leading the community and the role of the Audit Committee and the Overview and Scrutiny Committee.

The governing body of any organisation has overall responsibility for direction and control. In local government the governing body is the Full Council. Barrow has a modified committee structure together with arrangements for overview and scrutiny.

Governance

Governance is about how the Council ensures that the right things are done in the right way, for the right people, in a timely, open, honest and accountable manner. This comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which they account to, engage with and, where appropriate, lead the community.

The six core principles that good governance is based on are:

- (i) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- (iii) Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- (v) Developing the capacity and capability of Members and officers to be effective;
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

Responsibilities

Good governance is important to all involved in local government. However, it is a key responsibility of the Leader of the Council and the **Executive Director**.

Full Council is responsible for:

- Agreeing the Council's constitution comprising the key governance documents;
- Agreeing the policy framework including the community strategy and other key strategies;
- Agreeing the budget.

Executive Committee responsible for:

- Proposing the policy framework and key strategies;
- Proposing the budget
- Ensuring implementation of the policy framework and key strategies.

Management Structure from 1st April 2012

The Executive Director is responsible for advising Members on policy and necessary procedures to drive the aims and objectives of the Council. The Executive Director leads the Management Board consisting of:

Deputy Executive Director (Monitoring Officer)

Borough Treasurer

Assistant Director of Community Services

Assistant Director of Regeneration and the Built Environment

Housing Manager

The Borough Treasurer, the Monitoring Officer and other members of Management Board are responsible for advising committees on legislative, financial and other policy considerations to achieve the aims and objectives of the Council and are responsible for implementing Members decisions for service performance.

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

Leadership is exercised by clearly communicating the Council's purpose and vision and its intended outcomes for citizens and service users. The Council aims to ensure that users receive a high quality of service whether directly, or in partnership or by commissioning. The Council also aims to ensure the best use of resources and that taxpayers and service users receive value for money.

In pursuance of this principle the Council will:

- a) make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning and shaping the community strategy and local area agreements;
- b) review on a regular basis the Council's vision for the local area and its impact in the Council's governance arrangements;
- c) publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance;
- d) decide how the quality of service for users is to be measured and ensure that the information needed to review service quality effectively and regularly is available;
- e) decide how value for money is to be measured and ensure that the Council has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions;
- f) produce timely, accurate and impartial financial information for decision making, enabling the Authority to meet its objectives and providing effective stewardship and value for money
- g) maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved
- h) ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management
- i) put in place effective arrangements to deal with a failure in service delivery;
- j) when working in partnership, ensure that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The vision should:
 - be supported by clear and measurable objectives with targets and indicators
 - identify quality and cost drivers for deciding what services will be either provided or commissioned by the partnership.

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Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Effective leadership requires clarity regarding the roles of executive and non-executive Members and officers, and respect and recognition for the scrutiny function. In addition to this constructive working relationship between Council Members and officers, mutual respect for each of these respective roles is vital.

Finally the Council needs to ensure that citizens understand the Council's role and the levels of service they can expect. This is particularly important where the district council operates alongside the county as well as parish and town councils.

In pursuance of this principle the Council will:

- a) set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually and the Council's approach towards putting this into practice;
- b) set out a clear statement of the respective roles and responsibilities of the Council's other committees and Members and senior officers;
- c) develop protocols to ensure effective communication between Council Members and officers in their respective roles;
- d) develop protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- e) set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011;
- f) ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- g) establish a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review
- h) when working in partnership:
 - ensure that there is clarity about the legal status of the partnership
 - ensure that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability

- ensure that Council representatives make clear to all other partners the extent of their Council to bind their organisations to partner decisions
- i) ensure that effective mechanisms exist to monitor service delivery;
- j) determine a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required;
- k) ensure that effective management arrangements are in place at the top of the organisation;
- l) make the **Executive Director** responsible and accountable to the Council for all aspects of operational management;
- m) require the CFO to be a member of the Council's Senior **Management Board**, with access to the **Executive Director** and other members of the leadership team as appropriate
- n) make the Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- o) appoint a professionally qualified and experienced CFO, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council
- p) ensure budget calculations are robust and reserves are adequate
- q) require appropriate management accounting, functions and controls to be in place within the Council, together with outsourced and partnership arrangements
- r) make the Monitoring Officer responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.

Principle 3 – Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

High standards of conduct and effective governance can only be achieved if those who hold public office have the highest standards of behaviour and encourage others to do so by providing leadership by visibly embodying the Council's core values of listening, learning and delivering.

In pursuance of this principle the Council will:

- a) develop and maintain shared values including leadership values (openness, support and respect) both for the Council and its officers reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council;
- b) use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;
- c) develop and adopt formal codes of conduct defining standards of personal behaviour;
- d) Establish and maintain the Audit Committee to act as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture;
- e) put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;
- f) put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance and effectiveness in practice;
- g) ensure that systems and processes for financial administration and control, protection of the Authority's resources and assets, are designed in conformity with appropriate ethical standards; and are subject to monitoring of their effectiveness
- h) in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged.

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Informed decision-making is a fundamental part of good corporate governance. It requires the Council to be both rigorous in the examination of options but also open to consider representation and views from all sectors of the community and policy development groups. Complementing this, the Council needs to have robust knowledge of the community needs and the quality of the services the Council are providing or commissioning. Finally the Council has to robustly manage the risks associated with these activities and ensure that the legal powers available are used but not exceeded.

In pursuance of this principle the Council will:

- a) develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;
- b) ensure an effective internal audit function is resourced and maintained;
- c) develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
- d) put in place arrangements so that conflicts of interest on behalf of Members and officers can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;
- e) put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access;
- f) put in place effective transparent and accessible arrangements for dealing with complaints;
- g) develop and maintain an effective Audit Committee which is independent of the executive and scrutiny functions;
- h) enable the CFO to have direct access to the Council's Audit Committee and External Auditor
- i) ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;
- j) produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council
- k) develop and maintain effective arrangements for determining the remuneration of senior staff publishing an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011
- l) ensure that professional advice on matters that have legal or financial implications is available and recorded the well in advance of decision making and used appropriately;

- m) enable the CFO to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained
- n) ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job;
- o) ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports
- p) ensure effective internal control arrangements exist for sound financial management systems and processes
- q) actively recognise the limits of lawful activity placed on them by the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities;
- r) observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making;
- s) when working in partnership, put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation;
- t) when working in partnership, ensure that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any Council rules/codes or comply with any rules/codes developed for the purpose of the partnership;
- u) when working in partnership, ensure that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners must ensure that:
 - the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and reasoned decisions are made; and
 - Critical risk is managed at a corporate and operational level.
 - there is an annual review of the system of internal audit and internal control
 - compliance with the 2010 Bribery Act regarding: offering, promising or giving of an advantage, and the requesting, agreeing to receive or accepting of an advantage;

Principle 5 - Developing the capacity and capability of Members and officers to be effective.

Ensuring that Members and officers have the necessary skills to operate the Council as a financially significant organisation that provides a substantial number of different services, often to highly dependent residents, and in addition govern the district by preparing it to meet the challenges of the future, is one of the most important aspects of governance. Setting and monitoring performance is one way of rising to this challenge.

In pursuance of this principle the Council will ensure:

- a) assess the skills required by Members and officers and make arrangements to agree a development plan to develop those skills and address any training gaps, to enable roles to be carried out effectively;
- b) embed financial competencies within all appropriate person specifications and appraisals
- c) ensure that Councillor's roles and responsibilities for monitoring financial/budgetary performance are clear; and they are provided with and have access to adequate financial skills and training to assist in discharging these responsibilities
- d) develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed;
- e) ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council;
- f) provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis;
- g) review the scope of the CFO's non financial areas of responsibility to ensure financial matters are not compromised
- h) provide the Chief Financial Officer with the resources, expertise and systems necessary to perform its role effectively within the Council
- i) put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council;
- j) consider career structures for Members and officers to encourage participation and development;
- k) when working in partnership, ensure that partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level. The partnership should:

Local code of corporate governance 2011

- identify the capacity and capability requirements of the partnership
- conduct an audit of the capacity and capability of the partnership and partners
- develop an effective plan for addressing any gaps.

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Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

Public authorities not only have to do things in the right way, but have to face the additional challenge of being seen to do things in the right way. This requires full engagement with local people through a process which is planned and resourced in a way that is fair. The Council is a “people” business providing services to people by people. People are the Council’s most important and most expensive asset, so a planned approach to their development is required.

In pursuance of this principle the Council will ensure:

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- a) make clear to the Council, all officers and the community, to whom they are accountable and for what;
- b) consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required;
- c) establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;
- d) put in place arrangements to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;
- e) on an annual basis, publish an annual report giving information on the Council’s vision, strategy, plans and financial statements as well as information about outcomes, achievements and the satisfaction of service users in the previous period;
- f) put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place;
- g) develop and maintain a clear policy on how officers and their representatives are consulted and involved in decision making;
- h) produce an annual report on scrutiny function activity;
- i) ensure that the Council as a whole is open and accessible to the community, service users and staff and ensure that it has made a commitment to openness and transparency in all dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so;

- j) when working in partnership, ensure that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups should be used where appropriate. In the work cycle of the partnership it must be clear and demonstrable to the public what has happened to any feedback and what has changed as a result.

Annual Review of Corporate Governance

At the end of each financial year, the Council formally reviews the governance arrangements in place and produces an Annual Governance Statement.

The Annual Governance Statement includes assurance statements and Internal Audit's opinion report.

The Annual Governance Statement addresses any actions arising from the previous years Annual Governance Statement (formerly Statement on Internal Control) and highlights any actions arising from the year being reviewed.

The Annual Governance Statement also assesses the effectiveness and application of the Local Code of Governance and identifies any necessary changes and makes any relevant recommendations to the Council.

As part of the Audit Committee's governance role, the formal annual review will be undertaken by the Audit Committee on behalf of the Council.

The Annual Governance Statement is signed by the Chair of the Audit Committee and by the Executive Director, and is published with the Council's annual Statement of Accounts.

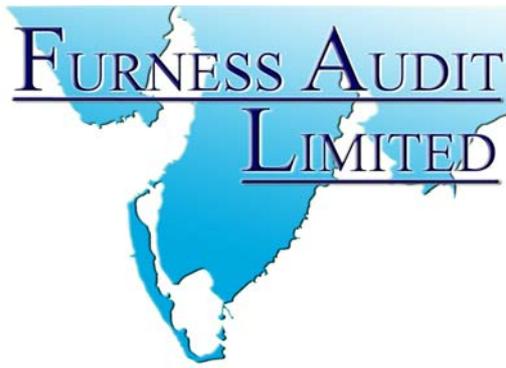
AUDIT COMMITTEE	Part One (D) Agenda Item 11
Date of Meeting: 6th March, 2012	
Reporting Officer: Borough Treasurer	
<p>Title: Internal Audit – Progress Report April 2011 to February 2012</p> <p>Summary and Conclusions:</p> <p>The Committee will receive regular progress reports on the programme of work carried out by the Internal Audit service. The attached report relates to the period April 2011 to February 2012.</p> <p>The Council's Internal Audit Manager will attend the meeting to present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the report; and 2. Raise any questions or concerns with the Internal Audit Manager. 	

Report

The Internal Audit progress report is attached at **Appendix 5**.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April 2011 to February 2012

2011/12

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EXECUTIVE SUMMARY

Purpose

The purpose of the report is to update Members of the Council's Audit Committee on:

- Internal Audit work performed up to 21st February 2012, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1st April 2011 and 21st February 2012. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

This schedule provides details of all major recommendations which have been accepted by management.

3. *Rejected Recommendations*

This schedule provides details of major and significant (i.e. Priority 1 and Priority 2) recommendations, which have been rejected by Council Management.

4. *Audit Coverage*

Details of audit assignments carried out in the period, including any checks on external partner organisations.

5. *Classifications of Assurance and Recommendations*

An explanation of the classifications used for prioritising recommendations and assessing levels of assurance.

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we made in our final reports issued up to 21st February 2012; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	93	7	54	32
Fully Accepted	87	7	51	29
Partly Accepted	5	0	3	2
Not Accepted	1	0	0	1

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

Seven priority one recommendations were made within the reporting period.

Audit Report	PARTIAL DEMOLITION OF A 'DARLINGTON' STEEL PORTAL FRAMED WAREHOUSE & RE-ESTABLISHING STRUCTURE ETC
Recommendation	The Council should ensure that the Final Account submitted by the contractor is fully scrutinised prior to approval for payment; and the additional sum claimed by the Contractor is acceptable.
Rationale	<p>Contractors submitted a final account (11th March 2010) following confirmation that practical completion has been achieved. The account is usually scrutinised by the Council's appointed Quantity Surveyor or equivalent to confirm accuracy and completeness.</p> <p>Internal Audit obtained the Final Account submitted by Thomas Armstrong Construction Limited's Principal Quantity Surveyor dated 11th March 2010. Practical Completion had been achieved on 22nd July 2009, a delay of 23 days beyond the agreed contract period for completion i.e. 20th April 2009 to 29th June 2009 (a total of ten weeks).</p> <p>It should be noted that the contractor had tendered to complete the work in six weeks; however the Council made provision for ten weeks in the contract document.</p> <p>The Final Account includes a claim by the contractor for additional Preliminary Sums for a period outside the contract period amounting to £19,662.53. Internal Audit have not been provided with any evidence to confirm that an extension to contract document or equivalent had been approved and issued by the Council for the period 29th June 2009 to 22nd July 2009.</p> <p>Internal Audit were also unable to establish whether the Final Account sum had been queried with the contractor.</p>
Response	<p>The Council were committed to getting the main road contract underway; Thomas Armstrong are competitive. A Quantity Surveyor was not appointed for this contract, however the final account was mathematically checked with the contractor's Principal Quantity Surveyor.</p> <p>An Extension of time was warranted with additional work items, although this was not formally given in writing.</p>

Audit Report	SUTHERLAND STREET – GROUP REPAIRS
Recommendation	The Council should ensure that where appropriate procurement arrangements are evidenced by the completion of specific contract documentation. This will formalise arrangements and provide the Council and relevant contractor with clear understanding and a basis for negotiation should the need arise.
Rationale	<p>For the Sutherland Street Group Repair Scheme a formal contract exists for the main works with Michael Thompson Ltd. However, a formal contract does not exist for the Consultancy Services, provided by Arcus Consulting. This service was let via the electronic tendering/quotation facility, the Chest, adopted by the Council. Although this process controls the tendering/quotation process for projects/services etc. it does not “automatically” generate a complete and specific contract – only confirmation of “general terms and conditions” (which is a requirement of progress through the tendering/quotation process) being accepted.</p> <p>A specific reference number has been allocated within the Legal Services contract registration process; however the only supporting comment within the register states “let via the chest”.</p> <p>Further, a specific folder has been created on a Council network procurement shared drive; for “contracts” again, “let via the Chest”. However, this only contains some general contract related documents; not all specific to the contract. In addition, the documentation is not complete; and the index/control sheet is potentially not accurate.</p> <p>It would appear, therefore, that three potential areas of control (the Chest, Legal Services registration log and procurement shared drive) contain reference to an agreement, but none has fully addressed the requirement.</p> <p>In this instance the value of the initial services were for approximately £40,000; however this increased following subsequent projects to almost £60,000.</p> <p>Whilst undertaking the above testing/investigation, similar occurrences for other “contractual relationships” were identified in terms of the standard of documentation.</p> <p>This appears to demonstrate a lack of consistency and inadequacy regarding associated internal control arrangements; and does not demonstrate good practice. Creating a contract for retention within Legal Services need not be onerous and will strengthen the Council’s governance arrangements for procurement and contracting.</p>

Response	This is not the norm with the Council's contract documentation. This particular contract slipped through the established procedure. Better checks are now in place to prevent a re-occurrence.
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Audit Report	CATERING CONTRACT – THE FORUM
This report has two Priority 1 recommendations which are contained within a Part Two report.	

Audit Report	RISK MANAGEMENT (BUSINESS CONTINUITY)
Recommendation	<p>In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should :</p> <ul style="list-style-type: none"> a) designate a senior officer to be responsible for developing and maintaining its BCM procedures; b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM; c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities; and e) consider recognising the importance of BCM by appointing an elected Member as its “champion”.
Rationale	<p>To be effective, Business Continuity Management needs to be understood throughout the organisation.</p> <ul style="list-style-type: none"> a) Although the Management Team would be expected to play a leading role in BCM, a single officer should be responsible for developing, testing and reviewing arrangements; due to changes within the Council structure, it is not clear where this responsibility will be assigned. b) The current Business Continuity Plan is to be implemented by the Management Team, supported by other officers as directed. Their roles, including those of a formal Incident Management Team, should be defined more specifically. c) It is understood that no training in BCM has been provided for Council staff. Although resources are expected to be limited, the Council may be able to utilise existing arrangements with Cumbria County Council’s Emergency Planning Team and to cascade knowledge internally. While desktop training may be appropriate for certain aspects, exercises simulating typical scenarios can be invaluable in developing business continuity skills. d) Adoption of departmental business continuity plans would require departmental managers to analyse their critical services and plan the response to a disruptive incident. This process should involve staff within the department so that they appreciate the aims of BCM and contribute to that response. Ideally, BCM should be part of the “day job” in the same manner as health and safety.

Rationale	e) Revised BCM arrangements would be adopted by elected Members. The Council may consider if an individual Member could take a responsibility for BCM and act as its champion, to further demonstrate commitment to the activity.
Response	<p>a) The Director of Regeneration & Community Services will be the senior officer responsible for developing and maintaining the Business Continuity Management arrangements. Post June 2012 this responsibility will fall to the Executive Director, this will be formalised in the Business Continuity Plan.</p> <p>b) Management Team, and post June 2012, Management Board will act as the Incident Management Team in respect of Business Continuity Management. This will be formalised in the Business Continuity Plan.</p> <p>c) Suitable and proportionate training will be considered when the Business Continuity Plan is agreed.</p> <p>d) Staff will be made aware of the revised Business Continuity Plan through the Council intranet.</p> <p>e) This is not felt to be necessary. In the event of an incident the Council leader would assume responsibility for input from elected members.</p>

Audit Report	RISK MANAGEMENT (BUSINESS CONTINUITY)
Recommendation	<p>The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications for the team and key service staff; • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and • regularly testing and reviewing these arrangements.
Rationale	<p>The Council has a Business Continuity Plan, titled 2007-2009, which is available on its website. The Plan was produced by the Chief Environmental Health Officer and approved by Executive Committee on 27 June 2007.</p> <p>The approved Plan quotes a review date of March 2009 and states that it will be subject to annual updating, followed by a desktop exercise; however none of these have happened. The content of the Plan is relatively high level and contains elements which would normally be contained within a BCM strategy.</p>

<p>Rationale</p>	<p>Due to the origin of the Plan, it has not been developed from an identification of Business Critical Activities (BCAs), followed by an assessment of risks to those activities and the effects of disruption. The Plan only outlines the recovery processes and suggests the priority for re-establishing services, rather than detailing the actions to be taken in the event of an incident.</p> <p>The Council's current position does not reflect the adoption of the standard approach to BCM which would require it to:</p> <ul style="list-style-type: none"> • set out its objectives in a high level strategy; • identify the activities which are critical to its business; • carry out an impact and risk analysis of potential disruption to BCAs; • identify the timescales and requirements for recovery of its BCAs; • produce an overall plan to manage incidents, from the initial effects to maintenance of BCAs and their recovery, including the identification of an incident management team, accommodation and communications for the team and key workers, feasible contingency measures and resources; • require individual departments to consider and document their own critical activities and the processes needed to resume services in the event of disruption; and • test and review the plans at overall and detailed levels, including scenario exercises.
<p>Response</p>	<p>Agreed, although the plan should be proportionate to the size of the organisation and the consequences to the wider public. The plan will be based upon core Business Continuity Management principles rather than adopt a detailed plan for every Council service. The plan will seek confirmation from our main contractors that they have a Business Continuity plan in place as required under their contract. It will also give consideration to the items in recommendations 2 and 4 inclusive.</p>

Audit Report	IT GENERAL CONTROLS (LIBERATA)
Recommendation	<p>The Council should encourage Liberata to cooperate positively through the provision of information when required.</p> <p>Liberata should be required to provide complete client specific information where requested by the Council; preferably through a letter of authority clarifying the situation.</p> <p>Any relevant information should be provided in a complete and timely manner and the Council should pursue any information which is missing, incomplete or unsatisfactory.</p>
Rationale	<p>At the initial meeting held in February 2010, with the Council's former IT Manager and Liberata management - Infrastructure Engineer, IT Service Delivery Manager and Client Manager; it was agreed that the Computer Auditor would be provided with the information needed to complete the audit within the following few days.</p> <p>Subsequently, Liberata contacted the Internal Audit Manager and requested additional time to provide documentation. Eventually, after approximately two months, the IT Service Delivery Manager emailed the Internal Audit Manager to state that the required documentation would not be released, although he was willing to discuss the contents of the documents with the Computer Auditor. It was considered that this approach was in breach of contract conditions.</p> <p>This situation frustrated the review and prevented Internal Audit from fulfilling its duties associated with the audit of Liberata IT General Controls. This is a serious issue as assurance from Internal Audit is required to support the Authority in meeting its governance responsibilities including compliance with the Data Protection Act.</p> <p>Following Liberata's refusal to provide the required information; the Council obtained external legal advice relating to the contractual arrangements and access to information. Subsequent discussion took place over the summer 2010.</p> <p>Liberata insisted that their "non-disclosure agreement" was required; however this is a commercial document which was found not to be appropriate through legal opinion. Liberata eventually agreed to provide requested information for the audit to commence.</p> <p>Following this, a further schedule of required information was provided to Liberata, who contacted Internal Audit to confirm the information would be made available.</p>

<p>Rationale</p>	<p>On the 3 March 2011, Internal Audit visited the Liberata office in Barrow, no information had been produced, a BSI assessment report relating to ISO 27001 was viewed on screen and an index of document titles was shown. A follow-up e-mail was sent on 4 March confirming the required information etc.</p> <p>The majority of the documents/information which were requested in January 2010 were received on the 17 June 2011; enabling further analysis and discussion to take place. However, it had taken in excess of eighteen months to achieve this.</p>
<p>Response</p>	<p>The Council has discussed this issue with Liberata and explained that the lack of information led to significant delays in completing the audit and resulted in the Council incurring additional costs. Liberata have accepted that their response was not appropriate and have given assurance that they will respond promptly to future requests for information by the Council or its representatives.</p>

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

There have been no rejected priority one recommendations during the reporting period.

3.2 PRIORITY TWO RECOMMENDATIONS

There have been no rejected priority two recommendations during the reporting period.

4. INTERNAL AUDIT COVERAGE: APR 2011-FEB 2012

Audit Assignment	System Significance Band	Status	Assurance
ANNUAL AUDITS			
Income Collection	1	Final	Substantial
Housing and Council Tax Benefits	1	Initial Draft	Substantial
Council Tax	1	Final	Unqualified
Performance Management	2	Final	Substantial
Business Rates (NNDR)	1	Final	Unqualified
Risk Management	1	Final	Restricted
Financial Information System	1	Commenced	
Budgetary Control	2	Final	Unqualified
Treasury Management	2	Final	Unqualified
Car Park Meter Income	2	Final	Substantial
Payroll System Review	2	Commenced	
Payroll (inc. Expenses)	2	Final	Substantial
Accounts Receivable	2	Final	Substantial
Corporate Control/Governance	2	Commenced	
Periodic Checks	2	Q3 in progress	-
Procurement (inc. Ordering)	2	Draft	Substantial
Accounts Payable	2	Final	Substantial
Housing Rents	2	Final	Substantial
Standing Orders/Financial Regs/Anti Fraud	2	Findings produced	N/a
Housing Maintenance (Day to day repairs) (replaced with add. Contract Audit)	2	Cancelled	-

Audit Assignment	System Significance Band	Status	Assurance
RISK ASSESSED SYSTEMS			
Leisure Centre	3	Final	Substantial
Disabled Facilities Grants	3	Final	Substantial
Insurance	3	Final	Substantial
Asset Register/Property Portfolio (replaced with add. Contract Audit)	3	Cancelled	-
Cemeteries and Crematoria	4	Final	Substantial
Grounds Maintenance	4	Final	Substantial
Personnel	4	Final	Substantial
DESIGNATED ANNUAL AUDIT ACTIVITY			
Receipt Book Checks	-	Initial Draft	Substantial
Petty Cash/Floats Spot Checks	-	Complete	-
<i>Other Projects</i>			
Contract Standing Orders Compliance Checklists	-	Complete	-
<i>Community Organisations (inc. Mayor's Account)</i>			
Hawcoat	-	Complete	-
Abbotsvale	-	Complete	-
Dalton Community Association	-	Awaiting return of certification letter	-
Roosegate	-	Complete	-
Barrow Playing Fields Users Association	-	Commenced	-
Mayors Account	-	Complete	-

Audit Assignment	System Significance Band	Status	Assurance
<i>Funding Checks/Grant Claims</i>			
North Central Barrow Renewal Area Final Claim Funding Check	-	Complete	-
Inspiring Communities Final Claim Funding Check	-	Complete	-
Walney Landfill Funding Check	-	Complete	-
Fraud Hotline	-	Ongoing	-
NFI Responsibilities	-	Ongoing	-
IT ENVIRONMENT AUDITS	1		
Internet Access and Security	-	Draft	N/a
IT General Controls (Liberata)	-	Final	Substantial
Disaster Recovery Update (NINEVEH)	-	Complete	-
CONTRACT AUDIT	1		
Demolition of Sutherland Street	-	Final	Substantial
Re-roofing, demolition and Elevation repairs at 2-28 Sutherland St & 96 Crellin St. Group Repair)	-	Final	Restricted
Marsh St Group Repair	-	Final	Substantial
Waterside Business Park - New Access Road	-	Findings Schedule	-
Demolition of Arthur Street	-	Stage 2 complete	-
Ship Inn Piel Island	-	Initial Draft	Restricted
Hartington Street Park	-	Final	Substantial
Hindpool Park Extension and Albert St Flats	-	Commenced	-

Audit Assignment	System Significance Band	Status	Assurance
AUDIT MANAGEMENT			
Contract Probity	-	Complete	-
Contract Payment Procedures/ Contract Register	-	Complete	-
Streetcare	-	Complete	-
Capital Programme	-	Complete	-
<i>Implementation Review</i>			
Development Control	-	Complete	-
Client Monitoring (Revenues & Benefits)	-	Complete	-
Forum 28	-	Complete	-
Licensing	-	Complete	-
Barrow Park	-	Complete	-
Allotments	-	Complete	-
Market Complex	-	Complete	-

Audit Assignment	System Significance Band	Status	Assurance
CONTINGENCY <i>(Previous year draft and final reports issued during period)</i>			
Emlyn Street Car Park	1	Final	Substantial
Construction of Link Road - Cornmill Crossing to North Rd.	1	Final	Substantial
Partial Demolition of a Darlington Steel portal framed warehouse and Re-establishing structure	1	Final	Restricted
Public Realm Scheme Phase 2	1	Final	Substantial
Heating Ventilation and Air Conditioning contract	1	Final	Substantial
Catering Contract – The Forum	3	Final	Restricted

5. CLASSIFICATIONS

5.1 Classification of Assurance Levels

At the conclusion of each audit, we give an overall opinion on the level of assurance, which we consider is provided by the controls in place within the system audited. The following classification of assurance levels has been adopted:

Level	Definition
1. Unqualified Assurance	The controls appear to be consistently applied.
2. Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
3. Restricted Assurance	The level of non-compliance identified places the system objectives at risk.
4. None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

- Priority 1* Major issues that we consider need to be brought to the attention of senior management.
- Priority 2* Important issues which should be addressed by management in their area of responsibility.
- Priority 3* Detailed issues of a relatively minor nature.

APPENDIX 1 – DRAFT REPORTS ISSUED

Ref	Audit	Date issued
IT45	Internet Access and Security	9 Feb 2012
11-18	Procurement (inc Ordering)	15 Feb 2012

Appendix 2 – Restricted Assurance Audits

		Recommendations			Previous Recommendations			Total	Date Issued
Ref	Audit	P1	P2	P3	P1	P2	P3		
CR 55	Alterations to the Park Leisure Centre	0	9	0	N/a			9	9 June 2010
10-24	Sodexo Catering Contract Forum 28	2	6	1	N/a			9	8 December 2011
CR 53	Construction of Holker Street Car Park	0	10	0	N/a			10	1 December 2010
10-34	Residual Waste Probity Review	2	3	0	N/a			5	2 December 2010
IT40	IT Asset Management	0	11	2	N/a			13	10 December 2010
IT 44	IT General Controls, Review of IT 42	1	16	5	N/a			22	11 February 2011
CR59	Partial Demolition of a Darlington Steel portal framed warehouse and Re-establishing structure	1	4	1	N/a			6	20 July 2011
11-08	Risk Management/Business Continuity	3	1	0	N/a			4	20 December 2011
CR63	Re-roofing, demolition and Elevation repairs at 2-28 Sutherland St & 96 Crellin St. (Group Repair)	1	2	2	N/a			5	8 December 2011

AUDIT COMMITTEE	Part One (D) Agenda Item 12
Date of Meeting: 6th March, 2012	
Reporting Officer: Borough Treasurer	
<p>Title: Internal Audit Plan 2012-2013</p> <p>Summary and Conclusions:</p> <p>Under Section 151 of the Local Government Act 1972, I have a responsibility to ensure the proper management of the finances of the Council. In order to achieve this, an Internal Audit function needs to be maintained to provide me with the assurance necessary to discharge my duties under section 151.</p> <p>The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner.</p> <p>Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. This is in compliance with the Accounts and Audit Regulations 2003 as amended, which specifically require a local authority to maintain an adequate and effective system of internal audit. This work is delivered by way of a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which needs approval by this Committee.</p> <p>Recommendations:</p> <p>Members are recommended to approve the plan for 2012-2013.</p>	

Report

The Internal Audit function is outsourced to Furness Audit. The Internal Audit function is part of the Borough Treasurer's department.

The head of the service is required to prepare an annual audit plan after consultation with the Borough Treasurer.

The coverage of the internal audit work may vary from year to year depending on the risk factors and needs identified during the planning process.

For the year 2012-2013, it is proposed to carry out the programme shown below.

Audit	Significance Band	Directorate	Days
ANNUAL AUDITS			
Income Collection	1	Borough Treasurer's	15
Housing and Council Tax Benefits	1	Borough Treasurer's	35
Council Tax	1	Borough Treasurer's	12
Performance Management	2	Corporate Services	5
Business Rates (NNDR)	1	Borough Treasurer's	10
Risk Management	1	Corporate Services	9
Financial Information System	1	Borough Treasurer's	9
Budgetary Control	2	Borough Treasurer's	9
Treasury Management	2	Borough Treasurer's	7
Car Park Meter Income	2	Regeneration and Community Services	10
Payroll (inc. Expenses)	2	Borough Treasurer's	18
Accounts Receivable	2	Borough Treasurer's	10
Corporate Control/Governance	2	Corporate Services	3
Periodic Checks	2	Borough Treasurer's	24
Procurement (inc. Ordering)	2	Corporate Services	14
Accounts Payable	2	Borough Treasurer's	10
Housing Rents	2	Regeneration and Community Services	10
Standing Orders/Financial Regs/Anti Fraud	2	Corporate Services/Borough Treasurers	10
Housing Non Routine Maintenance	2	Regeneration and Community Services	15
IT Environment Audits	1		25
Contract Audit	1		70
RISK ASSESSED SYSTEMS			
Partnership Arrangements	2	Corporate Services	7
The Forum	3	Corporate Services	10
Disbursed Homeless Accommodation	4	Regeneration and Community Services	6
Document Retention	4	Corporate Services	7
Cemeteries and Crematorium	4	Regeneration and Community Services	4
Refuse and Recycling (Waste Container Stock)	4	Regeneration and Community Services	10
Allotments	5	Corporate Services	7
DESIGNATED ANNUAL AUDIT ACTIVITY			
VFM Reviews/Cash Floats/Receipt Books	-		20
Community Organisations (inc. Mayor's Account)	-		22
Fraud Hotline	-		12
Funding Checks/Grant Claims	-		12
NFI Responsibilities	-		25
AUDIT MANAGEMENT			
Implementation Review	-		12
Probity	-		12
Audit Administration	-		10
Audit Committee	-		6
Audit Management/Planning/Reporting	-		10
External Audit Liaison	-		3
CONTINGENCY	-		5
TOTAL CONTRACT DAYS			530

Background Papers

Nil

AUDIT COMMITTEE	Part One (D) Agenda Item 13
Date of Meeting: 6th March, 2012	
Reporting Officer: Borough Treasurer	
<p>Title: Internal Audit – Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit have completed a number of audits in accordance with the approved annual programme. On completion, final reports are presented to this Committee for consideration.</p> <p>The Council's Internal Audit Manager will attend the meeting to present the reports to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the reports; and 2. Raise any questions or concerns with the Internal Audit Manager. 	

Report

There are 9 final reports for consideration, attached to this report at **Appendices 6 - 14**. The following table sets out the assurance level assigned to each report and the number of issues identified.

The assurance levels are:

None – control is weak, causing the system to be vulnerable to error and abuse.

Restricted – significant weaknesses have been identified in the system of control, which put the system objectives at risk.

Substantial – while there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.

Unqualified – there is an adequate system of control designed to achieve the system objectives.

The recommendation levels assigned to issues identified are:

Priority 1 – **major issues** that Internal Audit considers need to be brought to the attention of senior management.

Priority 2 – **important issues** which should be addressed by management in their areas of responsibility.

Priority 3 – **minor issues** which provide scope for operational improvement.

Previous issues – are issues identified in a previous audit report that have not been entirely implemented at the time of this latest audit.

No.	Report	Assurance level	Major issues	Important issues	Minor issues	Previous issues
10-24	Catering Contract	Restricted	2	6	1	-
11-06	Performance Management	Substantial	-	2	-	-
11-08	Risk Management	Restricted	2	2	-	-
11-15	Receivables	Substantial	-	-	-	3
11-23	Leisure Centres	Substantial	-	2	4	2
11-28	Grounds Maintenance	Substantial	-	4	-	1
CR63	Sutherland Street	Restricted	1	2	2	-
CR68	Hartington Street	Substantial	-	1	-	-
IT-46	IT General Controls Liberata	Substantial	1	3	2	-

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-24
CATERING CONTRACT – THE FORUM

Executive Summary

Introduction

The Council has longstanding contractual arrangements with Sodexo, formerly Gardner Merchant, to manage several of its catering facilities. In 2009/10 Internal Audit reviewed the arrangements at the Dock Museum; the current review relates to The Forum, including catering provided to Barrow Town Hall. The company employs an on-site manager and several local staff on the contract.

In 2000 the Council entered into a five-year contract with Sodexo: in 2003 this was extended to May 2008, continuing thereafter until terminated by either party. The contract included provision for a guaranteed return and an income sharing arrangement at The Forum and for the company to invest in its facilities. A draft contract for the continuation of the service was drawn up by Sodexo in 2007: at the time of the audit review, this had not been agreed and finalised. In 2009 Internal Audit raised concerns/potential weaknesses with the draft contract relating to the Dock Museum; subsequently further concerns have been identified regarding the proposals for The Forum and the Park Leisure Centre, all of which have been reported to the Director of Corporate Services.

Sodexo manages the accounting arrangements for the contract, using its national systems with local access and input of data. Monthly trading statements are produced which form the basis of calculating income due to the Council. The Council is invoiced for events organised at The Forum, cleaning the building and catering supplied to the Town Hall.

In 2009/10, the Council received £21,000 income from The Forum contract in addition to the guaranteed annual return of £8,000 and paid £55,000 for cleaning the building. Catering costs for Barrow Town Hall amounted to £22,000.

Audit Objectives

An audit of this system forms part of the agreed 2010/11 programme. The audit objectives were to evaluate and test the internal controls over the catering contract. The scope and objectives of the audit were discussed and agreed in advance with Sandra Baines, Venue Manager for The Forum.

Audit work included ascertaining the risks associated with the contractual arrangements and testing the internal controls. Details of the audit methodology are provided in Appendix 1.

Key Points

Restricted Assurance

Two major issues

Six important issues

One minor issue

Audit Conclusion – Restricted Assurance

The audit review involved accessing accounting data maintained by Sodexo. The company has not provided its local manager with on-line access to its accounting system so that, in certain cases, we were only able to examine summary information without the ability to “drill down” fully into detailed transactions to confirm amounts precisely.

However, as a result of the audit we have concluded that there are significant weaknesses which put some of the system objectives at risk. We have made two Priority 1 recommendations concerning:

- agreeing contractual terms with Sodexo that demonstrate value for money; or consider market testing the service provision in accordance with the Council’s Constitution; and
- appreciating the implications of the contract conditions relating to capital expenditure.

In addition, we have made three important recommendations relating to:

- confirming the investment made by Sodexo in the facilities at The Forum and the Dock Museum under its existing commitment;
- obtaining and periodically checking accounting information from the company; and
- obtaining the element of profit share for event income invoiced directly by Sodexo;

and three further important recommendations in respect of the provision of catering at Barrow Town Hall:

- understanding and rationalising the charging methods used by Sodexo;
- reviewing and monitoring the cost of the arrangements; and
- confirming that the arrangements represent value for money.

Finally, we have made one minor recommendation which concerns clarifying adjustments made by the company to invoiced charges.

Management Response

We have received a constructive management response from Keith Johnson, Community Services Manager and Sandra Baines, Venue Manager accepting each of the recommendations and stating, in addition, that the Council are in a transition period with Sodexo at present. There is no current contract in place and the Council are just operating on a month-to-month arrangement. The Community Services Manager has been tasked by the Chief Executive to investigate how catering provision may be offered in future and it is likely that the new arrangement will be based on any supplier providing the Council with an annual fee to run catering services in the Borough.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review and also to acknowledge the help given by Sodexo's local manager.

Recommendation 1	Responsibility: Chief Executive & Community Services Manager	Priority: 1	
<p>The Council should endeavour to agree contractual terms with Sodexo that demonstrate value for money; or consider market testing the service provision in accordance with the Council's Constitution.</p>			
<p>Rationale</p>			
<p>The Council is currently in the process of negotiating a new contract with Sodexo for The Forum and other facilities. The current contract formally expired on 31 May 2008: this was an extension of the previous contract, which covered the period from June 2000 to May 2005.</p> <p>Internal Audit understand that a tender exercise for the catering function was last carried out in 1989: no suitable tenders were received and approval was given to openly negotiate with Gardner Merchant, following which a contract was awarded to the company in 1990.</p> <p>Subsequently, further negotiations with Gardner Merchant and its successor, Sodexo, have resulted in a number of additions and extensions to the contract.</p> <p>As the service has not been tendered for some twenty years, its costs have not been subject to market testing in that period and it is difficult to see how the Council could demonstrate that it is achieving value for money from the arrangement. Furthermore, the terms of the contract appear to be dictated by the contractor to a significant degree.</p> <p>This contractual issue needs to be resolved as soon as possible, if necessary terminating current arrangements/serving notice to ensure compliance issues and value for money are achieved.</p>			
<p>Management Response</p>			
<p>The Chief Executive, Community Services Manager and Venue Manager met with senior managers from Sodexo on Wednesday 24th November. The purpose of the meeting was to examine ways in which the contractual situation can be formalised. As the catering contract is a part B residual service, it does not require OJEU procurement procedures. The Chief Executive will ensure that a competitive process is followed to ensure best value for the council.</p>			
Accepted	Implementation Deadline:	1 April 2011	

Recommendation 2	Responsibility: Community Services Manager	Priority: 1
<p>The Council should:</p> <ul style="list-style-type: none"> a) be fully aware of, and be satisfied with, its potential obligations in respect of capital expenditure under the proposed contractual arrangements, including the conditions relating to undepreciated expenditure, prior to agreeing those arrangements; b) ensure that it always agrees in advance the amount of any capital expenditure proposed by Sodexo; c) request Sodexo to provide evidence of its actual capital expenditure under the contract; d) ensure that investment is made early in the life of the new contract to avoid a large residual liability for undepreciated capital expenditure; and e) if the finalised contract states an amount of planned investment, clarify the liability for any amount expended in excess of that amount. 		
Rationale		
<p>The draft contract assumes that Sodexo will invest in the facilities at The Forum; however as noted in Recommendation 2, no set figure for capital investment by the firm is quoted. Amounts are to be agreed with the Council, although a detailed list at Schedule 10 suggests that the company has specific plans to invest in the venue(s). Any such expenditure would be capitalised by Sodexo and depreciated over its useful life.</p> <p>If the contract is terminated for any reason before the end of the depreciable life of the asset, the undepreciated capital expenditure would be charged to the Council, which would acquire title to the assets. This would mean that the Council would either be required to meet potentially sizeable expenditure or be placed in a position whereby that amount would effectively tie it to a renewal with Sodexo.</p> <p>A further potential difficulty could arise where the company invests more than any contractual commitment as the Council could find itself liable for undepreciated expenditure in excess of that committed in the contract. The terms of the proposed contract should be clarified and confirmed.</p> <p>The Council needs to appreciate the implications of the proposed contract conditions relating to capital investment. In order to minimise the potential risks, the Council should always agree in advance any capital investment proposed by Sodexo, while it would be preferable for investment to be made early in the contract period so that the majority of capital expenditure is depreciated before the end date.</p>		
Management Response		
There is no signed contract at present and these issues will be dealt with in the new arrangement.		
Accepted	Implementation Deadline:	1 April 2011

Recommendation 3	Responsibility: Community Services Manager	Priority: 2	
<p>The Council should request from Sodexo:</p> <p>a) confirmation that the company has fulfilled its existing commitment to invest £70,000 in the facilities at The Forum and the Dock Museum; and</p> <p>b) details of the specific items of capital expenditure</p>			
Rationale			
<p>One of the benefits of the current contract with Sodexo is that it obliges the company to make a capital investment of £70,000 in the facilities at The Forum and the Dock Museum. In discussion during the audit review, Internal Audit was informed by Sodexo's local manager that the company had exceeded this commitment, however he did not have access to its corporate accounting system in order to confirm the actual amount. The Council should seek assurance that the full £70,000 has, in fact, been expended.</p> <p>It is understood that the capital investment by Sodexo involved permanent alterations to the two sites. As these are, or will become, the property of the Council, it should understand the nature of the works so that it can assess any liability and the maintenance programme required to maintain their condition.</p>			
Management Response			
<p>We will seek evidence from Sodexo of this expenditure and request this by end of January 2011.</p>			
Accepted	Implementation Deadline:	31 January 2011	

Recommendation 4	Responsibility: Community Services Manager & Venue Manager	Priority: 2
<p>The Council should:</p> <p>a) ensure that Sodexo operates its intended open book policy by providing data from its accounting system on request; and</p> <p>b) periodically verify charges and income invoiced by the company to source transactions.</p>		
Rationale		
<p>Sodexo states that it operates an “open book” policy whereby it allows Council staff access to financial information supporting the charges and income sharing arrangements. However in practice this is limited to summary rather than source data because the company’s local manager does not have access to Sodexo’s corporate accounting system.</p> <p>As a result, transaction data may not be available for examination, although The Forum staff regularly check invoiced amounts to Sodexo’s weekly trading summaries. Similarly, although the audit review was able to conclude that, from the available information, the costs and income appeared reasonable, it was not possible to verify figures absolutely.</p> <p>Sodexo’s local manager is expecting to be given access to the accounting system; when this happens, Council staff should ensure that they are able to seek data from the system that will allow them to check detailed trading information supplied by the company.</p>		
Management Response		
<p>There is no signed contract at present and this will be dealt with in the new arrangement.</p>		
Accepted	Implementation Deadline:	1 April 2011

Recommendation 5	Responsibility: Community Services Manager & Venue Manager	Priority: 2
<p>The Council should:</p> <ul style="list-style-type: none"> a) ensure that the Authority receives from Sodexo the contractual percentage return on income from future events where the charges are invoiced directly to customers; b) request the company to credit The Forum account with the return due on the invoice for the event highlighted by this audit; and c) consider whether it wishes to pursue recovery from the company in any similar past cases where the return has not been allowed to the Council. 		
Rationale		
<p>The current and proposed contracts with Sodexo provide for an income share whereby the company credits the Council with a 5% return on all sales at The Forum.</p> <p>Internal Audit tested a small sample of cash takings and concluded that the Council was being credited with the 5% share of this income and also that from an evening wedding party where the invoice for catering was paid by cash.</p> <p>In contrast, an invoice of £5,204.47 for meals and refreshments for the Boxing Club dinner in November 2009 was raised by Sodexo's regional office and paid directly. This income was not recorded in the accounts held locally and so had not been included in the calculation of the 5% return for that month. The cash bar takings for the event had been accounted for in the calculation of the return to the Council; this element therefore appeared to be accurate.</p> <p>Internal Audit further confirmed that no adjustment had been made in the following two months for the income of £260 due to the Council for this event. In discussion, Sodexo's local manager was unable to explain how the Council would receive the return on income invoiced and paid to the company's regional office.</p> <p>Unless Sodexo has a sound mechanism to identify invoiced income in its total figures, the Council will not have the assurance that its return on that income is accounted for accurately.</p>		
Management Response		
<p>We will ensure that this is complied with for future events. It may be superseded by any new arrangements.</p>		
Accepted	Implementation Deadline:	1 April 2011

Recommendation 6	Responsibility: Community Services Manager	Priority: 2
<p>The Council should:</p> <p>a) ensure that it has a good understanding of the method used by Sodexo to charge for catering at Barrow Town Hall, preferably including relevant documentation; and</p> <p>b) seek to simplify those charging arrangements to more clearly record actual costs.</p>		
Rationale		
<p>Internal Audit discussed the charges made by Sodexo to the Council for catering at Barrow Town Hall with the company's local manager.</p> <p>In discussion, the manager stated that labour was charged as a fixed number of hours weekly, while expenses included vending machine rentals and new or replacement crockery authorised by the Council. In respect of "internal issues" (e.g. refreshments for meetings), he stated that he had frozen the cost of teas and coffees since 2004 and gave a discount of 40% on simple items although larger events are charged at 100%; however none of this methodology appears to have been documented.</p> <p>It is not apparent whether the Council is party to the charging method described by the company's local manager. This area should be clarified and formalised in future arrangements to avoid potential misunderstandings.</p> <p>Further, the Venue Manager believes that the charging arrangements could be simplified, reducing administrative time for both the Council and Sodexo, if the company's invoices were based on a straightforward recharge of direct costs.</p>		
Management Response		
<p>There is no signed contract at present and these issues will be dealt with in the new arrangement.</p>		
Accepted	Implementation Deadline:	1 April 2011

Recommendation 7	Responsibility: Community Services Manager	Priority: 2
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The Council should ensure that, for catering provided at Barrow Town Hall:

- a) Sodexo provides detailed information which is invoiced in a format which can be reconciled to aid understanding and verification; and
- b) it reviews and monitors the overall and detailed cost, including the identification of wastage.

Rationale

Internal Audit reviewed a sample of invoices issued by Sodexo during 2009/10 for catering at Barrow Town Hall.

Analysis of the November 2009 invoice showed that the following amounts were charged to the Council:

	£
Food	1,000.98
Labour	774.40
Expenses	733.83
	<u>2,509.21</u>
Charged as:	
Internal Issues ⁱ⁾	1,178.15
Additional Costs ⁱⁱ⁾	1,331.06
Invoiced Total	<u>2,509.21</u>

- i) Internal issues are charges for identifiable catering, e.g. refreshments for meetings, which are allocated to various cost centres in the Council's accounts.
- ii) The net costs of the service after the identifiable internal issues are charged to the Council as additional costs.

It was not possible to verify the individual amounts of expenditure to Sodexo's accounting system as the company's local manager does not have access, however Internal Audit were provided with supporting trading information from which it appeared that the costs were justifiable.

Upon payment of the monthly invoice, the costs are spread over a large number of codes within the Council's accounts; and although the identification of the total cost charged is straightforward to identify, the amount charged as "additional costs" is not and therefore just absorbed.

It is not apparent whether Council staff monitor the amounts charged by Sodexo to ensure that they are accurate and reconcilable to recorded activity, nor whether they are reviewed to identify wastage, e.g. when a Committee is not fully attended.

Management Response

There is no signed contract at present and these issues will be dealt with in the new arrangement.

Accepted

Implementation Deadline: 1 April 2011

Recommendation 8		Responsibility: Community Services Manager	Priority: 2
The Council should satisfy itself that the arrangements for catering at Barrow Town Hall represent value for money.			
Rationale			
Internal Audit summarised the invoiced costs of Town Hall catering for the full year 2009/10 as follows:			
	£	£	
Internal Issues	21,381.38		
Invoiced externally*	<u>(5,653.14)</u>	15,728.24	
Additional costs		<u>6,147.72</u>	
Annual cost		<u>21,875.96</u>	
* Certain internal issues are rechargeable externally by the Council, e.g. mayoral events and meetings held by Unison.			
It is not apparent whether Council staff review the catering arrangements for the Town Hall periodically to ensure that they represent value for money.			
Management Response			
The existing arrangement, although not signed, does have an exclusivity clause. This means that any internal event must be catered by Sodexo. Value for money in catering is highly subjective and whilst it appears reasonable, the arrangement can be tested in the forthcoming new arrangements.			
Accepted	Implementation Deadline:		1 April 2011

Recommendation 9	Responsibility: Venue Manager	Priority: 3
<p>The Council should:</p> <p>a) clarify the invoiced charges made by Sodexo for events at The Forum in January and March 2010; and</p> <p>b) request that Sodexo formalise the method of showing adjustments to invoices.</p>		
Rationale		
<p>Sodexo invoices the Council monthly for catering at events held at The Forum. The invoices are supported by lists which enable the Council to bill external customers or allocate costs internally.</p> <p>Internal Audit checked the totals of the lists for January and March 2010 to the invoices raised by Sodexo. A discrepancy was apparent in both months:</p> <ul style="list-style-type: none"> - For January 2010, the lists totalled £5,801.85; however the invoiced amount showed £5,821.26, an apparent overcharge of £19.41. - For March 2010, the lists totalled £1,356.96 and the invoiced amount showed £1,376.36, an apparent overcharge of £19.40. <p>The Forum staff explained that they would query discrepancies between the invoice and the supporting lists; this particular instance may reflect an adjustment by Sodexo that has been applied the wrong way.</p> <p>Sodexo does not appear to record adjustments as separate items on its documentation: a clearer method of showing corrections would avoid potential misunderstandings.</p>		
Management Response		
<p>These amounts have been credited back. The Forum staff will check each invoice.</p>		
Accepted	Implementation Deadline:	1 April 2011

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas which were agreed as part of the preliminary planning stage:

- assessment of existing and proposed contract conditions;
- verification of income returns;
- recharges between the catering and cleaning contracts; and
- charges for Town Hall catering.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- test internal controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditors: Keith Jackson and Jack Jones

The fieldwork was performed: June – July 2010

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-06
PERFORMANCE MANAGEMENT

Executive Summary

Introduction

The Council has developed a performance management framework which is based on identifying a number of improvement activities to achieve the aims of both the Community and the Council. For each of the six Key Priorities in place in 2010/11 an action plan was in place which included annual objectives, actions and measures so progress could be assessed. In 2011/12 due to the current economic climate the Council have reduced its key Priorities to the four most urgent and important issues identified in the Borough as follows: efficiency, housing, the built environment and the local economy.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to review the internal controls for specified Performance Indicators. The scope and objectives of the audit were discussed and agreed in advance with John Penfold, Policy Review Officer.

Key Points
Substantial Assurance
Two important issues.

Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are weaknesses which may put some of the system objectives at risk. We have made three Priority 2 recommendations, which concern:

- considering entering into a contract with Sinkfall Recycling regarding the composting of green household waste; and
- monitoring Sinkfall Recycling regarding the depositing of waste material on land within the Borough.

Management Response

We have received a constructive management response from John Penfold, Policy Review Officer, accepting the recommendations.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

Recommendation 1	Responsibility: Policy Review Officer	Priority: 2
<p>The Council should enter into a contract with Sinkfall Recycling regarding the composting of green household waste; potentially through a tendering or shared arrangement.</p>		
<p>Rationale</p>		
<p>Through discussions with the Policy Review Officer and the Client Cleansing Officer it was identified that, although all green waste collected in the Borough is sent to Sinkfall Recycling, no contract/agreement is in place. Prices are agreed on an annual basis and the Council are invoiced per tonne deposited, evidenced by weighbridge tickets.</p> <p>Additionally, no documentation exists to confirm that all deposits are composted rather than land filled or disposed of through, for example 'shred & spread', only a green waste processing method statement, which does not include this level of detail in the process. As the Council claim recycling rewards for green waste this would provide assurance that the rewards are being appropriately claimed.</p> <p>Total payments to Sinkfall Recycling were in the region of £81,000 in 2010/11; and current arrangements have been in place since 2007.</p>		
<p>Management Response</p>		
<p>The Council has not entered in to formal contract agreement for the disposal of green waste because the financial viability of the green waste kerbside collection service is uncertain. We currently depend on income from Cumbria County Council's Recycling Reward Scheme to fund the collection service and the value of this is not guaranteed. Entering into a contract for disposal of green waste at this stage would not be appropriate because the financial risk to the Council would be increased. Although the current arrangements can be strengthened similar arrangements are in operation in other districts and are deemed to be sufficiently robust. Formal contractual arrangements should be considered in the future.</p> <p>Green waste collected in the Borough is not processed discretely, so down stream processing documentation would be of limited value.</p>		
Accepted	Implementation Deadline:	No Further Action

Recommendation 2	Responsibility: Policy Review Officer	Priority: 2
<p>The Council should consider monitoring Sinkfall Recycling regarding the depositing of waste material on land within the Borough.</p>		
<p>Rationale</p>		
<p>In October 2011, Cumbria County Council conducted an audit relating to the application of compost on land within the Borough of Barrow-in-Furness, specifically by Sinkfall Recycling. It had been reported that Sinkfall Recycling had deposited quantities of inappropriate waste on agricultural land.</p> <p>It was confirmed that Sinkfall Recycling have an exemption from the Environment Agency which allows them to spread PAS100 compost (sieve size 0-20mm) and oversize compost (20-100mm) on agricultural land to improve the quality of the land and the quantity of such matter spread may be claimed as recycling rewards. However, photographic evidence had been obtained which appeared to suggest that material larger than 100mm was also spread on the land.</p> <p>Regular monitoring, including site visits, to Sinkfall Recycling may provide the Council with greater assurance that the guidelines are being complied with and that all recycling rewards subsequently claimed by the Borough from the County Council (Waste Authority) are legitimate/correct.</p>		
<p>Management Response</p>		
<p>The Windrow anaerobic digestion process operated by Sinkfall Recycling has achieved PAS 100 accreditation and includes an option of reprocessing oversized material to achieve PAS 100 standard. The criteria for claiming against the Recycling Reward Scheme is that the material must be a “soil improver” and does not specify size limits therefore the risk of us making invalid claims is small. The Council should consider undertaking regular monitoring to ensure ongoing compliance and should identify an officer to take on this responsibility.</p>		
Accepted	Implementation Deadline:	30 June 2012

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- NI 192 – Percentage of household waste sent for reuse, recycling and composting.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditors: Keith Jackson and Sarah Mach

The fieldwork was performed: July 2011 to January 2012

All final Internal Audit reports will be presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL

INTERNAL AUDIT FINAL REPORT 11-08

RISK MANAGEMENT (BUSINESS CONTINUITY)

Executive Summary

Introduction

Business Continuity Management (BCM) involves the Council planning for the maintenance of all aspects of its business functioning in the event of a disruptive incident. In practice, most organisations accept that their arrangements should concentrate on ensuring that their critical functions (referred to as Business Critical Activities or BCAs) are resilient and able to recover from such an incident.

Although similar processes and skills may be involved, BCM is distinct from Emergency Planning, which would deal with a situation which might or might not affect delivery of the Council's own services, but would affect its community.

This audit review considers the Council's arrangements for business continuity management. It does not examine disaster recovery, which is a specialised process within BCM that focuses on the IT or technology systems that support business functions.

The Council last approved a Business Continuity Plan in 2007, covering the period to 2009, which was developed by a project team headed by the then Director of Regeneration.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to evaluate and test the internal controls over the Council's BCM arrangements. The scope and objectives of the audit were discussed and agreed in advance with Gary Ormondroyd, Chief Environmental Health Officer.

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Key Points

Restricted Assurance

Two major issues

Two important issues

Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that while there are some elements of control in the Council's BCM system, there are significant weaknesses and omissions which put the system objectives at risk. We have made two Priority 1 recommendations relating to the management and personnel aspects of BCM. These concern:

- clearly defining responsibilities for business continuity management, providing training and embedding its principles into the Council's culture; and

- introducing a robust system for business continuity management.

In addition, we have made two Priority 2 recommendations, which relate to:

- reviewing the constitutional framework to ensure that it provides adequately for disruptive incidents; and
- ensuring that there are sound mechanisms to support the BCM process.

Management Response

We have received a constructive management response from Phil Huck, Director of Regeneration and Community Services and Andy Buck, Safety Advisor, accepting three recommendations and partially accepting one recommendation relating to - reviewing the Council's constitutional arrangements to ensure that its Scheme of Delegation, Contract Standing Orders, Financial Regulations and Purchasing Guide provide an appropriate and consistent framework for urgent decisions to be taken in emergency situations or where its capacity to function normally is restricted.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

Recommendation 1	Responsibility: Chief Executive	Priority:	1
<p>In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should :</p> <ul style="list-style-type: none"> a) designate a senior officer to be responsible for developing and maintaining its BCM procedures; b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM; c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities; and e) consider recognising the importance of BCM by appointing an elected Member as its “champion”. 			
<p>Rationale</p>			
<p>To be effective, Business Continuity Management needs to be understood throughout the organisation.</p> <ul style="list-style-type: none"> a) Although the Management Team would be expected to play a leading role in BCM, a single officer should be responsible for developing, testing and reviewing arrangements; due to changes within the Council structure, it is not clear where this responsibility will be assigned. b) The current Business Continuity Plan is to be implemented by the Management Team, supported by other officers as directed. Their roles, including those of a formal Incident Management Team, should be defined more specifically. c) It is understood that no training in BCM has been provided for Council staff. Although resources are expected to be limited, the Council may be able to utilise existing arrangements with Cumbria County Council’s Emergency Planning Team and to cascade knowledge internally. While desktop training may be appropriate for certain aspects, exercises simulating typical scenarios can be invaluable in developing business continuity skills. d) Adoption of departmental business continuity plans would require departmental managers to analyse their critical services and plan the response to a disruptive incident. This process should involve staff within the department so that they appreciate the aims of BCM and contribute to that response. Ideally, BCM should be part of the “day job” in the same manner as health and safety. e) Revised BCM arrangements would be adopted by elected Members. The Council may consider if an individual Member could take a responsibility for BCM and act as its champion, to further demonstrate commitment to the activity. 			

Management Response

- a) The Director of Regeneration & Community Services will be the senior officer responsible for developing and maintaining the Business Continuity Management arrangements. Post June 2012 this responsibility will fall to the Executive Director, this will be formalised in the Business Continuity Plan.
- b) Management Team, and post June 2012, Management Board will act as the Incident Management Team in respect of Business Continuity Management. This will be formalised in the Business Continuity Plan.
- c) Suitable and proportionate training will be considered when the Business Continuity Plan is agreed.
- d) Staff will be made aware of the revised Business Continuity Plan through the Council intranet.
- e) This is not felt to be necessary. In the event of an incident the Council leader would assume responsibility for input from elected members.

Accepted

Implementation Deadline:

- a) Immediate**
- b) Immediate**
- c) 30 April 2012**
- d) 30 April 2012**
- e) No further action**

Recommendation 2	Responsibility: Chief Executive	Priority:	1
<p>The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications for the team and key service staff; • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and • regularly testing and reviewing these arrangements. 			
<p>Rationale</p>			
<p>The Council has a Business Continuity Plan, titled 2007-2009, which is available on its website. The Plan was produced by the Chief Environmental Health Officer and approved by Executive Committee on 27 June 2007.</p> <p>The approved Plan quotes a review date of March 2009 and states that it will be subject to annual updating, followed by a desktop exercise; however none of these have happened. The content of the Plan is relatively high level and contains elements which would normally be contained within a BCM strategy.</p> <p>Due to the origin of the Plan, it has not been developed from an identification of Business Critical Activities (BCAs), followed by an assessment of risks to those activities and the effects of disruption. The Plan only outlines the recovery processes and suggests the priority for re-establishing services, rather than detailing the actions to be taken in the event of an incident.</p>			

The Council's current position does not reflect the adoption of the standard approach to BCM which would require it to:

- set out its objectives in a high level strategy;
- identify the activities which are critical to its business;
- carry out an impact and risk analysis of potential disruption to BCAs;
- identify the timescales and requirements for recovery of its BCAs;
- produce an overall plan to manage incidents, from the initial effects to maintenance of BCAs and their recovery, including the identification of an incident management team, accommodation and communications for the team and key workers, feasible contingency measures and resources;
- require individual departments to consider and document their own critical activities and the processes needed to resume services in the event of disruption; and
- test and review the plans at overall and detailed levels, including scenario exercises.

Management Response

Agreed, although the plan should be proportionate to the size of the organisation and the consequences to the wider public. The plan will be based upon core Business Continuity Management principles rather than adopt a detailed plan for every Council service. The plan will seek confirmation from our main contractors that they have a Business Continuity plan in place as required under their contract. It will also give consideration to the items in recommendations 2 and 4 inclusive.

Accepted

Implementation Deadline:

30 April 2012

Recommendation 3	Responsibility: Chief Executive	Priority: 2
<p>The Council should review its constitutional arrangements to ensure that its Scheme of Delegation, Contract Standing Orders, Financial Regulations and Purchasing Guide provide an appropriate and consistent framework for urgent decisions to be taken in emergency situations or where its capacity to function normally is restricted.</p>		
<p>Rationale</p>		
<p>Internal Audit reviewed the Council's corporate documentation to identify processes which would apply in the event of an emergency or other incident which prevented it from functioning normally. In these circumstances, it would be expected that urgent decisions would need to be taken without following standard channels, and that appropriate exemptions to normal controls would be documented.</p> <p>a) The current Contract Standing Orders state that:</p> <p>“Nothing in these Contract Standing Orders shall require tenders to be invited if the Chief Executive and relevant Chief Officer determine that the relevant goods, works or services are required so urgently as to justify a departure from the rules”. If this exception is exercised, the reasons must be reported to the next meeting of the Executive Committee.</p> <p>This appears to be a reasonable provision, which applies to purchases of £100,000 or over.</p> <p>b) Smaller purchases are governed by the Purchasing Guide, which states that:</p> <p>“There will be times when emergency purchases will need to be made; these purchases shall be undertaken with advice from the Borough Treasurer's Department.”</p> <p>This again appears to be reasonable, although it might be preferable if similar wording was used to that in the Contract Standing Order.</p> <p>c) Financial Regulations do not refer to the waiving of procurement requirements in the event of an emergency, although they do allow the Borough Treasurer to approve a supplementary estimate for emergencies or unexpected events where there is insufficient budgetary provision, subject to reporting to the Executive Committee at the earliest opportunity.</p> <p>d) The above provisions concern financial issues, principally procurement. It would be expected that the Council's Constitution should give a more general authority to senior officers to act in emergency situations, however it appears that no such provision exists.</p>		

It is recommended that the Constitution's scheme of delegation to officers could be amended to authorise the Chief Executive to take such action on behalf of the Council as appears necessary to him/her where circumstances prevent the normal authority being obtained from an appropriate committee. Where the Chief Executive is acting in an emergency, any expenditure outside any budgetary provision should be reported to the Executive Committee at the first available opportunity. Such delegation could be extended to relevant members of the Management Team and/or made subject to consultation with the Leader of the Council or the Chairman of the relevant committee.

It is further suggested that the wording of the four quoted documents could be reviewed so that there is a consistent approach to authorising urgent action in the event of emergency or urgent action.

Management Response

The Constitution gives the Chief Executive general responsibility for control of day to day management of the authority and this delegation is felt to be sufficient for this purpose.

Partially Accepted

Implementation Deadline:

**No Further
Action**

Recommendation 4	Responsibility: Management Team	Priority: 2
<p>The Council should ensure that it has a sound infrastructure in place to support its Business Continuity arrangements effectively.</p>		
<p>Rationale</p> <p>In addition to identifying the actions needed to deal with incidents which disrupt critical service activities, the Council has to be certain that it has arrangements and procedures in place which will support the resumption of business. These should cover areas such as:</p> <ul style="list-style-type: none"> a) full documentation for restarting all critical systems; b) details of network, communications and IT equipment available to support relocated activities; c) home working procedures, including remote access, availability of staff's own equipment and any risk assessment issues; d) reciprocal staffing and accommodation arrangements; e) contact details for all relevant staff and contractors; and f) contractors' emergency procedures. <p>These contingency arrangements should be formally documented and the feasibility of implementing each tested in a simulated exercise. Documentation should be retained safely and securely and be readily available to all relevant staff. Currently this level of detailed documentation does not exist within the Authority's arrangements.</p> <p>(During the review, it was noted that the current Business Continuity Plan can be downloaded from the Council's website. The Plan contains home and mobile telephone numbers for key officers as well as contact details for many contractors. It is suggested that this information should be restricted to internal access only in order to avoid potential misuse.)</p>		
<p>Management Response</p> <p>Agreed, as stated for recommendation 2, although the plan should be proportionate to the size of the organisation and the consequences to the wider public. The plan will be based upon core Business Continuity Management principles rather than adopt a detailed plan for every Council service. The plan will seek confirmation from our main contractors that they have a Business Continuity plan in place as required under their contract. It will also give consideration to the items in recommendations 2 and 4 inclusive.</p>		
Accepted	Implementation Deadline:	30 April 2012

APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Commitment and Implementation
- Business Impact Analysis
- Business Continuity Strategy
- Business Continuity Plans
(emergency response & resumption and recovery plans).

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditors: Keith Jackson and Jack Jones

The fieldwork was performed: April to May 2011

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-15
ACCOUNTS RECEIVABLE

Executive Summary

Introduction

The Council's Accounts Receivable system is administered and controlled by the Borough Treasurer's Department using a module of the Council's Oracle Financial system. Invoices are raised centrally within the Treasurer's Department, either upon receipt of an authorised Accounts Receivable Transaction Request Form, or imported electronically from departmental databases. The Borough Treasurer's Department are responsible for the initial recovery of debts, associated with invoices raised, prior to passing relevant cases to Crutes debt collection agency. As at 31st October 2011, the Council had raised 5,330 invoices with a value of approximately £2.6million, the balance on the Receivables Ledger was £639,830.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to evaluate and test the internal controls over the accounts receivable system. The scope and objectives of the audit were discussed and agreed in advance with Chris Butler, Systems and Control Accountant.

Audit work included a control evaluation of the system design, and testing the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
Three previous recommendations

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have not made any new recommendations however, there are a small number of recommendations outstanding from previous reports.

Internal Audit reviewed the two recommendations made in the previous audit report 10-15, dated April 2011. One recommendation has been implemented and one recommendation remains outstanding, this concerns reviewing the debtors 'Instalments Spreadsheet' to ensure all details held are up to date and correct.

Internal Audit also reviewed the three outstanding recommendations made in audit report 09-14, dated May 2010. One recommendation has been implemented and two recommendations remain outstanding which relate to:

- ensuring recovery action is performed in accordance with the Council's Accounts Receivable Recovery Process; and

- referring debts to Crutes on a timely basis.

In addition, Internal Audit also reviewed the one outstanding recommendation made in audit report 07-18, dated May 2008. The recommendation has been implemented.

Management Response

We have received a constructive management response from Chris Butler, Systems and Control Accountant, providing a revised implementation deadline for the recommendations.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

Previous Recommendation	Responsibility: Systems and Control Accountant
<p>The Council should implement the agreed outstanding recommendation made in Audit report 10-15, dated April 2011, namely:</p> <p>The Council should consider reviewing the 'Instalments Spreadsheet' on a regular basis to ensure all details held are up to date and correct.</p> <p>(Priority 3)</p>	
Rationale	
<p>If a customer is having difficulty paying an invoice, they may request to arrange payment of the debt through "agreed instalments". Internal Audit selected a sample of fifteen debtors with an instalment plan, this sample was obtained from the Instalment Spreadsheet maintained by the Recovery Officer.</p> <p>It was identified that four debtors on the instalment spreadsheet now have a nil balance and therefore, should be removed from the spreadsheet.</p> <p>In addition, (as part of the accounts in arrears sample testing) it was identified that one debtor is paying in instalments; however, this account was not recorded on the Instalment Spreadsheet.</p>	
Management Response	
<p>The Instalment spreadsheet will be updated to remove those accounts which are fully paid, and to ensure that all current instalments are appropriately recorded.</p>	
Revised Implementation Deadline:	1 March 2012

Previous Recommendation	Responsibility: Systems and Control Accountant
<p>The Council should implement the agreed outstanding recommendation made in Audit report 09-14, dated May 2010, namely:</p> <ol style="list-style-type: none"> 1. The Council should ensure recovery action is performed in accordance with the Council's Accounts Receivable Recovery Process. <p>(Priority 2)</p>	
<p>Rationale</p>	
<ol style="list-style-type: none"> 1. The process for the recovery of outstanding debts is documented and explained within the 'Sundry Debtor Recovery Policy'. This states that a reminder is sent 14 days after the invoice date, and a final reminder is issued 14 days after the first reminder. If payment is not received following this reminder process the debt is referred to Crutes for recovery purposes. <p>Internal Audit selected a sample of 15 accounts in arrears during the financial year 2011/12 and identified that there were delays in the recovery process; 11 of the sample did not have first reminders issued promptly after 14 days, five final reminders were not issued promptly after a further 14 days and only one batch referral to Crutes (in June 2011) has been made to date within the 2011/12 financial year.</p> <p>In addition, it was identified:</p> <ul style="list-style-type: none"> • Three debtors are paying in instalments, although they have not adhered to the agreed payment plan and therefore reminders should be issued. • Three debtors have received the required reminders without corrective action being taken and therefore should be referred to Crutes for further recovery action. 	
<p>Management Response</p>	
<p>The Recovery Officer's post was covered by another officer for an extended period of sickness absence in 2011/12. During this period of limited resources it was not possible for the recovery process to be adhered to as documented.</p> <p>Subsequently, debts were also referred to Crutes on an individual basis at Managers' request.</p> <p>Reminders have been regularly issued since September 2011.</p> <p>Debtors who have defaulted on their instalment plan are identified by reviews of the 'Disputed Invoices Report' and are selected for recovery action as required.</p>	
<p style="text-align: right;">Revised Implementation Deadline: Immediate</p>	

Previous Recommendations	Responsibility: Systems and Control Accountant
<p>The Council should implement the agreed outstanding recommendation made in Audit report 09-14, dated May 2010, namely:</p> <p>2. The Council should ensure that unrecovered debts are referred to Crutes on a timely basis. (Priority 2)</p>	
Rationale	
<p>2. The Council's 'Sundry Debtor Recovery Policy' states that after a final reminder is issued, any outstanding debts should be referred to Crutes for recovery purposes. Internal Audit identified from documentation held on file that the last referral to Crutes was on 3rd March 2011 and were subsequently informed that the last referral to Crutes was on 7th June 2011.</p>	
Management Response	
<p>With recovery duties being undertaken by another officer, details of the June referrals were not available on file when the initial audit work took place.</p> <p>In addition to the debts referred to Crutes on 7th June 2011, accounts had been referred on an individual basis at Managers' request. A further batch of debts has been referred in February 2012.</p>	
Revised Implementation Deadline:	Immediate

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- raising of accounts;
- payments; and
- recovery.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit report.

Performance

Auditor: Sarah Mach

The fieldwork was performed: November 2011

All final Internal Audit reports will be presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-23
PARK LEISURE CENTRE

Executive Summary

Introduction

The Park Leisure Centre was the Council's first dedicated indoor leisure facility with provision for wet and dry activities. The Centre was opened in 1991 and is located in the town's main public park. In 2008 the Leisure Centre had a £1.2m major refurbishment through an agreement with Pulse Fitness Limited which included the development of a Youth Gym and an improved Adult Gym facility based on a newly created second-floor. Operational annual expenditure for the Centre is in the region of £1,428,000 with income of approximately £666,500.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to evaluate and test the internal controls at the Park Leisure Centre. The scope and objectives of the audit were discussed and agreed in advance with Margaret Wilson, Sports Contract Manager.

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which put some of the system objectives at risk. We have made two Priority 2 recommendations, which concern:

- ensuring that the Council's contract with Sodexo includes the Park Leisure Centre Café facility and the financial terms applying to its operation; and
- reviewing the float procedures at the Park Leisure Centre.

In addition, we have made four Priority 3 recommendations which relate to:

- requesting documentation from the weigh machine provider Coin Ops, detailing the value of income emptied from the weigh machine to confirm the correct income share is received by the Council.
- reviewing the two unsupported quarterly payments relating to vending machines at the Park Leisure Centre.
- informing Pulse of the identified underpayment relating to gym income; and
- producing documented Cash Handling procedures for the Park Leisure Centre.

Key Points
Substantial Assurance
Two important issues.
Four minor issues.
Two Previous recommendations.

Internal Audit also reviewed the four agreed outstanding recommendations made in Audit Report 07-31, dated April 2008. Two recommendations have been overtaken by events and two recommendations remain outstanding; which relate to:

- reimbursing the petty cash float at least monthly, in accordance with the Council's Petty Cash Procedures; and
- considering amending the Leisure Card application form to include an area for the applicant to sign.

Additionally, Internal Audit reviewed the outstanding agreed recommendation made in Audit Report 144, dated September 2001. The recommendation has been overtaken by events.

Management Response

We have received a constructive management response from Margaret Wilson, Sports Contract Manager, accepting each of the recommendations.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

Recommendation 1	Responsibility: Sports Contract Manager	Priority: 2
<p>The Council should ensure that its contract with Sodexo includes the Park Leisure Centre Café facility and the financial terms applying to its operation.</p>		
<p>Rationale</p>		
<p>The current contract in existence with Sodexo is dated 1 June 2000. This was extended in 2003 to May 2008. It is understood that this contract continues beyond that date until terminated by either party on giving six months' notice in writing. Sodexo drafted a new contract in 2007, intended to cover the period from 16 July 2007 to 30 June 2012. The Council have proposed several changes to the conditions but it is understood that the overall contract has not been agreed by either the Council or the company.</p> <p>The proposed contract covers catering and cleaning at the Dock Museum and Forum 28 (including a service to the Town Hall) and vending machines at Park Leisure Centre.</p> <p>In the draft contract, the only service referred to at the Park Leisure Centre is the provision of vending machines; however, the company also operate a café facility at the Leisure Centre. The contract should refer to this facility, including operational responsibilities and the financial terms applying to its operation.</p>		
<p>Management Response</p>		
<p>The catering service delivered to the Council through Sodexo will be subject to the tendering process in the near future. The issues around the café operation at the Park Leisure Centre will be resolved at this time.</p>		
Accepted	Implementation Deadline:	30 September 2012

Recommendation 2	Responsibility: Sports Contract Manager	Priority: 2
<p>The Council should review the float procedures at the Park Leisure Centre, including ensuring that:</p> <ol style="list-style-type: none"> a) for each shift, that the till float is consistently signed in and out by the receptionist and countersigned by a Duty Manager. b) the deposit and removal of floats to and from the safe is countersigned by a second officer; and c) undertaking and evidencing an independent review of all floats on at least a monthly basis. 		
Rationale		
<p>The Leisure Centre reception is manned on a shift basis, with several receptionists covering the shifts each day. At the start of each shift the receptionist signs for the till float and at the end of each shift, the till is cashed up, the takings recorded on the Daily Cash Sheet and the float "signed back in". Each action should be countersigned by the Duty Officer.</p> <p>Internal Audit selected a sample of four weeks' Daily Cash Sheets since April 2010, reviewing each of the shifts for the seven days of the selected week. For the sample selected (92 Daily Cash Sheets) it was identified:</p> <ul style="list-style-type: none"> • on two sheets the float had not been signed for by the receptionist; • on seventeen sheets the float had not been "signed back" in by the receptionist; and • twenty four sheets had not been signed by the Admin Officer/Duty Manager <p>In addition to the two receptionist/till floats of £75, a main float of £595 and a Petty Cash imprest of £25 are held at the Leisure Centre. During the review, it was identified an independent review of the floats had not been carried out by Leisure Centre management.</p>		
Management Response		
<p>The design of the cash sheet is slightly confusing as the float is not returned to the Duty Officer during the day but is passed to the oncoming receptionist. A simplified design is now in place.</p> <p>Management has now implemented a monthly review of the floats at the Leisure Centre.</p>		
Accepted	Implementation Deadline:	31 December 2011

Recommendation 3	Responsibility: Sports Contract Manager	Priority: 3
<p>The Council should consider requesting documentation from the weigh machine provider Coin Ops, detailing the value of income emptied from the machine based within the Park Leisure Centre and confirm the correct share is paid to the Council.</p>		
<p>Rationale</p>		
<p>A weighing machine is in place at the Park Leisure Centre which users are charged to utilise. A formal agreement with the provider, Coin-Ops Ltd is in place dated January 2004, which states:</p> <p>'The Council will receive commission of 30% of gross machine takings, after deduction of VAT. The commission will be paid within 30 days of emptying the machine.'</p> <p>Internal Audit identified, through discussion with the Administration Officer, that the weigh machine is emptied by Coin Ops, usually in the evening. The Council do not receive any documentation stating the machine takings when emptied or how their 30% commission figure paid has been calculated. The Council receive a cheque from Coin Ops periodically, which is coded through the reception till and banked with the remainder of the income for the day in question.</p> <p>Cheques were received from Coin Ops on:</p> <p>02/08/2010 - £70.05</p> <p>07/03/2011 - £93.30</p> <p>But whether the income received is the correct amount due to the Council cannot be verified.</p>		
<p>Management Response</p>		
<p>Management to contact the supplier to discuss the issues highlighted with a view to agreeing the presence of a member of Leisure Centre management when the takings are counted.</p>		
Accepted	Implementation Deadline:	31 December 2011

Recommendation 4	Responsibility: Sports Contract Manager	Priority: 3
<p>The Council should review the two unsupported quarterly payments relating to vending machines at the Park Leisure Centre, with a view to achieving a reduction in costs.</p>		
<p>Rationale</p>		
<p>The vending machines based within the Café area of the Leisure Centre, which sell hot and cold drinks and snacks are run by Sodexo; who empty the takings from the machines on a weekly basis. The Leisure Centre receive an annual fixed amount of £6,000 as a share of the profits, which is stated in the Sodexo contract.</p> <p>During the review Internal Audit also identified that the Council pay two quarterly payments relating to the vending machines; one for machine rental to GE Capital totalling £1,172.52 in 2010/11 and one to Sodexo for maintenance totalling £541.46 in 2010/11. However, formal documentation to support these payments was not located.</p>		
<p>Management Response</p>		
<p>Management has raised this issue with both Sodexo and Internal Audit and it has also been raised in previous audits. No explanation has been forthcoming. The situation should be resolved during the contract renewal process.</p>		
Accepted	Implementation Deadline:	30 September 2012

Recommendation 5	Responsibility: Sports Contract Manager	Priority: 3
<p>The Council should inform Pulse of the identified underpayment, relating to gym income.</p>		
Rationale		
<p>An agreement exists between Pulse and Barrow Borough Council for the provision of gym and fitness related activity, which entitles Pulse to a basic monthly payment, plus a 19% share of gym income received. The Council are billed monthly for these fees by Pulse from the financial records they maintain relating to usage.</p> <p>Pulse provide the Sports Contract Manager with a summary of Direct Debit payments and a monthly cash figure is produced by the Sports Contract Manager, detailing cash collected by category. Following which, Pulse send the Council a final summary report and submit an invoice for the monthly basic fee plus 19% of the income detailed on the summary report.</p> <p>From a review of six months income, relating to 2010/11, Internal Audit identified that the calculation was incorrect on one occasion.</p> <p>In July 2010, Pulse had input the total cash figure incorrectly; therefore the 19% cash share had been calculated using an incorrect figure, which has resulted in an underpayment of £570 to Pulse on the July 2010 invoice.</p>		
Management Response		
<p>Management will highlight this error to Pulse.</p>		
Accepted	Implementation Deadline:	31 December 2011

Recommendation 6	Responsibility: Sports Contract Manager	Priority: 3
<p>The Council should produce formal Cash Handling procedures for the Park Leisure Centre.</p>		
Rationale		
<p>Internal Audit were informed by the Administration Officer, that Cash handling procedures for the Park Leisure Centre do not exist.</p> <p>The introduction of formal procedural guidance would provide a point of reference during staff absence; and aid consistency and compliance.</p>		
Management Response		
<p>The Park Leisure Centre is guided in all its financial transactions and cash handling by the Authority's Financial Regulations. In addition the centre has operational procedures for all significant aspects of the service. Management will undertake a review of the current Reception procedure to ensure that it contains relevant instruction and guidance.</p>		
Accepted	Implementation Deadline:	31 December 2011

Previous Recommendations	Responsibility: Sports Contract Manager	
<p>The Council should implement the agreed outstanding recommendations from Audit report 07-31, dated April 2008, namely:</p> <ol style="list-style-type: none"> 5. The Council should ensure that the petty cash float is reimbursed at least monthly, in accordance with the Council's Petty Cash Procedures. (Priority 3) 6. The Council should consider amending the Leisure Card application form to include an area for the applicant to sign. (Priority 3) 		
Rationale		
<ol style="list-style-type: none"> 5. The Park Leisure Centre maintains a petty cash imprest of £25, which is used for minor cash items of expenditure, less than £10. During the review, Internal Audit identified that since April 2010, the petty cash has been reimbursed twice, rather than monthly as stated in the Council's Petty Cash Procedures. 6. The Park Leisure Centre offers a 'Leisure Card' facility for users of the Centre. Leisure Cards cost £18.10 for Borough residents and £22.30 for people living outside the Borough. The card is valid for 12 months and entitles the user to reduced rate swimming, and sports bookings for personal use only. The conditions of issue and use of the card are detailed on the reverse of the application form. <p>Internal Audit reviewed the Leisure Card application form and identified there is no area on the application form for the applicant to sign confirming acceptance of the conditions of use.</p>		
Management Response		
<ol style="list-style-type: none"> 5. The Leisure Centre cannot currently comply with the Council's Petty Cash procedures. Although the float may not be used, and therefore not reimbursed monthly, management will sign the float record off each month. 6. A signature will be added to the Leisure Card application form next print run. 		
	Revised Implementation Deadline:	31 March 2012

APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Cash Control (Inc Petty Cash);
- Banking Procedures;
- Income - Concession (Leisure Card/Sodexo);
- Income – Contract (Pulse);
- Income – Casual;
- Income – Regular/Block bookings; and
- Health and Safety.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit reports.

Performance

Auditors: Sarah Mach and Gill Jones.

The fieldwork was performed: May 2011.

All final Internal Audit reports will be presented to the Council's Audit Committee.

APPENDIX 2**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-28
GROUNDS MAINTENANCE

Executive Summary

Introduction

Following a competitive tendering exercise, the contract for the Council's grounds maintenance service was awarded to Continental Landscapes Limited in January 2010. The contract started on 1 April 2010 for a seven year period, with an option to extend for a further seven years.

The contract is based on a performance/quality specification and was priced at £649,670 pa, including a provisional amount for work which will involve variable quantities. This price is subject to annual review to reflect inflationary increases.

The grounds maintenance service covers three areas of activity: Parks and Playgrounds, Cemeteries and Crematorium and Streetcare. The individual Managers of these areas are responsible for managing and monitoring the performance of the contractor. Overall responsibility for the contract rests with the Community Services Manager.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to review and test the internal controls over the management of the grounds maintenance contract. The scope and objectives of the audit were discussed and agreed in advance with Keith Johnson, Community Services Manager.

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
Four important issues
One previous recommendation

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses which put some of the system objectives at risk. We have made four Priority 2 recommendations, which concern:

- ensuring that the correct rate of VAT is applied to grave digging charges;
- applying the correct price adjustment in each annual review of contractual charges;
- considering whether more regular, formal management meetings are required with the contractor; and
- issuing official works orders for all additional work requested under the contract.

In addition, Internal Audit reviewed the five agreed recommendations made in Audit Report 06-18, dated March 2008, all of which have been fully implemented.

Internal Audit also reviewed the one outstanding recommendation made in Audit Report 135, dated March 2000, which has been implemented in respect of the current contract, and the one outstanding recommendation from Audit Report 03-14, dated March 2004; this remains outstanding and concerns the production of formal written procedures for the monitoring of the grounds maintenance contract.

Management Response

We have received a constructive management response from Mohamad Saleh, Borough Treasurer and Keith Johnson, Community Services Manager accepting each of the recommendations.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

Recommendation 1	Responsibility: Borough Treasurer & Cemeteries and Crematorium Manager	Priority: 2
<p>The Council should ensure that its grounds maintenance contractor consistently applies the correct rate of VAT to grave digging work.</p>		
<p>Rationale</p>		
<p>Internal Audit examined a sample of three monthly invoices for Cemeteries work submitted by the contractor in 2010/11.</p> <p>Although the net charges on each invoice had been calculated correctly, the contractor had been inconsistent in the treatment of VAT on grave digging. In July and October 2010, VAT had been applied at the standard rate, whereas in February 2011, no VAT had been added.</p> <p>Internal Audit then examined all 13 Cemeteries grounds maintenance invoices paid from 1 April 2010 to the date of the audit review. No VAT had been added to the grave digging charge on 8 invoices, whereas on 5 invoices, VAT had been added at standard rate.</p>		
<p>Management Response</p>		
<p>Borough Treasurer: the fees chargeable for the burial service by the contractor should fall to be VAT exempt and therefore, VAT should not be chargeable in line with group 8, schedule 9, VATA 1994. Billing has been adjusted by the contractor and this problem has not recurred. A credit note was issued by the contractor in April 2011 to correct the previous VAT errors.</p>		
Accepted	Implementation Deadline:	Implemented

Recommendation 2	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that it applies the correct price adjustment in each annual review of charges under the grounds maintenance contract.</p>		
Rationale		
<p>The grounds maintenance contract provides for an annual review of charges in line with inflation as measured by the Retail Prices Index (RPI). Adjustments apply from 1 April each year and are upwards only, being calculated on index values as at the preceding 1 March.</p> <p>The first review was due on 1 April 2011, when the index reference dates were 1 March 2010 and 1 March 2011. The Streetcare Manager had recently notified the contractor that a price increase of 3.96% would apply across the contract, based on indices of 209.5 and 217.8 respectively on those dates.</p> <p>Internal Audit reviewed this calculation. The contract conditions state that the relevant index is the All Items RPI as published by the Office for National Statistics. Reference to the Office's website showed the All Items RPI on the reference dates to be 220.7 and 232.5 respectively, implying an inflationary increase of 5.35% in the contract price.</p> <p>Documentation provided by the Streetcare Manager showed that the review factor of 3.96% had been calculated using an alternative RPI measure, which excluded mortgage interest and indirect taxes.</p> <p>Based on the contract price of £649,670.67, the incorrect review factor would have resulted in the contractor being underpaid around £9,000 in 2011/12.</p>		
Management Response		
<p>The correct indexation is to be applied in line with contractual obligations.</p>		
Accepted	Implementation Deadline:	31 January 2012

Recommendation 3	Responsibility: Community Services Manager	Priority: 2
<p>The Council should consider whether more regular, formal management meetings are required with its grounds maintenance contractor.</p>		
<p>Rationale</p>		
<p>Internal Audit discussed the Council's practice in respect of contract meetings with the three responsible managers and reviewed the records of meetings held during 2010/11:</p> <ul style="list-style-type: none"> a) Parks and Playgrounds staff held six meetings in the year; the Manager explained that, being based in the Parks Pavilion and adjacent to the contractor's depot, he was in daily contact with the company's staff and so had ample opportunities to raise issues with them. b) Streetcare staff held seven meetings in the year, however there were none in the months October 2010 to February 2011; the Manager commented that his staff were also in daily contact with the contractor's staff. c) Cemeteries and Crematorium staff held no formal meetings during the year; the Manager is in contact with the contractor's foreman/staff each day and the contract manager, who visits at least weekly. <p>Although all meetings referred to had been minuted with actions identified, it is normal for client contract managers to hold formal meetings with contractor staff on a regular basis, say monthly, to discuss performance and service delivery issues; regardless of day to day contact.</p>		
<p>Management Response</p>		
<p>Regular meetings do take place. As a result of a recent top level meeting between the Assistant Director Community Services and the Regional Director Continental Landscapes, from January 2012, one regular meeting will be introduced to discuss all three elements of the contract.</p>		
Accepted	Implementation Deadline:	31 January 2012

Recommendation 4	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that all additional work requested under the grounds maintenance contract is authorised on official works orders.</p>		
<p>Rationale</p>		
<p>One-off variations to the main contract, eg additional work, are authorised by the relevant client manager and notified to the contractor by an official works order.</p> <p>Internal Audit examined a sample of nine monthly invoices (three for each area of the service) submitted by the contractor in 2010/11. Works orders had been issued for all additional work included in these invoices where it related to one of the three main service areas. However, the Streetcare Manager regularly requests work under the contract on behalf of other services, eg Housing, Car Parks or Markets, without issuing works orders; the sample of three Streetcare invoices included ten such examples.</p> <p>Although quotations are normally received from the contractor, the absence of an official order could be problematic in the event of a disagreement over the commissioning of work.</p>		
<p>Management Response</p>		
<p>Requests for additional works will be placed via official works orders.</p>		
Accepted	Implementation Deadline:	31 January 2012

Previous Recommendation	Responsibility: Community Services Manager
<p>The Council should implement the following agreed outstanding recommendation from Audit Report 03-14, dated March 2004:</p> <p>4. The Council should ensure there are formal written procedures relating to the monitoring of the Grounds Maintenance contract.</p> <p>(Priority 3)</p>	
Rationale	
<p>Internal Audit discussed the production of written procedures for management of the current contract with the relevant client contract managers.</p> <p>There are no detailed procedures in the Parks or Cemeteries teams for monitoring the contract. The Streetcare Manager has produced a note of procedures which he has written for his staff; however these consist mainly of a set of duties similar to a job description and a list of relevant legislation, rather than detailed procedures which are specific to management of the grounds maintenance contract.</p>	
Management Response	
<p>Job descriptions exist for all staff working within the Parks and Playgrounds, Streetcare and cemeteries teams. I consider these, plus induction, training and review are sufficient.</p>	
Revised Implementation Deadline:	No further action

APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- award of contract
- contract documentation
- contract performance and monitoring
- payment procedure
- management information and reporting.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- review controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit reports.

Performance

Auditors: Keith Jackson and Jack Jones

The fieldwork was performed: April to May 2011

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 63
SUTHERLAND STREET – GROUP REPAIRS

Executive Summary

Introduction

This contract relates to the group repairs of 44 properties in the Sutherland Street area of Barrow in Furness, part of the Housing Market Renewal Programme within the North Central Area. The residential properties within the programme are numbers 2 to 84 Sutherland Street (even numbers) and 96a and 96b Crellin Street. The works consist of front elevation improvements, re-roofing with chimney stack works and reconstruction of rear boundary walls.

The contract was let at the sum of £666,757.00 to the contractor submitting the lowest tender; Michael Thompson Limited. Costs have risen by 6.15% to an agreed Final Account of £707,755.43.

Audit Objectives

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts prior to the Final Account being agreed with the Contractor. The Borough Treasurer through the Head of Internal Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

The audit objectives were to perform an examination of the interim and final account and associated documentation. Details of the audit methodology are provided in Appendix 1.

Key Points
Restricted Assurance
One major issue
Two important issues
Two minor issues

Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that weaknesses have been identified in the system of control, which may put some of the system objectives at risk.

We have made one Priority 1 recommendation, which concerns ensuring in all appropriate instances that adequate, complete and specific contract documents are in place; which are formally recorded by Legal Services.

In addition, we have made two Priority 2 recommendations, which concern:

- ensuring all amendments to the Contract Document are initialled by both parties; and
- ensuring that documentation relating to varying the Contract Date for Completion is issued on a timely basis and supported with formal applications by the contractor.

We have also made two Priority 3 recommendations, which relate to:

- consistently providing tenderers with instructions for the completion and return of tenders; specifically marking return envelopes with the subject to which it relates and the correct addressee; and
- considering whether liquidated and ascertained damages should be deducted from the final settlement to the contractor.

Management Response

We have received a constructive management response from Chris Jones, Housing Renewal Manager and Ola Oduwole, Director of Corporate Services, accepting four recommendations and rejecting one recommendation relating to considering whether liquidated and ascertained damages should be deducted from the final settlement to the contractor.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

Recommendation 1	Responsibility: Director of Corporate Services	Priority: 1
<p>The Council should ensure that where appropriate procurement arrangements are evidenced by the completion of specific contract documentation. This will formalise arrangements and provide the Council and relevant contractor with clear understanding and a basis for negotiation should the need arise.</p>		
<p>Rationale</p>		
<p>For the Sutherland Street Group Repair Scheme a formal contract exists for the main works with Michael Thompson Ltd. However, a formal contract does not exist for the Consultancy Services, provided by Arcus Consulting. This service was let via the electronic tendering/quotation facility, the Chest, adopted by the Council. Although this process controls the tendering/quotation process for projects/services etc. it does not “automatically” generate a complete and specific contract – only confirmation of “general terms and conditions” (which is a requirement of progress through the tendering/quotation process) being accepted.</p> <p>A specific reference number has been allocated within the Legal Services contract registration process; however the only supporting comment within the register states “let via the chest”.</p> <p>Further, a specific folder has been created on a Council network procurement shared drive; for “contracts” again, “let via the Chest”. However, this only contains some general contract related documents; not all specific to the contract. In addition, the documentation is not complete; and the index/control sheet is potentially not accurate.</p> <p>It would appear, therefore, that three potential areas of control (the Chest, Legal Services registration log and procurement shared drive) contain reference to an agreement, but none has fully addressed the requirement.</p> <p>In this instance the value of the initial services were for approximately £40,000; however this increased following subsequent projects to almost £60,000.</p> <p>Whilst undertaking the above testing/investigation, similar occurrences for other “contractual relationships” were identified in terms of the standard of documentation.</p> <p>This appears to demonstrate a lack of consistency and inadequacy regarding associated internal control arrangements; and does not demonstrate good practice. Creating a contract for retention within Legal Services need not be onerous and will strengthen the Council’s governance arrangements for procurement and contracting.</p>		
<p>Management Response</p>		
<p>This is not the norm with the Council’s contract documentation. This particular contract slipped through the established procedure. Better checks are now in place to prevent a re-occurrence.</p>		
Accepted	Implementation Deadline:	Implemented

Recommendation 2	Responsibility: Director of Corporate Services	Priority: 2	
<p>The Council should ensure all amendments to the Contract Document are initialled by both parties.</p>			
<p>Rationale</p>			
<p>In this instance the Council utilised the JCT Intermediate Building Contract 2005: Revision 1 2007. The Contract Document is pre printed with standard Articles of Agreement and Conditions; however there is provision for variations to conditions if so required. Any deletions or additions to the standard narrative should be initialled by representatives of the two parties prior to signing and executing the contract document.</p> <p>However, the review identified that amendments to the Contract Document had not been initialled by both parties.</p> <p>In the event of any dispute arising, one of the first checks to occur would be for the Contract Document to be examined to ensure each party had evidenced their agreement to all variations in the document.</p>			
<p>Management Response</p>			
<p>All amendments are usually signed by both parties. The Director of Corporate Services would normally return contract documentation to contractors if the relevant amendments are not initialled.</p>			
Accepted	Implementation Deadline:	Implemented	

Recommendation 3	Responsibility: Housing Renewal Manager	Priority: 2
<p>The Council should ensure that documentation relating to varying the Contract Date for Completion is issued on a timely basis and supported with formal applications from the contractor.</p>		
<p>Rationale</p>		
<p>Appropriate contracts drawn up between the Council and the Contractor should include the timescale for completion of the works. During the course of the work, situations may arise whereby the date for completion requires extending; this may be due to a revision to the planned product, unexpected difficulties with the site/weather conditions or delay/unavailability of materials.</p> <p>Where the Contract Date for Completion is unlikely to be achieved, the contractor is required to apply to the Council for the completion date to be extended. Upon receipt of any application from the contractor, the Council's representative is required to appraise and determine any extension of time; if admissible a variation to the completion date is awarded.</p> <p>Internal Audit obtained the Extension of Time documents relating to the Sutherland Street Group Repair. The original Contract Completion Date was the 30th July 2010. An Extension of Time Certificate dated 29 July 2010 extended the completion date to 27 August 2010. A further Extension of Time document dated 1 September 2010, extended the completion date to 17 September 2010.</p> <p>However, the apparent extended Date of Practical Completion was the 1st October 2010; Internal Audit were unable to locate an Extension of Time document covering the two week period from 17 September 2010 to the 1st October 2010.</p>		
<p>Management Response</p>		
<p>A further Extension of Time certificate has now been provided. Every effort will be made in future contracts to ensure that the Extension of Time is made up to the date of practical completion. My view is that the risk involved in this discrepancy is low. The principal risk is that of increased costs. In this case, there was a clear understanding that costs were fixed.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 4	Responsibility: Housing Renewal Manager	Priority: 3
<p>The Council should ensure that prospective tenderers are consistently provided with instructions for the completion and return of tenders; specifically marking return envelopes with the subject to which it relates and the correct addressee.</p>		
<p>Rationale</p>		
<p>The purpose of a tendering exercise is to invite contractors to submit their best price based on a specification given. Tender sums submitted by each contractor are not known to the client/other tenderers until the envelopes are opened on an appointed date.</p> <p>When received tender envelopes are marked with the date and time of receipt and the receiving officer's initials added. (A receipt is given to persons delivering by hand; envelopes received by post are also recorded in a specific Receipt Book which is consecutively numbered.)</p> <p>The applicable Contract Standing Order 4 states "Tenders will only be considered if they are returned by the time specified, in a plain envelope which is securely sealed, or through the relevant electronic software system, and bears only the word "Tender" followed by the subject to which the tender relates."</p> <p>Internal Audit obtained the envelopes use to submit the tenders and identified that the pre-printed label contained the word "Tender" but did not identify the project name.</p> <p>In addition, Contract Standing Order 4 states "Written tenders shall be returned addressed to the Democratic Services Manager as required by the public notice or invitation to tender". The review identified that the pre-printed label was addressed to the Borough Council but did not identify the Department or responsible Officer. The invitation to tender letter issued by Arcus Consulting requested that the tender envelope was addressed to the Chief Executive of the Council.</p> <p>This could cause confusion when envelopes are returned and hinder the process of compliance.</p>		
<p>Management Response</p>		
<p>This error has been rectified in subsequent contracts in the same programme.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 5	Responsibility: Housing Renewal Manager	Priority: 3
<p>The Council should consider whether liquidated and ascertained damages should be deducted from the final settlement to the contractor.</p>		
<p>Rationale</p>		
<p>The contract entered into between the Council and Michael Thompson Ltd dated the 5th August 2010, includes a clause whereby any delay in completing the works within the agreed timescale would incur a penalty of £700.00 per week.</p> <p>The original contract date for completion was agreed at 30th July 2010. Practical completion was achieved on 1st October 2010. The delay of nine weeks was partially offset by the issue of two Extension of Time certificates varying the date for completion to 17th September 2010, an increase of seven weeks.</p> <p>However, in the absence of any authorised variation to the final contract completion date, Internal Audit estimate the amount to potentially recover from the contractor is £1,400.00.</p>		
<p>Management Response</p>		
<p>My view is that the application of liquidated damages in this case would be counter productive and possibly lead to counter claims and detrimental damage to the working relationship between the Council and contractor. I believe that the audit report provides a useful means for the project manager to justify the decision made in each individual case. An Extension of Time certificate has now been provided up to 1st October 2010.</p>		
Rejected	Implementation Deadline:	N/A

APPENDIX**1****AUDIT FRAMEWORK****Audit Coverage**

The review covered the following areas:

- contract / tender process;
- bill of quantities;
- insurance and bond provision;
- additions & omissions, including architects instructions;
- contract meetings;
- extension and completion certification;
- payments, including interim and final certificates; and
- final account.

Methodology

The contract review covered the following key stages:

- evaluation of the contract summary details;
- confirmation of management objectives for contract review;
- examination of the tender and contract documentation;
- spot checks on arithmetical calculations;
- verify final account with the cumulative paid; and
- report findings, with relevant and practical recommendations for improvement.

Performance

Auditors: Keith Jackson and Ifor Jones.

The fieldwork was performed between: July and August 2011.

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2

CONTRACT PARTICULARS

Contract Title:	Sutherland Street Group Repairs
Contract Form:	JCT Intermediate Building Contract 2005, Revision 1:2007
Contractor:	Michael Thompson Ltd
Engineer:	Arcus Consulting LLP
Quantity Surveyor:	Arcus Consulting LLP
Tender Sum:	£666,357.00
Contract Sum:	£666,757.00
Date for Possession:	22 nd February 2010
Date for Completion:	30 th July 2010
Date of Practical Completion:	1 st October 2010
Delay in Completion:	9 weeks
Extension of Time Granted:	7 weeks
Liquidated and Ascertained Damages provision/paid/received:	Provision: £700.00 per week Due: £1,400.00
Minimum Insurance Cover	£1m Public Liability £5m Employer's Liability
Minimum Bond	10% of the Contract Sum £66,675.70
Retention Amount	Retention 5% to Practical Completion Reduced to 2.5% prior to the above being confirmed.
Submitted Final Account Sum:	£707,755.43
Audited Final Account Sum:	£707,755.43
Percentage increase / Submitted Final Account against Contract Sum.	6.15%

APPENDIX 3**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 68
HARTINGTON STREET

Executive Summary

Introduction

The contract relates to the establishment of a “pocket park” within a parcel of derelict land adjoining Hartington Street Methodist Church. The Council entered into a contract with the Trustees For Methodist Church Purposes to secure a ten year lease on the land, subject to assurances, by the Council, on the nature of the development.

Capita Symonds Ltd were appointed to provide professional services. The contract was let in the sum of £78,114.13 to the contractor submitting the lowest tender, UPM Tilhill Forestry Ltd. Costs have risen by 9.17% to a potential Final Account OF £85,277.22.

Audit Objectives

The Council’s Financial Regulations require Internal Audit to consider for review all contracts issued prior to the Final Account being paid to the Contractor. On this occasion and taking into account the modest contract sum involved, Internal Audit concentrated on verifying interim payments and the contract final account, rather than reviewing the tender process. While there is nothing to suggest that an appropriate process had not been followed, it should be noted that Internal Audit were unable to trace a contract document or an official order to protect the Council’s interests.

Key Points
Substantial Assurance
One important issue

Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that weaknesses have been identified in the system of control, which may put some of the system objectives at risk.

We have made one Priority 2 recommendation, concerning the failure to protect the Council’s interest by way of a written contract or official order.

Management Response

We have received a constructive management response from Chris Jones, Housing Renewal Manager, accepting the recommendation.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

Recommendation 1	Responsibility: Housing Renewal Manager	Priority: 2
<p>The Council should ensure that all contracts are confirmed in writing and appropriately retained by Legal Services.</p>		
<p>Rationale</p>		
<p>The Council's Contract Standing Orders require that "all contracts awarded under these orders must be made in writing, signed by both parties, retained by Legal Services..."</p> <p>Internal Audit were unable to obtain any assurances that a written contract had been completed; or similarly that an official Council order had been raised (which is the minimum requirement for expenditure under £100,000).</p> <p>Without a written contract there is a possibility that any terms may not be enforceable and the Council's interests may not be adequately protected.</p>		
<p>Management Response</p>		
<p>Agreed. Capita accepted that they should have prepared a contract, but this appears not to have been done. It should be noted that a number of key personnel have left Capita since the project was completed, and this has reduced their ability to trace appropriate documentation.</p>		
Accepted	Implementation Deadline:	Immediate

APPENDIX

1

AUDIT FRAMEWORK

Audit Coverage

The review covered the following areas:

- bill of quantities;
- insurance and bond provision;
- additions and omissions, including architects instructions;
- contract meetings;
- extension and completion certification;
- payments, including interim and final certificates; and
- final account.

Methodology

The contract review covered the following key stages:

- evaluation of the contract summary details;
- confirmation of management objectives for contract review;
- examination of the tender and contract documentation;
- spot checks on arithmetical calculations;
- verifying final account with the cumulative paid; and
- reporting findings, with relevant and practical recommendations for improvement.

Performance

Auditors: Keith Jackson and Ifor Jones.

Fieldwork was performed between: December 2011 and January 2012.

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2

CONTRACT PARTICULARS

Contract Title:	Hartington Street Park
Contract Form:	Formal Contract Document not issued
Contractor:	UPM Tilhill Forestry Ltd
Architect:	Capita Symonds
Quantity Surveyor:	Capita Symonds
Other Consultants	-
Tender Sum:	£78,114.13
Contract Sum:	£78,114.13
Date for Possession:	2 nd November 2009
Date for Completion:	25 th January 2010
Date of Practical Completion:	22 nd January 2010
Delay in Completion:	No
Extension of Time Granted:	No
Liquidated and Ascertained Damages provision/paid/received:	No Provision Recorded
Minimum Insurance Cover Required	£20m Public Liability
Minimum Insurance Cover Confirmed	£25m Employer's Liability
Minimum Bond Required	Not Required
Retention Amount	Retention 5% to Practical Completion Retention 2.5% During Defects Period Released prior to the above being achieved.
Submitted Final Account Sum:	£82,277.22
Audited Final Account Sum:	£82,277.22
Percentage increase/decrease: Submitted Final Account against Contract Sum.	Increase of 9.17%

APPENDIX 3**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT IT 46
IT General Controls - Liberata

Executive Summary

Introduction

Internal Audit has developed an audit programme, covering a range of IT general controls. The programme is based upon guidance provided by the Audit Commission who defined four key areas of review – Data Centre and Network Operations, System Software Acquisition, Change and Maintenance, Access Security and Application System Acquisition, Development and Maintenance. The four key areas have been sub-divided into ten control areas which are referred to below.

Completion of this audit enables Internal Audit to express an opinion on a wide area of IT activity, and helps to satisfy External Audit requirements for an assessment of IT general controls; in addition to providing an assurance opinion.

An IT General Controls Audit of the Council's core IT activity is usually undertaken each year. However, the Council's Revenues and Benefits service, which is outsourced to Liberata, involves the management and control of sensitive data and the associated application systems, which are provided within the Liberata Corporate IT environment. Therefore it was agreed with the Borough Treasurer and former IT Manager that the Liberata IT environment should be subject to a review. This activity would require focus on both locally managed and corporate IT control arrangements within Liberata.

The audit is of particular importance to the Borough Council, primarily through their Data Protection responsibilities and ownership of information.

Audit Objectives

An audit, 'IT General Controls - Liberata' was agreed with the IT Manager as part of the original 2009/10 IT Audit coverage, however this has been extended through to 2011/12. The purpose of the audit was to provide reasonable assurance that adequate controls are in place over ten areas of IT, associated with the IT operation supporting the outsourced Revenues and Benefits service.

The objectives of the audit and the key risks were discussed and agreed with Mick McKinnell, the former IT Manager, and Liberata management, responsible to the Authority.

This was an overview of a wide area of IT activity, rather than a detailed audit review, and the intention was to base the audit on discussion with management responsible for development, implementation and operation of the controls.

Key Points
Substantial Assurance
One major issue
Three important issues
Two minor issues

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that, while there appears to be a basically sound system, there are weaknesses which put some of the system objectives at risk.

We have made one Priority 1 recommendation, which concerns encouraging Liberata to cooperate positively through the provision of information when required.

We have made three Priority 2 recommendations, which relate to:

- identifying a suitable senior Council officer to monitor Liberata's IT arrangements and ensure agreed recommendations are actioned;
- ensuring documented procedures have been "embedded" to the Council's satisfaction within Liberata's IT control arrangements; and
- requesting from Liberata physical evidence that it applies relevant management controls/checks.

In addition, we have made two Priority 3 recommendations, which relate to:

- consider requesting from Liberata further control measures or evidence to substantiate the adequacy of IT control; and
- requesting Liberata to review its policies/procedures to introduce the improvements identified in the Internal Audit review.

Management Response

We have received a constructive management response from John Penfold, Policy Review Officer and Jeff Bright, Deputy Executive Director (Designate), accepting each of the recommendations.

Recommendation 1	Responsibility: Deputy Executive Director (Designate)	Priority:	1
<p>The Council should encourage Liberata to cooperate positively through the provision of information when required.</p> <p>Liberata should be required to provide complete client specific information where requested by the Council; preferably through a letter of authority clarifying the situation.</p> <p>Any relevant information should be provided in a complete and timely manner and the Council should pursue any information which is missing, incomplete or unsatisfactory.</p>			
<p>Rationale</p>			
<p>At the initial meeting held in February 2010, with the Council's former IT Manager and Liberata management - Infrastructure Engineer, IT Service Delivery Manager and Client Manager; it was agreed that the Computer Auditor would be provided with the information needed to complete the audit within the following few days.</p> <p>Subsequently, Liberata contacted the Internal Audit Manager and requested additional time to provide documentation. Eventually, after approximately two months, the IT Service Delivery Manager emailed the Internal Audit Manager to state that the required documentation would not be released, although he was willing to discuss the contents of the documents with the Computer Auditor. It was considered that this approach was in breach of contract conditions.</p> <p>This situation frustrated the review and prevented Internal Audit from fulfilling its duties associated with the audit of Liberata IT General Controls. This is a serious issue as assurance from Internal Audit is required to support the Authority in meeting its governance responsibilities including compliance with the Data Protection Act.</p> <p>Following Liberata's refusal to provide the required information; the Council obtained external legal advice relating to the contractual arrangements and access to information. Subsequent discussion took place over the summer 2010.</p> <p>Liberata insisted that their "non-disclosure agreement" was required; however this is a commercial document which was found not to be appropriate through legal opinion. Liberata eventually agreed to provide requested information for the audit to commence.</p> <p>Following this, a further schedule of required information was provided to Liberata, who contacted Internal Audit to confirm the information would be made available.</p> <p>On the 3 March 2011, Internal Audit visited the Liberata office in Barrow, no information had been produced, a BSI assessment report relating to ISO 27001 was viewed on screen and an index of document titles was shown. A follow-up e-mail was sent on 4 March confirming the required information etc.</p> <p>The majority of the documents/information which were requested in January 2010 were received on the 17 June 2011; enabling further analysis and discussion to take place. However, it had taken in excess of eighteen months to achieve this.</p>			

Management Response

The Council has discussed this issue with Liberata and explained that the lack of information led to significant delays in completing the audit and resulted in the Council incurring additional costs. Liberata have accepted that their response was not appropriate and have given assurance that they will respond promptly to future requests for information by the Council or its representatives.

Accepted

Implementation Deadline:

Implemented

Recommendation 2	Responsibility: Deputy Executive Director (Designate)	Priority:	2
<p>The Council should consider identifying a suitable senior officer to be responsible for monitoring Liberata's IT arrangements relevant to the contract, and ensure agreed recommendations and requirements are actioned.</p>			
<p>Rationale</p>			
<p>The current review has highlighted areas in which it appears the Council should take a more active role in ensuring that it understands, and is satisfied with, Liberata's IT arrangements. It is suggested that this role could be best fulfilled by allocating responsibility to a senior member of staff with the knowledge and ability to challenge the contractor when necessary. It would be appropriate for this officer to follow up relevant recommendations from this audit review to confirm that they have been implemented.</p>			
<p>Management Response</p>			
<p>From 1st April the Deputy Executive Director will have overall responsibility for monitoring Liberata's IT arrangements.</p>			
Accepted	Implementation Deadline:	1 April 2012	

Recommendation 3	Responsibility: Deputy Executive Director (Designate)	Priority:	2
<p>The Council should ensure that the documented procedures have been “embedded” to its satisfaction within Liberata’s IT control arrangements; as a number appear to have been produced following original requests for information and to satisfy requests by Internal Audit.</p>			
<p>Rationale</p>			
<p>Following numerous requests dating back to January 2010, Internal Audit were provided with a number of Liberata’s IT policies and procedures, however it would appear that a number of these have been produced within the previous 12 months and as a direct response to those requests as follows:</p> <ul style="list-style-type: none"> • The Sheffield BTC (Business Technology Centre) – Business Continuity Plan appears to have been initially created on 15 March 2010; and was not classed as a ‘live’ version until 30 July 2010. Similarly, the Barrow Lake House Business Continuity Plan appears to have been initially created in February 2010; and was not classed as a ‘live’ version until 10 June 2010. • The Barrow Lake House Incident Management Plan appears to have been initially created in February 2010; and was not classed as a ‘live’ version until April 2011. • The Change Advisory Board Process – Liberata procedure has an effective date of 31 January 2011, in addition the Change Advisory Procedure (CAB) procedural document has an effective date of 1 February 2011. • The New Starter and Leaver Procedure document has an effective date of 9 December 2010; the initial version appears to have been created on 10 November 2010. • Customer Satisfaction – ‘survey monkey’. The document states it is a draft version with an effective date of 14 July 2010, with the next review date of January 2011; however at the time of the audit review there is no evidence that a review has been performed. • Incident Management Procedure - the first version was created / approved on the 30 June 2010. In addition, the Incident Management Process document, first draft was dated 1 July 2010. • A procedure for the ongoing system and software patch management across the Liberata desktop has been provided. However, the first version of the document is dated 3 November 2010. • Infosec Event Management procedure - the first version of the document is dated 15 June 2010. In addition, the document states the next review date as March 2011; however at the time of the audit a review appears to not yet have been completed. • Access to Business Technology Centre procedure. The first version of this 			

document was created on the 24 February 2011. In addition, the document relates to third party and internal staff access and not to (e.g.) systems.

These observations suggested to Internal Audit that procedures may have been recently produced; and potentially following other external audit based reviews, without being fully embedded in Liberata's operations.

Management Response

Barrow Borough Council welcomes the comments by the auditor that identified gaps in the creation and publication of key documents following the review of those documents. Liberata have explained that in reviewing their documents in line with ISO 20000 accreditation, there was not a seamless transition and they will review this process in the future. Liberata are confident that these discrepancies do not indicate a lack of compliance or suggest that the policies and procedures were not fully embedded. The Council is satisfied with Liberata's response.

Accepted

Implementation Deadline:

Implemented

Recommendation 4	Responsibility: Deputy Executive Director (Designate)	Priority:	2
<p>The Council should consider requesting from Liberata physical evidence that it applies relevant management controls/checks to confirm that its policies are being followed in practice.</p>			
<p>Rationale</p>			
<p>The provision of documentation to support the Internal Audit IT review provides part of the assurance required. Examples of where further physical evidence may be required are as follows:</p> <p>Internal Audit were provided with the Barrow Lake House Incident Management Plan and the Barrow Lake House Business Continuity Plan. However, evidence was not provided to confirm that the Local Barrow Lake House BCP or IMP has been formally tested or, of the required 'desktop walkthrough' stages, which have been undertaken. We were informed that the Council could request to see evidence if this was deemed necessary.</p> <p>Internal Audit were provided with a blank copy of the 'Policy & Procedure IT' document. This document requires users to confirm they have read and understood the IT policies that are held on the Liberata intranet site LIBnet; the document is required to be signed and dated. However, a random sample of completed copies related to relevant staff should be provided to confirm completion, or alternatively the Council could request confirmation from Liberata that appropriate controls are in place to ensure all users have signed and dated the 'Policy & Procedure IT' document.</p> <p>Internal Audit were informed that firewalls are subjected to regular penetration testing as part of Liberata's annual IT health check. Results are published in full to the Communications-Electronics Security Group (CESG) along with remediation plans for any issues identified. However, evidence of firewall penetration testing was not provided. We were informed that the Council could request to see evidence if this was deemed necessary; however this is a key requirement of CoCo compliance.</p>			
<p>Management Response</p>			
<p>The Council has discussed this with Liberata and are satisfied a full workspace recovery test has been carried out at Lake House.</p> <p>Liberata have informed us that acceptance and signing of the 'Policy and Procedure IT' document is a mandatory requirement for all Liberata employees and that they can supply evidence on request.</p> <p>Liberata have informed us that Pen testing has been performed and can provide evidence.</p> <p>Regular monitoring of Liberata's procedures should be considered.</p>			
Accepted	Implementation Deadline:	Implemented	

Recommendation 5	Responsibility: Deputy Executive Director (Designate)	Priority:	3
<p>The Council should consider requesting from Liberata further control measures or evidence to substantiate the adequacy of IT control following the findings from the Internal Audit review.</p>			
<p>Rationale</p>			
<p>Following the Internal Audit review and compliance checklist exercise, the following examples of potential inadequacy in control arrangements were identified.</p> <p>Equipment within the Data Centre should be subject to maintenance on a timely basis. Internal Audit were provided with a number of documents as evidence to substantiate maintenance of equipment; however the following queries were identified:</p> <p>The air conditioning maintenance contract provided had not been signed by Foster Environmental Ltd. In addition, evidence of cyclical service visits undertaken has not been provided.</p> <p>The Cummins Power Generation contract provided by Liberata covers the period 1 Dec 2009 to 1 Dec 2010; therefore not the current service contract. In addition, the Service contract provided had not been signed by Liberata. Finally, evidence of service visits undertaken was not provided.</p> <p>Internal Audit were provided with an acceptance form from Rosse Systems Ltd, which relates to the maintenance of emergency lighting and fire alarms; however the acceptance form had not been signed by either party. In addition, evidence of service visits undertaken was not provided.</p> <p>It is expected that information of a sensitive nature and relevant equipment should be removed/destroyed in accordance with the IT Removals procedure. Internal Audit were provided with a copy of a document from Ultratec, confirming the erasure of data from hard drives; however it was identified that this document has not been signed or countersigned as required.</p>			
<p>Management Response</p>			
<p>Liberata have informed us that all unsigned documentation, as outlined above, has now been re-issued for counter signatures. Evidence of service visits are available and can be provided as requested.</p>			
Accepted	Implementation Deadline:	Implemented	

Recommendation 6	Responsibility: Deputy Executive Director (Designate)	Priority:	3
<p>The Council should consider requesting Liberata to review its policies/procedures to introduce the improvements identified in the Internal Audit review.</p>			
<p>Rationale</p>			
<p>examples were identified during the audit review, of areas where potential improvement could be made to control documentation:</p> <p>Designated staff should receive on a timely basis suitable fire training. Internal Audit were provided with the 'Building Evacuation Procedures' document, however this document does not make reference to the training of responsible officers eg Fire Marshalls.</p> <p>Additionally, a list of key personnel – Fire Marshalls has been produced, however it was noted that this document is not dated, nor was there any evidence of review. Further, it should be clarified whether the document applies to the Barrow site or only the Sheffield site.</p> <p>Staff should be made aware that they should refrain from smoking, eating or drinking within the Data Centre Machine Room. Internal Audit were provided with the Liberata Operations department 'Visitor Information Sheet'; it was identified that this document does not state that there should be no smoking in the Data Centre Machine Room. Additionally, this document appears to be aimed at visitors; Internal Audit were not provided with a corresponding document for permanent staff.</p> <p>In order to ensure all staff receive adequate and appropriate training, a record should be maintained which identifies training received and training required. Internal Audit were provided with an example training matrix; however this document appears to record members of staff attending a specific course, rather than identified requirements.</p> <p>Internal Audit were provided with a copy of the 'Barrow Iworld backup' procedure, however it was identified that this document was not dated or version controlled.</p> <p>Access to BTC procedure. The document relates to third party and internal staff access to buildings only; it should also refer to access to systems etc.</p> <p>The Data and Asset Management Policy provided should document the process to ensure the asset inventory is updated when an asset is disposed of. However, the policy does not appear to cover the disposal of assets.</p> <p>The Change Advisory Board Process and Change Advisory Procedure (CAB) documents do not refer to the underlying methodology, e.g. PRINCE2 or other appropriate system.</p>			

Management Response

The Council has received a response from Liberata regarding this recommendation and is satisfied that adequate controls are in place. Regular monitoring of Liberata's policies and procedures should be considered.

Accepted

Implementation Deadline:

Immediate

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Physical Security
- Operating Procedures and Staff Training
- IT Disaster and Business Continuity
- Network Management
- IT Helpdesk and IT Service Performance
- PC Procurement, Management and Control
- Management of Internet Access and Email
- Management of Contractors
- Information Asset Management and Classification
- System Planning and Acceptance, and Change Control

Methodology

While a system based audit approach was still adopted for this audit, it was of an overview nature and physical testing was kept to a minimum. The key procedures followed were:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditor: Keith Jackson, David Widger and Claire Pittard.

The fieldwork was performed: February 2010 to August 2011.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement	Follow-up performed by the end of the next audit year.

AUDIT COMMITTEE	(R) Agenda Item 14
Date of Meeting: 6th March, 2012	
Reporting Officer: Borough Treasurer	
<p>Title: Review of Financial Regulations and Contract Standing Orders</p> <p>Summary and Conclusions:</p> <p>Financial Regulations are required to be reviewed regularly to keep them relevant and current. The Contract Standing Orders have also been reviewed.</p> <p>They were both last reviewed in December 2010.</p> <p>Recommendations:</p> <p>Members are recommended to approve the reviewed Financial Regulations and Contract Standing Orders and recommend full Council to adopt and incorporate them into the constitution.</p>	

Report

The reviewed Financial Regulations and Contract Standing Orders are attached to this report at **Appendices 15 and 16**.

The main amendments to the Financial Regulations are:

Reference	Amendment
Whole document	Officer designations updated
Whole document	Presentational amendments
Whole document	A few amendments to the flow of existing text
Section 2.1.d	Regulation reference updated
Section 3	Text relating to value for money removed – relates to Section 8
Section 4.2.b	Strategy/Plan reference updated
Section 6.6	Added to reflect current (also best practice)
Section 8	Added reference to the Bribery Act 2010
Section 8.1.d	Added the requirement to complete the Contract Management Checklist (current practice)
Previous	Removed paragraph relating to Cumbria County Council using

Reference	Amendment
Section 8.5.b	their Contract Standing Orders instead of the Borough Councils
Section 10.3.b	Added the requirement to complete the Contract Management Checklist (current practice)
Previous Section 10.3.b	Removed paragraph relating to Cumbria County Council using their Contract Standing Orders instead of the Borough Councils
Section 11.3.b	Added fines and licences as issued outside the corporate debtors system
Previous Section 11.10.b	Removed paragraph relating to staff involved taking two weeks leave – relates to Section 16
Section 13.3.a	Amended cheque book to banking facilities
Section 14.4 and 14.5	No text changes, Data now has its own Section
Section 19.6	Added the word bribery
Section 20	Added the word bribery
Previous Section 20.3	The reference to Scrutiny is not relevant in this Section
Section 20.3	The Standards Committee is deleted from April 2012 – Audit Committee assumes these duties
Section 20.6	New paragraph relating to the Bribery Act 2010
Section 21.2	Amended the areas covered by the Audit Commission (presentational)

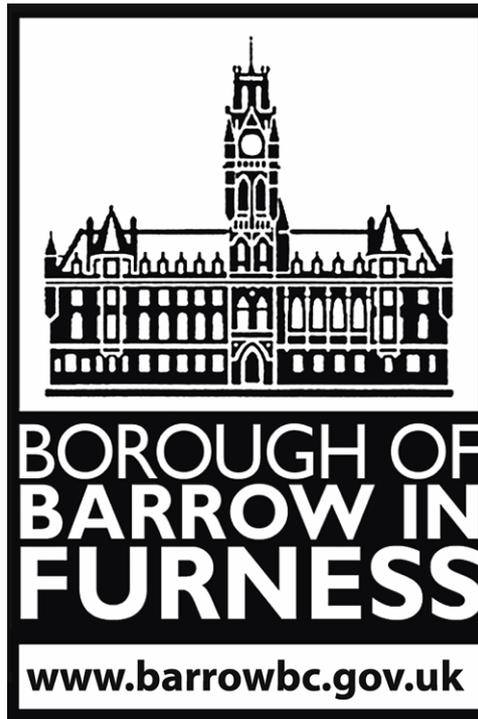
The main amendments to the Contract Standing Orders:

Reference	Amendment
Whole document	Officer designations updated
Whole document	Presentational amendments
Whole document	A few amendments to the flow of existing text
Section 1	European Union tendering requirements set out in more detail
Section 3	New Section added relating to the Selection of Tenderers
Section 4 bullet 6	Additional clause for tender notices
Section 5 2 nd paragraph	Text added at the beginning and end to match current practice
Section 6	Final sentence added to match current practice
Section 8	Deleted 'Members' from the assessment of tenders to match current practice
Section 10	Reference to specific Officer removed
Section 13	Reviewed to clarify the issues that must be covered by written contracts – previous points relating to corruption and discrimination deleted incorporated into the new points
Section 14	Added in the exceptions to be in consultation with the Chairman or

Reference	Amendment
	Vice-Chairman of the Executive Committee
Section 15	Added in the reason for sealing
Section 16	Added the requirement to complete the Contract Management Checklist and the Final Account being checked by Internal Audit prior to payment

Background Papers

Nil



Financial Regulations

Reviewed February 2012

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Barrow Borough Council is committed to ensuring a sound financial management framework is in place that is relevant and provides the necessary financial controls to meet the demands of delivering local services.

The Financial Regulations also provide clarity about the financial accountabilities of individuals - Members, the Executive Director and Head of Paid Service, the Monitoring Officer, the Borough Treasurer (Section 151 Officer) and other Heads of Service, and staff generally. These Regulations are therefore formally endorsed by the Council as a key part of the Council's Constitution.

The Financial Regulations provide the overall key control framework to enable Barrow Borough Council to exercise effective financial management and control of its resources and assets. Another key purpose of the Regulations is to support and protect Members and staff in the performance of their duties where financial issues are involved.

These Regulations need to be read in conjunction with the remainder of the Constitution and any other regulatory documents of the Council.

Please address queries or comments regarding the Council's Financial Regulations to the Borough Treasurer.

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Section 1: General

WHY ARE THESE REGULATIONS IMPORTANT?

It is important that the Council has a sound and effective financial management framework in place to safeguard the Council's financial arrangements and activities, to support staff and to minimise risk. The Local Government Act 1972 Section 151 requires the Council to nominate one of its officers to be responsible for the proper administration of its financial affairs. The officer so appointed is the Borough Treasurer and in their absence the Chief Accountants. Financial Regulations form part of the Council's approach to corporate governance and provide a control framework through which the Borough Treasurer carries out their statutory duty on behalf of the Council.

1. Application of Financial Regulations

Financial Regulations are the framework for controlling and managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf:

- a. These Regulations identify the financial responsibilities of the Full Council, the Executive Committee, the Audit Committee, the Head of Paid Service, the Section 151 Officer and Heads of Service generally. References to Heads of Service include the Executive Director, Deputy Executive Director and Borough Treasurer. References to the Borough Treasurer refer to their role as Section 151 Officer.
- b. References in these Regulations to Heads of Service also apply to individual department and cost centre managers.
- c. These Regulations apply equally to all external agencies and their employees incurring expenditure or receiving income on behalf of the Council. Accordingly, Heads of Service will ensure that partnership and other arrangements with external parties are not set up to operate in conflict with these Regulations as far as the Council's involvement is concerned.
- d. These Regulations will apply until such time as they are rescinded, amended or suspended by the Council.

2. General responsibility

- a. All Members and staff have a general responsibility for taking reasonable action to provide for the security of any assets under their control, and for ensuring that the use of resources is legal, is properly authorised and provides the best value for money.
- b. Any officers of the Council receiving any financial related Government Department correspondence will immediately forward a copy to the Borough Treasurer. The Borough

Treasurer must be consulted in connection with any correspondence or discussions that have financial implications.

- c. All Members and staff of the Council must abide by the codes and protocols the Council.
- d. Money held or received on behalf of the Council will not be borrowed or used to encash personal cheques.
- e. Heads of Service are responsible for informing the Borough Treasurer of any matter liable to materially affect the finances of the Council including negotiations with Government Departments, before any commitment is incurred or arrangements reached.

3. Compliance

Heads of Service are responsible for making all staff in their departments aware of the existence of and content of these Financial Regulations and for their compliance with them.

4. Review

The Borough Treasurer will maintain a continuous review of the Financial Regulations and submit any necessary additions or changes for approval by the Audit Committee. The Borough Treasurer will report, where appropriate, breaches of the Financial Regulations to the Audit Committee.

Section 2: Internal Controls

WHY ARE THESE REGULATIONS IMPORTANT?

The functions of the Council are diverse and therefore to ensure delivery of the Council's strategic objectives a framework of internal control is required.

The Council has statutory obligations and therefore requires internal controls to identify, meet and monitor compliance with these obligations.

The Council faces a wide range of financial, administrative and commercial risks, from both internal and external factors, that need to be managed to enable the Council to achieve its objectives. Internal controls are necessary to manage these risks.

A system of internal controls is established in order to provide measurable achievement of: (a) efficient and effective operations, (b) reliable financial information, (c) compliance with laws and regulations, and (d) risk management.

1. The Borough Treasurer has statutory duties in relation to the financial administration and stewardship of the Council. This responsibility cannot be overridden. The statutory duties arise from:
 - a. Section 151 of the Local Government Act 1972.
 - b. The Local Government Finance Act 1988.
 - c. The Local Government and Housing Act 1989.
 - d. The Accounts and Audit (England) Regulations 2011 (as amended).
 - e. The Local Government Act 2003.
2. The Borough Treasurer is responsible for:
 - a. The proper administration of the Council's financial affairs.
 - b. Setting financial management standards and monitoring compliance with them.
 - c. Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
 - d. Providing financial information.
 - e. Preparing the revenue budget and capital programme.
 - f. Treasury management.
 - g. Reporting on the robustness of estimates made for the purposes of preparing budgets and the adequacy of the proposed financial reserves.

3. The Borough Treasurer will report to the Full Council, Executive Committee and external auditor in fulfillment of their statutory obligations under Section 114 of the Local Government Act 1988 or otherwise if the Council or any of its officers:
 - a. has made, or is about to make, a decision that involves incurring unlawful or unauthorised expenditure
 - b. has taken, or is about to take, an unlawful or unauthorised action that has resulted or would result in a loss or deficiency to the Council
 - c. has made or is about to make an unlawful or unauthorised entry in the Council's accounts
4. The Deputy Executive Director is responsible for setting Contracts Standing Orders and monitoring compliance with them.
5. Heads of Service are responsible for ensuring that:
 - a. Members of the Executive Committee are advised of the financial implications of all proposals and that these have been previously agreed by the Borough Treasurer
 - b. contracts are duly signed on behalf of the Council and the Council Seal is applied where applicable
 - c. the approval of the Borough Treasurer is sought on any matter liable to affect the Council's finances materially, before any commitments are incurred
6. The Borough Treasurer will assist the Council to put in place an appropriate control environment and effective internal controls that provide reasonable assurance of effective operations, financial stewardship, probity and compliance with laws and regulations. The Borough Treasurer shall eliminate practices that are identified as inefficient or wasteful of Council resources.
7. Heads of Service will ensure that:
 - a. managerial control systems operate effectively throughout their departments. These will include the defining of policies, the setting of objectives and plans, the monitoring of financial and other performance, and the taking of appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities and ensuring staff have a clear understanding of the consequences of any lack of control.
 - b. financial and operational control systems and procedures operate effectively throughout their departments. These will include physical safeguards for assets, segregation of duties, checking and authorisation procedures and information systems.
 - c. key controls and control objectives for internal control systems are reviewed regularly in order to be confident as to the proper

use of resources, achievement of objectives and management of risk.

- d. processes are managed so as to check that established controls are being adhered to and are effective.
 - e. existing controls are reviewed in the light of changes affecting the Council and new controls are established and implemented in line with guidance from the Borough Treasurer.
 - f. controls that are no longer necessary, or no longer cost or risk effective, are removed
8. The Borough Treasurer will ensure that there is an effective and properly resourced Internal Audit function.

Section 3: Accounting

WHY ARE THESE REGULATIONS IMPORTANT?

Maintaining proper accounting records is one of the ways the Council discharges its responsibility for stewardship of public resources. The Council has a statutory duty to prepare its annual Statement of Accounts in a way that gives a true and fair view of its operations during the year. The accounts are subject to external audit, which provides assurance that they have been prepared properly, that proper accounting practices and statutory requirements have been followed. There is also a statutory right for members of the public to inspect the accounts and relevant supporting documentation.

1. The Borough Treasurer is responsible for:
 - a. selecting and applying appropriate accounting policies
 - b. determining accounting procedures and policies
2. The Borough Treasurer will:
 - a. make arrangements for the proper administration of the Council's financial affairs
 - b. apply accounting policies consistently
 - c. maintain proper accounting records
 - d. ensure that the Statement of Accounts for the previous financial year is completed, approved by the appropriate Committee and published within the corporate and statutory timetable and in accordance with relevant Codes of Practice
3. Heads of Service will ensure:
 - a. that all the Council's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and promptly
 - b. that in the allocation of accounting duties of any kind:
 - i. the duty of providing information, calculating, checking and recording sums due to or from the Council will be separated from the duty of collecting or paying such sums
 - ii. officers charged with the duty of examining and checking accounts of cash or stocks transactions will not themselves be engaged in any of those transactions
 - c. that the Borough Treasurer is supplied with such information as may be requested from time to time for the purpose of the proper administration of the Council's affairs

Section 4: Revenue Budget

WHY ARE THESE REGULATIONS IMPORTANT?

The Council is responsible for producing an overall policy framework. The purpose of the framework is to explain overall priorities and objectives, and ensure that resources follow the identified priorities, current performance and proposals for improvement. The revenue budget is important in this context because, together with the capital programme (see Section 5), it expresses the approved policies and service levels of the Council in financial terms.

Once approved, the revenue budget confers authority on managers to incur expenditure to achieve the aims and objectives of the Council. If expenditure plans cannot be met within the approved budget, then they can only proceed with an approval to divert funds (as provided for in Section 7(4)).

1. The Borough Treasurer will:
 - a. recommend to the Executive Committee appropriate guidelines for preparation of the annual budget
 - b. recommend to the Executive Committee the Council's Medium Term Financial Plan incorporating the annual budget and the financial forecast for at least the following two financial years
 - c. issue appropriate guidance to Heads of Service and prepare a corporate budget timetable
 - d. ensure the approved budget guidelines are complied with so that statutory and other deadlines can be met
2. Heads of Service will:
 - a. submit to the Borough Treasurer estimates in accordance with the budget guidelines and within agreed time scales
 - b. ensure that the estimates are prepared having regard to the Council Sustainable Community Strategy and other corporate aims and objectives
 - c. for each cost centre, supply to the Borough Treasurer an estimated profile of the rate of expenditure or income across the budget year
 - d. provide any information the Borough Treasurer may require
3. The Borough Treasurer will report to the Executive Committee (via the Housing Forum for the Housing Revenue Account) and to Full Council:
 - a. on the revenue estimates, ensuring that the context and format comply with legal requirements and relevant Codes of Practice
 - b. on the robustness of the estimates made for the purposes of calculations and the adequacy of the proposed financial

- reserves
 - c. on any significant surplus or deficit arising on the Collection Fund with a recommended course of action
 - d. on the final proposed budget to enable the Leader of the Council to make a recommendation to Full Council on the appropriate levels of provisions and reserves, and on the levels of Council Tax for the year
- 4. Final acceptance of revenue estimates can only be made by Full Council.
- 5. Subject to (6) below, the approval of a budget for the year by Full Council confers authority to spend in accordance with the budget for that year. Commitments affecting future financial years may only be made where the provisions of Section 7(6) are satisfied. Heads of Service are responsible for coordinating programmes of expenditure and income that will achieve the objectives on which the budget was based.
- 6. Heads of Service will not enter into any new arrangements or other contractual commitments with long-term revenue consequences without the prior written consent of the Borough Treasurer. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of revenue payments which extend beyond the end of the following financial year.
- 7. If Heads of Service need to incur expenditure outside the approved budget provision, or anticipates an under spend against an approved budget head, the procedures set out in Section 7(5a) and (3) will apply.

Section 5: Capital Programme

WHY ARE THESE REGULATIONS IMPORTANT?

The revenue budget (Section 4) and the capital programme together express the approved policies and service levels of the Council in financial terms. It is important to ensure that the Council achieves maximum economy, efficiency and effectiveness from the use of its capital resources and directs those resources into the agreed priority areas. Unlike the revenue budget however, due to the uncertainty of capital resources and the timing of capital projects, total capital expenditure is often over or under programmed against estimated resources, so special controls are needed to ensure commitments do not exceed the resources available.

1. The Borough Treasurer is responsible for preparing annually a Capital Strategy and submitting this with the revenue budget to the Executive Committee for approval.
2. The Borough Treasurer will:
 - a. maintain current estimates of resources available to finance capital expenditure in the current year and over at least the following two financial years
 - b. maintain a capital programme for approval periodically by the Executive Committee, based on the current Council key priorities and other relevant corporate plans and strategies.
 - c. receive and assess all formal appraisal reports for capital project proposals prior to their submission to the Executive Committee
3. Heads of Service will:
 - a. submit to the Borough Treasurer upon request, estimates of the cost of capital spending proposals and the estimated amount and timing of any capital receipts and other contributions receivable
 - b. ensure that the estimates submitted are prepared having regard to the Council key priorities and other corporate aims and objectives
 - c. ensure that all capital project proposals are the subject of a formal appraisal report to the Executive Committee defining the need, purpose, options, risks and financial implications must include all capital considerations and subsequent revenue implications. Such reports to be provided to the Borough Treasurer prior to submission to the Executive Committee
 - d. provide any other information the Borough Treasurer may require for the review, monitoring or control of the capital programme

4. In working up any capital scheme, Heads of Service will have regard to the risk of triggering claw back or breaching restrictive covenants or other contractual conditions in relation to land or otherwise.
5. The inclusion of a capital scheme within an approved capital programme will confer authority to spend, including expenditure which may fall in a subsequent financial year, subject to:
 - a. the provisions of the Council's Contracts Standing Orders
 - b. the provisions of (7) below
 - c. the Borough Treasurer having first confirmed in writing that sufficient resources are available for the purpose
6. If Heads of Service wish to incur expenditure outside the approved capital programme provision, the procedures set out in Section 7(5b) will apply.
7. Heads of Service will give the Borough Treasurer early warning of known under spends, overspends and changes to planned resources so that the availability of uncommitted capital resources may be monitored effectively.

Section 6: Authorised Signatories

WHY ARE THESE REGULATIONS IMPORTANT?

Officers with delegated authority to incur expenditure on behalf of the Council must act in accordance with the codes and protocols of the Council and where appropriate operate within the Council's Contract Standing Orders or Purchasing Rules.

Each officer has a financial limit set on the activities that they are authorised to commit up to. In addition to this, officers may have authority to approve contracted payments over and above the financial limit for day-to-day commitments for their budgets.

1. The names of officers authorised to sign for cost centres and contractual payments will be agreed with the Borough Treasurer on an approved form, with the officers' specimen signatures provided. The approved form is to be signed by the cost centre manager and relevant Head of Service, prior to the Borough Treasurer's review and authorisation.
2. The certification by or on behalf the cost centre manager will be taken to mean that the authorising officer is satisfied that the expenditure is authorised, properly and necessarily incurred and payable by the Council.
3. The Borough Treasurer will be notified immediately of any authorised signatories who leave the Council's employment or cease to be authorised to sign. The Borough Treasurer will immediately give authorisation to remove all access to financial systems.
4. All authorised signatories will sign in their own hand and will not use signature stamps.
5. Where electronic certification is to be used in place of manual signatures, this will be in a form agreed by the Borough Treasurer.
6. The Borough Treasurer will maintain a register of authorised signatories which will be subject to review.

Section 7: Budgetary Control

WHY ARE THESE REGULATIONS IMPORTANT?

Budgetary control ensures that once Full Council has approved a revenue budget or a capital programme, the resources allocated are used for their intended purposes, i.e. the agreed priority areas, and are properly accounted for. It is a continuous process, enabling the Council to review and adjust its budget targets during the financial year to make the most effective use of resources in delivering the Council's policies and objectives. The budgetary control framework also sets out the accountabilities of managers for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity.

To ensure that the Council as a whole does not over or under spend, each service is required to manage its own expenditure within approved resources and to identify any surplus resources for diversion to other programme areas.

1. Overall responsibility for budgetary control

The Borough Treasurer is responsible:

- a. for the overall financial control of the revenue budget and capital programme of the Council
- b. for providing quarterly financial performance information to the Executive Committee
- c. for subdividing service budgets within the overall budget framework according to Council structure and services, having regard to relevant Codes of Practice
- d. for allocating the revenue budget and capital programme wholly among responsible Heads of Service
- e. for supplying timely information on receipts and payments on each cost centre and capital scheme, sufficiently detailed to enable managers to fulfill their budgetary control responsibilities

2. Responsibility for control of individual budgets

Heads of Service are responsible:

- a. for the budgets and programmes allocated to them, for delivering the levels of service on which they were based, and for compliance with their financial obligations
- b. for monitoring levels of service and performance within services, as measured by expenditure and income incurred against

relevant cost centres and capital programme provision, and by benchmarking their service against similar providers to demonstrate value for money

- c. for seeking virements, either to increase or to reduce the provision allocated to particular budget heads or capital schemes, in accordance with (4) below in order to maintain budget provisions in line with the service levels required
- d. for exercising powers delegated to them to enter into new financial commitments only where adequate provision has been made in the revenue budget or capital programme and where the revenue consequences for future financial years are in accordance with (6) below
- e. for providing any additional information the Borough Treasurer may require

3. Variances from budget

The Borough Treasurer is responsible:

- a. for reporting significant variances to the Executive Committee where a Head of Service fails to take action under (4) to (6) below
- b. for agreeing annually:
 - i. a list of expenditure proposals for which revenue budget provision had been made in the previous year and for which the particular goods or services had not been supplied before the financial year end
 - ii. a list of expenditure proposals on capital schemes for which provision had been made in the capital programme for the previous year but which was under or overspent so that supplementary estimates may be considered for the ensuing financial year in accordance with (5) below

4. Virements between budgets

- a. Subject to appropriate consultation, budget allocations may be moved between revenue cost centres for the purpose of maintaining approved service levels, in accordance with the following scheme of virements:
 - i. Up to £5,000 by the Heads of Service.
 - ii. Over £5,000 by the Borough Treasurer, any virements over £50,000 will be identified in the budget monitoring report.

and in making any such decision, due regard will be had to any budget implications for future financial years.

- b. Heads of Service may only make virements between the direct costs under their control; this includes items such as supplies

and services and excludes items such as staffing and allocated support services.

- c. Virement between the General Fund and the Housing Revenue Account is not permitted, nor between revenue and capital.
- d. Virement between cost centres within the discrete funds is possible with the mutual consent of the relevant Heads of Service.

5. Supplementary estimates

a. Revenue expenditure

Where no provision currently exists in the revenue budget, or where the provision made for an existing budget head is insufficient and a virement is not available under (4) above, then new or additional budget provision may be established using revenue balances or other appropriate reserves in accordance with the Reserves and Balances policy.

For unbudgeted but necessary expenditure that could impact on service delivery if not incurred, the following scheme of supplementary estimates should be followed:

- i. does not exceed 1% of the net revenue budget - by the Borough Treasurer after appropriate consultation with the Executive Director and Deputy Executive Director. The Borough Treasurer must report these items to the Executive Committee at the earliest opportunity
- ii. exceeds 1% of the net revenue budget - by the Executive Committee
- iii. where general earmarked reserves are available or a specific reserve has its purpose changed to allow its immediate use - by the Executive Committee

For emergencies, unexpected events or unbudgeted statutory items the Borough Treasurer can authorise a supplementary estimate and must report these items to the Executive Committee at the earliest opportunity.

The Executive Committee can, on the recommendation of the Borough Treasurer eliminate or reduce the funds in earmarked reserves by adding them to the revenue balance.

In making any such decision, due regard will be given to any budget implications for future financial years.

b. Partnership Expenditure and External Funding

Where no provision currently exists in the revenue budget or capital programme for specific projects or activities which are to

be wholly or partly funded by external agencies or partners, then the above criteria for supplementary estimates will apply to the value of the Council's net financial contribution to the revenue or capital cost of the project.

The Borough Treasurer is empowered to adjust revenue budgets and capital programmes to reflect the gross value of all such arrangements and transactions.

Heads of Service must liaise with the Borough Treasurer and the Monitoring Officer, and refer to Section 9 of these Regulations, prior to undertaking any bidding for external funding or setting up any partnerships.

6. Commitments of revenue expenditure affecting future financial years

The following arrangements will apply in relation to the commitment of expenditure prior to the approval of the revenue budget for the financial year concerned:

- a. Heads of Service may commit expenditure affecting future financial years provided the estimated cost in real terms does not exceed the current year's budget provision and that the written consent of the Borough Treasurer is obtained where Section 4(5) applies.
- b. Heads of Service may only commit expenditure on new or extended services with the approval of Full Council.

7. Other matters affecting budgets

Heads of Service are responsible for alerting the Borough Treasurer of any issues with the potential to affect revenue or capital budgets or resources in the current year or future years, and where significant the Borough Treasurer will report such matters to the Executive Committee at the appropriate time.

No expenditure will be committed that would take the General Fund or Housing Revenue Account in excess of the agreed budget, without a supplementary budget agreed by Full Council following Executive Committee recommendation.

Section 8: Procuring and paying for Works, Supplies and Services

WHY ARE THESE REGULATIONS IMPORTANT?

The letting of public contracts should be done with demonstrable transparency and in accordance with Council policies, including the policy on fraud and corruption. It is essential for maintaining public confidence that the Council and its officers are seen to act with complete fairness and impartiality in the letting of contracts.

The Council has a statutory duty to achieve best value for money, partly through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. All of the Council's procurement and payment activities must be in compliance with the provisions of the Bribery Act 2010.

These Regulations should be read in conjunction with the Council's Contracts Standing Orders and its Purchasing Rules.

For procurement, the adopted principle is that the Council aims to deliver value for money when procuring goods, services and supplies. This is balanced with consideration to sustainability, the local economy and fair competition to all providers.

1. Placing Orders for Works, Supplies and Services

- a. Where the value of any works, supplies or services to be received by the Council is equal to or exceeds £100,000, Heads of Service will invite tenders in accordance with the Contracts Standing Orders.
- b. Where the estimated value of any works, supplies or services to be received by the Council is below £100,000, Heads of Service will follow the Council's Purchasing Rules.
- c. All officers entering into contractual arrangements must provide the necessary information for the maintenance of the Council's contract register to Legal Services.
- d. For all contracts awarded under the Council's Contract Standing Orders the responsible Officer will complete the Contract Management Checklist as prescribed by the Borough Treasurer.

2. Other contract terms

Heads of Service will:

- a. in consultation with the Borough Treasurer include in every contract appropriate clauses to cover financial and insurance requirements, and to provide sufficient security for due performance

- b. put in place adequate procedures for the effective cost control of all contracts

3. Receipt of Works, Supplies and Services

Heads of Service will put in place adequate systems for verifying the performance of work or the receipt of supplies and services. In particular controls will be established to ensure that:

- a. the work done or supplies and services received are as specified
- b. the quality or workmanship is of the required standard
- c. the expenditure has been duly authorised, is properly payable by the Council and is within budget estimates
- d. the price to be paid is correct
- e. the account has not previously been passed for payment
- f. appropriate entries have been made in inventory, stock or other records
- g. the account is arithmetically correct

4. Payment for Works, Supplies and Services

- a. Heads of Service will make adequate and effective arrangements approved by the Borough Treasurer for checking and certifying invoices and other requests for payment without undue delay.
- b. All certified invoices will be dealt with in a manner set by the Borough Treasurer and will, where possible, quote the Council's official purchase order number.
- c. The Borough Treasurer or their representative has the right to perform checks against any invoice, before or after payment, to ensure correct procedures have been applied.
- d. The Borough Treasurer will decide the most effective way for the Council to make payments; payments may only be made by direct debit with the prior approval of the Borough Treasurer.
- e. Proforma invoices will only be used for the purposes approved by the Borough Treasurer.
- f. Minor items of expenditure, up to a limit set by the Borough Treasurer, may be paid under petty cash procedures determined by the Borough Treasurer.

5. General

- a. Every Member and officer engaged in contractual or purchasing decisions on behalf of the Council will declare any links or personal interests they may have with purchasers, suppliers and contractors, and will comply with the provisions of the appropriate Codes of Conduct.
- b. Heads of Service will ensure that all formal contracts are referred to Internal Audit for the proper check to be performed, as soon as the final account is agreed and before any retention is paid.

- c. Heads of Service will ensure that the duties of ordering works, supplies or services, receiving them, certifying and approving for payment are not performed by the same officer.
- d. All Information Technology hardware and software acquisitions must be made in consultation with the IT Technical Support Team Leader and for financial systems or those that interact with such systems, with the additional approval of the Borough Treasurer.

Section 9: Work carried out for others

WHY ARE THESE REGULATIONS IMPORTANT?

Legislation enables the Council to provide a range of services to other bodies. Such work may help maintain economies of scale and existing expertise. It may also be helpful to share the Council's facilities, expertise and resources with others under partnership arrangements. Effective controls should be in place to ensure that any risks associated with such work are minimised and that the work falls within the Council's statutory powers.

1. Financial Regulations apply equally to any service carried out by the Council on behalf of any other Council, body or person. Heads of Service will not set up partnership or other arrangements with external parties to operate in conflict with these Regulations as far as the Council's involvement is concerned.
2. Heads of Service will:
 - a. properly assess the financial implications of the proposal prior to commitment following consultation with the Borough Treasurer
 - b. draw up contracts having regard to the Council's powers, relevant policies and protocols and in compliance with any insurance or other requirements of the Borough Treasurer
 - c. have regard to the Contract Standing Orders and other requirements of the Deputy Executive Director

Section 10: External funding and partnership arrangements

WHY ARE THESE REGULATIONS IMPORTANT?

Partnerships play a key role in delivering community strategies and in helping to promote and improve the well being of the Borough. The Council works in partnership with others - public agencies, private companies, community groups and voluntary organisations - and its distinctive leadership role is to bring together the contributions of the various stakeholders. The Council will mobilise investment, bid for funds, champion the needs and harness the energies of local people and community organisations. It will be measured by what it achieves in partnership with others.

Partnerships can provide ways to access new resources and share risk. They can also lead to innovative and improved ways of delivering services whilst forging new relationships. Whilst external funding is a very important source of income, funding conditions need to be carefully considered to ensure they are compatible with the aims and objectives of the Council. In some instances, tight specifications may not be flexible enough to link to the Council's overall plan. Also, new ways of working can increase the Council's exposure to fraud and to irregularities in the operation of, for example, VAT, insurances, and pay.

1. Bidding for external funding
 - a. Heads of Service will seek external resources only to further the priorities and aims of the Council.
 - b. Before making a bid for resources which, if successful, would require any financial commitment from the Council, Heads of Service will ensure that appropriate budgets have been approved or earmarked in accordance with these Regulations.
 - c. In working up bids, Heads of Service will use appropriate project appraisal processes to assess the viability of the project in terms of resources, staffing and expertise, to identify and assess all potential risks, and to ensure achievement of the required outcomes.
2. Setting up partnerships
 - a. Heads of Service will agree and accept formally the roles and responsibilities of each of the partners involved in a project before the project commences.
 - b. Where the Council is to be the lead partner or the accountable body where other public funds are involved, the responsibilities of the Council and the obligations of the various partners are to be clearly defined and understood. Heads of Service will consult the Borough Treasurer on:

- i. any financial control, insurance and audit requirements including physical access to be incorporated in the partnership arrangements
 - ii. the overall financial implications for the Council.
- c. Prior to entering into any commitment, the relevant Heads of Service will ensure that any match funding or other financial obligations of the Council are provided for within revenue or capital programmes and that arrangements are made for future years' financial provisions to reflect these obligations. This should include any audit and other consequential fees as appropriate.

3. Working with partners

- a. These Financial Regulations and the Council's Contract Standing Orders will apply equally to any orders for works, goods or services which are the responsibility of the Council under the partnership arrangements.
- b. Heads of Service will ensure that all formal contracts are referred to Internal Audit for the proper check to be performed, as soon as the final account is agreed and before any retention is paid. For all contracts awarded under the Council's Contract Standing Orders the responsible Officer will complete the Contract Management Checklist as prescribed by the Borough Treasurer.
- c. The relevant Heads of Service will comply with any key conditions of funding and any statutory requirements.
- d. Any variation in resources to be contributed by the Council, or in the overall resources of the partnership where the Council is the accountable body, will be dealt with in the same way as other budget variations as set out in Section 7 (Budgetary Control).
- e. The relevant Heads of Service will ensure that any financial control, insurance and audit requirements of the partnership are met.
- f. The relevant Heads of Service will communicate regularly with the other partners throughout the project so that problems are identified and shared to achieve their successful resolution.

Section 11: Income

WHY ARE THESE REGULATIONS IMPORTANT?

It is essential that all income due to the Council is identified, collected, receipted and banked promptly. To achieve this it is necessary to put effective income systems in place.

It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost involved in administering debts.

1 General

Heads of Service will implement arrangements made by them under this Section only with the approval of the Borough Treasurer.

2 Prompt identification of sums due to the Council

Heads of Service will make adequate and effective arrangements for the prompt identification of all sums due to the Council.

3 Prompt recording in the Council's accounts of all sums due

- a. Heads of Service will make adequate and effective arrangements for recording all sums due in the Council's accounts.
- b. Apart from local taxes, housing rents, fines and licences, accounts for sums due may only be raised on the Council's corporate debtors system unless alternative arrangements have been approved.

4 Collection and receipting of all income

- a. Heads of Service will make adequate and effective arrangements for the collection and receipting of all income and for the security of all cash and other valuables having regard to agreed insurance limits for locked safes.
- b. Heads of Services will only introduce new methods of collection after consultation and approval of the Borough Treasurer.
- c. Acknowledgement for money received must only be made on official Council receipts or other form authorised by the Borough Treasurer for that purpose.
- d. Books and forms relating to the collection of income due to the Council will be kept in a manner set by the Borough Treasurer.

5 Banking of income

Heads of Service will make arrangements with the Borough Treasurer for the prompt and secure transfer of cash from the Council's offices and facilities to the Council's bankers.

6 Reconciliation of income

Heads of Service will make adequate and effective arrangements for the sums collected and banked to be reconciled with the records of sums due.

7 Debt recovery

In all cases Heads of Service will take prompt and appropriate actions to recover all sums overdue to the Council.

8 Writing off sums due

- a. Heads of Service are responsible for recommending the write off of irrecoverable debts to the Borough Treasurer.
- b. Where an individual debtor owes the Council no more than £25,000, the Borough Treasurer may approve the write off of that debt where there is satisfactory evidence that it is irrecoverable. In any other case, the debt may be written off only with the approval of the Executive Committee. However, there may be occasions when an immediate write off decision is necessary, for example at year end, to enable the completion of the final accounts within the statutory timescale. In such cases the Borough Treasurer will have authority to approve these transactions and seek subsequent ratification by the Executive Committee and reporting the reasons for taking that course of action.
- c. The write off of Non Domestic Business Rates (NNDR) of any amount will be delegated to the Borough Treasurer as these transactions relate to the National NDR Pool which is operated on an agency basis.
- d. The Borough Treasurer will report annually the total amount written off to the Executive Committee.

9 Reviews of fees and charges

- a. Heads of Service will, in consultation with the Borough Treasurer, review all fees and charges at least annually in accordance with guidelines approved by the Executive Committee. On completion of each review, the relevant schedule of proposed fees and charges will be presented to the Executive Committee for approval.
- b. Heads of Service are responsible for revised fees and charges being correctly implemented from the authorised date.

10 Segregation of duties

The duty of providing information, calculating, checking and recording sums due to or from the Council will be separated as completely as possible from the duty of collecting such sums.

Section 12: Value Added Tax

WHY ARE THESE REGULATIONS IMPORTANT?

Value Added Tax (VAT) is a tax applied to many of the goods and services the Council either buys in or supplies to others. VAT therefore impacts on many of the Council's financial transactions. Whilst generally speaking the Council is able to reclaim the VAT it pays on buying in goods and services, this ability is limited in relation to certain types of services made by the Council. VAT is a very complex tax, particularly where it relates to land and property transactions and partnership arrangements. It is essential that the VAT implications of all major projects, partnership arrangements and land and property transactions be evaluated well in advance of commitments being made. If this is not done the Council could be faced with a substantial irrecoverable VAT bill that is both unplanned and unbudgeted. Her Majesty's Revenues and Customs (HMRC) also have the power to impose penalties (fines) for late or non-compliance with VAT rules.

1. The Borough Treasurer is responsible for the determination of all arrangements for the collection, recording, payment and recovery of VAT.
2. The Borough Treasurer will:
 - a. maintain complete and accurate accounting records of all the Council's VAT transactions
 - b. submit the Council's VAT return to HMRC monthly in accordance with statutory deadlines
 - c. prepare the Council's partial exemption calculation as at the end of each financial year
 - d. conduct all negotiations with HMRC in respect of VAT matters affecting the Council
 - e. provide guidance, advice and training to Council staff on all aspects of VAT as they affect the Council
3. Heads of Service will:
 - a. properly account for VAT on all transactions under arrangements determined by the Borough Treasurer
 - b. consult the Borough Treasurer in all cases where the VAT treatment of any transaction is unclear so that the matter can be reviewed and appropriate treatment determined
 - c. consult the Borough Treasurer in all cases where new projects, schemes or services are proposed, **well in advance** of commitments being made, so that any impact on the Council's VAT position can be assessed and any necessary action taken to protect the Council's VAT recovery position

- d. co-operate with any VAT inspector and give access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work
-

Examples of activity with potential VAT implications

Examples of the types of new activity that could have an impact on the Council's VAT position are shown below. However this list is not exhaustive and consultation should take place when any new or innovative scheme is proposed:

- a new service
 - a significant extension to an existing service
 - a capital new-build scheme
 - a land or property transaction, including any involving a land exchange
 - a new or extended partnership arrangement
 - a scheme involving third party funding
 - an agency arrangement
 - any scheme where there is consideration in kind
-

Section 13: Banking

WHY ARE THESE REGULATIONS IMPORTANT?

The Council has a duty to ensure that all moneys are properly safeguarded and only utilised for authorised purposes. It is therefore necessary to have controls to ensure the proper authorisation and control of all bank accounts, all payments made from them and all income deposited.

1 Operation of bank accounts

- a. The Borough Treasurer is responsible for opening, closing and operating all bank accounts and related facilities in the Council's name.
- b. All communications with the Council's bankers concerning its bank accounts and any changes in banking arrangements will be made under arrangements approved by the Borough Treasurer.

2. Authorisation of signatories

Only officers personally mandated by the Borough Treasurer may authorise payments and other documents transferring funds out of the Council's bank accounts.

3. Payments from Council bank accounts

- a. All payments from the Council's bank accounts will be, so far as is practicable, made by automated bank transfer but the Borough Treasurer may exclude from this regulation such payments as the Borough Treasurer may consider appropriate from time to time.
- b. No payments will be made from the Council's bank accounts unless approved personally by a signatory authorised in accordance with (2) above.

4. Custody of banking facilities

Banking facilities will be held by the Borough Treasurer for use only in exceptional cases.

5. Banking of income

Heads of Service will make arrangements with the Borough Treasurer for the prompt and secure transfer of cash from the Council's offices and facilities to the Council's bankers.

6. Reconciliation

The Borough Treasurer will regularly and promptly reconcile the Council's bank accounts with the accounting records.

Section 14: Security and Inventories

WHY ARE THESE REGULATIONS IMPORTANT?

The Council holds assets in the form of land and buildings, fixed plant, vehicles and machinery, furniture and equipment, software and data, cash and other items of value. It is important that assets are used efficiently in service delivery, that they are adequately insured and that there are arrangements for the security of both assets and information required for service operations. Up to date records are a prerequisite for sound asset management. See also Sections 15 (Stocks) and 17 (Insurances).

1. Proper use of the Council's resources

Resources are to be used solely for the purposes of the Council and are to be properly accounted for.

2. Asset Register

The Borough Treasurer is responsible, in consultation with other Heads of Service, for the compilation and maintenance of the Council's official Asset Register covering land and property and other fixed assets.

Officers involved in the disposal of Council assets will:

- a. comply with the legal requirements of the Deputy Executive Director
- b. comply with the financial and accounting requirements of the Borough Treasurer

3. Inventories

- a. Each Head of Service is responsible for maintaining an inventory of moveable assets under procedures determined by the Borough Treasurer.
- b. Inventories are to be reviewed at least once each year and an updated copy retained by the Heads of Service.

4. Security

- a. Heads of Service will make proper arrangements for:
 - i. the security of all buildings and other assets under their control
 - ii. the safe custody of all documents held as security
 - iii. keys to safes and similar receptacles for valuables to be kept in secure places
- b. The security of personal possessions in the work environment is

the responsibility of the owner. The Council will accept no responsibility for the security of any items not necessary for the service of the Council.

5. Data

Heads of Service will ensure that:

- a. Personal data must be stored securely at all times and must not be taken off Council premises.
- b. The general responsibility for advising and setting standards for property security and privacy of information held in any Council computer installation will be that of the IT Technical Support Team Leader. Each Member or employee of the Council will have responsibility for ensuring the integrity, security, privacy and control of all individual computer systems that are under their control or in their possession.

Section 15: Stocks

WHY ARE THESE REGULATIONS IMPORTANT?

It is important that the stocks held by the Council are safeguarded and used efficiently in service delivery. There therefore need to be adequate arrangements for the receipt, security and issue of stocks and for the disposal of surplus or redundant items.

1. Receipt, Control and Custody

Heads of Service will make adequate and effective arrangements for the custody, care and physical control of all stocks in their departments.

2. Stocks Records

- a. In consultation with the Borough Treasurer, Heads of Service will maintain adequate records of all issues and other movements of stocks
- b. Heads of Service will provide to the Borough Treasurer each year a stock certificate detailing stocks and stores in hand at 31st March.

3. Maintenance of stocks

- a. Heads of Service will maintain stocks at reasonable levels, agreed with the Borough Treasurer, and subject them to a regular independent physical check.
- b. All discrepancies will be investigated, pursued to a satisfactory conclusion and removed from the Council's records by making stock adjustments as necessary. Gains and losses resulting from stock adjustments will only be written off or adjusted in the records under arrangements approved by the Borough Treasurer.

4. Disposal of surplus, obsolete or redundant stocks or equipment

Heads of Service will ensure that all stocks and equipment no longer required are disposed of economically and accounted for under arrangements approved by the Borough Treasurer.

5. Delegation

All staff responsible for stocks are required to take an uninterrupted holiday of at least two weeks duration in each financial year.

Section 16: Cash Holdings

WHY ARE THESE REGULATIONS IMPORTANT?

It is important that all cash held by Council departments is safeguarded and used effectively in service delivery. There therefore need to be adequate arrangements for the receipt, security and issue of petty cash reimbursements and the security of all cash floats held in Council departments.

1 Receipt, Control and Custody

Heads of Service will make adequate and effective arrangements for the custody, care, security and physical control of all petty cash and cash floats in their departments.

2 Petty Cash and Cash Float Records

- a. In consultation with the Borough Treasurer, Heads of Service will maintain adequate records of all petty cash reimbursements and float replenishments.
- b. In consultation with the Borough Treasurer, Heads of Service will maintain effective control and security over till floats and change floats held in their departments.
- c. Heads of Service will provide to the Borough Treasurer each year a cash imprest certificate detailing all floats and vouchers in hand at 31st March.

3. Maintenance of floats

- a. Heads of Service will maintain cash floats and subject them to a regular independent physical check by their officers.
- b. Petty cash floats will be reimbursed monthly.
- c. All discrepancies will be investigated and pursued to the Borough Treasurer's satisfaction.

4. Delegation

- a. Every transfer of official money from one officer to another will be evidenced in the record of the department concerned by the entry of the amount and signature of the receiving officer.
- b. Before an officer leaves the employment of the Council or ceases to be entitled to hold a cash float, the Head of Service will obtain account for the unexpended balance and will submit an account and vouchers in respect of the amount spent.
- c. All staff responsible for cash are required to take an uninterrupted holiday of at least two weeks duration in each financial year.

Section 17: Insurances

WHY ARE THESE REGULATIONS IMPORTANT?

The provision of insurance cover is one of the major methods of responding to corporate and service risks identified under the Council's risk management arrangements. Cover can be arranged either externally with major insurance companies or through an internal insurance pool. Accurate record keeping and timely provision of information are essential if the Council's insurance cover is to be effective. This Section should be read in conjunction with that relating to Risk Management (see Section 18).

1. The Borough Treasurer is responsible for:
 - a. effecting all insurance cover on a corporate basis, through external insurance or through internal self-insurance arrangements as the Borough Treasurer considers appropriate
 - b. negotiating all claims in consultation with relevant Heads of Service where necessary.
2. Heads of Service will notify the Borough Treasurer immediately:
 - a. of all new risks, properties, vehicles or other assets that require insurance
 - b. of any alterations to such risks or assets affecting existing insurances
 - c. should any of the Council's assets be damaged, lost or stolen
 - d. of any loss, liability, damage or personal injury that may lead to a claim against the Council

and will provide any related information or explanation required within time scales determined by the Borough Treasurer.
3. Heads of Service will ensure that no employee or other person covered by the Council's insurances admits liability (orally or in writing) or makes any offer to pay compensation, because this may prejudice a proper assessment of the Council's liability.
4. Heads of Service will maintain proper records relating to insurances effected by the Council, under arrangements approved by the Borough Treasurer.
5. Heads of Service will consult the Borough Treasurer and seek legal advice from the Deputy Executive Director on the terms of any indemnity that the Council is requested to give.
6. Heads of Service will consult the Borough Treasurer to determine the minimum level of insurance cover required of any person or body

(including all Council contractors) to indemnify the Council or to effect insurance cover in accordance with the Council's requirements.

7. The Borough Treasurer will ensure that insurers are subject to competitive tendering, possibly using brokerage services, at least once every five years.

Section 18: Risk Management

WHY ARE THESE REGULATIONS IMPORTANT?

The Council faces numerous risks: to people (including its employees), to property, to its reputation and to continuity of service delivery. Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to successfully execute its strategies. This will include both external and internal risks. Risk Management is the process by which risks are identified, evaluated and managed. Risk management seeks to protect the Council and enable achievement of stated aims and objectives. It also seeks to maximise the rewards that can be gained through effectively managing risk. It is the responsibility of the Audit Committee to approve the Council's risk management policy and strategy and to promote a culture of risk management awareness throughout the organisation.

This Section should be read in conjunction with that relating to Insurance (see Section 17), which is just one tool used in the control of organisational risk.

1. The Audit Committee will approve and promote the Council's corporate risk management policy and strategy.
2. The Executive Director will:
 - a. develop risk management processes and procedures to assist in the identification, assessment, reduction and control of material risks
 - b. undertake regular monitoring and review of the corporate and service arrangements for effective risk management
 - c. regularly report the status of monitoring arrangements to the Audit Committee
3. Heads of Service are responsible:
 - a. for risk management within all areas under their control, having regard to appropriate advice from the Executive Director
 - b. for carrying out regular reviews of risk, risk reduction strategies and the operation of appropriate controls (including business continuity plans) within their departments
4. Heads of Service will consult the Borough Treasurer and seek legal advice from the Deputy Executive Director on the terms of any indemnity that the Council is requested to give.
5. Heads of Service will promptly notify the Executive Director of all new risks that are material, as they are identified.

Section 19: Internal Audit

WHY ARE THESE REGULATIONS IMPORTANT?

The requirement for an Internal Audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations more specifically require that a “relevant body will maintain an adequate and effective system of Internal Audit of their accounting records and control systems”.

Accordingly, Internal Audit provides one aspect of an independent and objective assurance in the review of the system of internal control as a contribution to the proper, economic, efficient and effective use of resources. In fulfilling this responsibility the Internal Audit service comply with best practice as set out by CIPFA’s Code of Practice for Internal Audit in Local Government.

1. The Borough Treasurer will ensure that the Internal Audit service is independent in its planning and operation. Clear and detailed terms of reference will exist for the Internal Audit service, which will be approved and regularly reviewed by the Audit Committee.
2. The Borough Treasurer or their authorised representative will have authority to enter at all reasonable times any offices, premises or land under the control of the Council and will have unrestricted access to all records, documents and correspondence relating to any matter under consideration, without limitation.
3. All staff and contractors will provide such information and explanations as the Borough Treasurer considers necessary and will produce upon demand cash, stocks, documents or other property of the Council under their control.
4. Heads of Service will ensure that all formal contracts are referred to Internal Audit for the proper check to be performed, as soon as the final account is agreed and before any retention is paid.
5. Heads of Service, Senior Managers and other staff will immediately notify the Internal Audit service on behalf of the Borough Treasurer upon discovery or suspicion of any financial irregularity, whether affecting cash, stocks, property, financial records or otherwise. The Borough Treasurer will notify the Executive Director in all significant cases.
6. The Council will set out in policy documents its approach to fraud, bribery and corruption and to “whistle blowing” (see also Section 20).

7. The Internal Audit service will operate an independent fraud hotline for the Council. This will be available to officers and members of the public.
8. Copies of all final audit reports will be considered by Audit Committee.
9. The Head of Internal Audit has direct access to the Executive Director, to all levels of management and to the Chairman of the Audit Committee.

Section 20: The Council Acting Against Fraud

WHY ARE THESE REGULATIONS IMPORTANT?

The Council is determined to prevent its involvement in activities of fraud and corruption. In order to ensure that, not only, does it minimise opportunities for fraud and corruption to go undetected, but that waste of resources is also minimised, the Council has established an Anti-Fraud and Corruption strategy.

Members and officers are required to make declarations of interests and influences.

Within the Council framework the Audit Committee have a role in promoting the Council's position against fraud, bribery and corruption, by reviewing Council business and the implementation, by officers, of Council decisions. In addition the Audit Committee reviews the conduct of Members.

Internal Audit and External Audit are key partners in the effective review of anti-fraud and corruption measures that the Council has put in place.

1. As part of the Council's anti-fraud strategy and specifically its approach to creating a transparent and open organisational culture; our Members and officers will adhere to Nolan's Seven Principles of Public Life. These are:
 - a. Selflessness
 - b. Integrity
 - c. Objectivity
 - d. Accountability
 - e. Openness
 - f. Honesty
 - g. Leadership
2. Members and officers make declarations about interests and influences. All Members annually declare their direct interests, which are recorded in a register held by Democratic Services and are available for public inspection. Members are required to notify any change in their interests within 28 days of that change. Officers are required to register their interests and influences with the Personnel department.
3. The Audit Committee is responsible for promoting and maintaining high standards of conduct for elected members.
4. Internal Audit review through a risk assessment and significance analysis process, the services and functions of the Council, to assist in ensuring the adequacy of the Council's internal control environment.

In addition they perform periodic spot checks to ensure established controls remain in place.

5. Whistle Blowing

- a. The Public Interest Disclosure Act 1998 promotes responsible whistle blowing and provides protection for employees and members who raise concerns internally and then where appropriate externally.
- b. All reported concerns (except for reports of housing or council tax benefit abuses – see c.) will be confidentially investigated by Internal Audit.
- c. All reports of potential housing or council tax benefit abuses will be investigated by the fraud section of Liberata.
- d. Where investigations show the probability of abuse, the matter and findings should be referred to the Borough Treasurer (unless the Borough Treasurer is seen to have a substantial interest in the abuse) who will determine, in consultation with the Executive Director, any follow up action including sanctions and prosecution where appropriate.

6. Bribery Act 2010

The Bribery Act 2010 came into force on the 1st July 2011. It has created a new corporate offence of failing to prevent bribery by third party service providers, to which there is a complete defence of having in place adequate procedures designed to prevent service providers from engaging in bribery.

- a. Principal bribery offences
This is giving, offering, receiving and accepting bribes; this covers any advantage given to a person in the course of their work or public function to get that person to behave improperly (usually to show favour in circumstances in which the person should not be showing favour).
- b. Secondary bribery offences
This is the offence of “failure to prevent bribery” when a third party service provider gives a bribe with the intention of benefitting the Council. If adequate procedures designed to prevent bribery are in place, then this is a complete defence. The onus is on the organisation to prove that it had adequate procedures.

Section 21: External Audit and Inspection

WHY ARE THESE REGULATIONS IMPORTANT?

The Audit Commission is responsible for appointing external auditors to each local Council. The basic duties of the external auditor are governed by statute.

The Council may from time to time also be subject to audit, inspection or investigation by various other external bodies. The Audit Commission Inspectorates, government department inspectorates and bodies such as HMRC and the Inland Revenue have statutory rights of access. Rights of access are also sometimes granted under contractual arrangements, including partnerships where the Council is not the lead body. It is important that all officers of the Council respond to external scrutiny in a timely, professional and helpful manner.

1. The Borough Treasurer will facilitate the co-ordination of the work of internal and external audit together with ensuring appropriate consideration of External Audit reports by the Audit Committee.
2. External Audit is provided by the Audit Commission, an independent agency of Government. The Audit Commission have specific responsibilities in relation to the Councils accounts, corporate governance arrangements and value for money:
 - a. For the audit of the Council's financial statements.
 - b. For the Council's Annual Governance Statement.
 - c. For the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Audit Commission also provides other services, in particular the audit of external grants claims.

3. Co-ordination of all other inspection and independent review work will be the responsibility of the relevant Heads of Service.
4. Heads of Service will give external auditors and inspectors access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work.

Section 22: Treasury Management and Leasing

WHY ARE THESE REGULATIONS IMPORTANT?

Treasury Management is in place to provide assurance that the Council's money and overall cash flow are properly managed, in a way that balances risk with return but with overriding consideration being given to the security of investments.

The signing of leases and other forms of credit can have a wider financial impact than just the rental payments. It is therefore necessary that the Borough Treasurer be given the opportunity to evaluate the costs of any potential agreement before it is legally binding.

1. General

The Borough Treasurer is responsible for all investment, borrowing and leasing undertaken in the name of the Council.

2. Treasury Management

The Borough Treasurer will:

- a. prepare annually a Treasury Management Policy Statement setting out the duties of Members and officers covering all aspects of treasury management for consideration by the Executive Committee and recommendation to Full Council
- b. prepare annually a Treasury Management Strategy setting out the Council's strategy for consideration and approval by the Executive Committee
- c. prepare annually an Investment Strategy for consideration and approval by the Executive Committee
- d. recommend to the Council, before the commencement of each financial year (when setting the budget) a range of Prudential Indicators, including borrowing limits, to be set for that financial year in accordance with statute and the CIPFA Prudential Code
- e. arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement and its annual Strategy
- f. make all investments, borrowings and other financing transactions only in the name of the Council

3. Leasing and Similar Credit Arrangements

Leasing and other similar credit arrangements, including new or extended leases of land and property, may only be entered into with the written consent of the Borough Treasurer. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of payments which extend beyond the end of the following financial year.

Section 23: Pay and Conditions of Employment

WHY ARE THESE REGULATIONS IMPORTANT?

Staffing costs are the largest single item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are paid in accordance with the scheme adopted by Full Council.

Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax can be severe. It is therefore important for all officers to be aware of their role.

1. General

Terms and conditions of employment are to be determined by the Council and the Deputy Executive Director. The Borough Treasurer is responsible for the administration of all arrangements for the payment of salaries, pensions, travel and subsistence claims and other emoluments to existing and former employees, and for all related matters.

2. Deductions from Pay

The Borough Treasurer will make proper arrangements for all statutory and other deductions from pay, including tax, national insurance and pension contributions, and payment of such sums to the bodies concerned.

3. Terms of employment

Heads of Service, in consultation as necessary with the Deputy Executive Director, will promptly notify the Borough Treasurer of:

- a. the terms and conditions applying to new contracts of employment
- b. any changes or events affecting the salaries, wages or emoluments of the Council's employees
- c. all resignations, retirements and terminations of employment

4. Provision of Information

Heads of Service will provide to the Borough Treasurer:

- a. all relevant information in an agreed format and within agreed

- time scales to enable the prompt and accurate payment of all elements of pay
- b. notification of the impending departure of any employee.

5. Members' Allowances

Payments to elected Members of the Council will be made by the Borough Treasurer in accordance with the Council's Members' Allowances Scheme.

Section 24: Reports to Members

WHY ARE THESE REGULATIONS IMPORTANT?

New and changing policies of the Council result from consideration of reports from officers. Policies could therefore be set on the basis of insufficient or misleading information if both the financial and risk management implications have not been considered, and if commitments are made these could lead to financial difficulties for the Council.

1. Reports will only be put before the Council, Committees, Forum or Working Parties Members if both the financial and risk management implications for the Council have been considered and presented fairly in the report. Informal advice to Members will also have regard to any significant financial implications.
2. Consultation will take place as appropriate between the authors of reports, the Borough Treasurer and any other Heads of Service affected, in good time for any financial and risk management implications to be properly identified.
3. Where there are no financial or risk management implications or they are negligible, the report will say so.

Examples of proposals with potential financial implications

Broadly speaking any actual or proposed action or decision that affects the Council's finances in any way has a financial implication.

Listed below are examples of actions or decisions that are likely to have a financial implication. However this list is not exhaustive and it should be borne in mind that other areas of action or decision will undoubtedly have financial implications too.

- *Anything that affects the current year's budget or capital programme, for example:*
 - *a new service*
 - *an improved service level*
 - *cessation of a service*
 - *a reduction in service level*
 - *a new capital project*

- *Anything that affects the budget or capital programme of future years, for example:*
 - *ongoing net cost of a new or improved service*
 - *ongoing net revenue cost of a new capital project*
 - *reduced ongoing effect of service cessation or reduction*
 - *reduced ongoing effect of the sale or disposal of a capital asset*

- *Anything that affects the Council's level of income, for example:*
 - *an increase or reduction in charges*
 - *introduction of a charge for a service currently provided free*
 - *free provision of a service currently provided at a charge*

- *Anything that affects the Council's ability to recover VAT, for example:*
 - *provision of a new exempt or partly exempt service*
 - *a new capital project or existing capital asset to be used for exempt or partly exempt purposes*
 - *transfer of a service or undertaking to another body*
 - *See Section 12 for more detail*

- *Anything that affects the Council's entitlement to government grant, for example:*
 - *action which may result in an increase or reduction of grant entitlement*

- *Anything that enables the Council to attract outside funding from any source, for example:*
 - *a new partnership*
 - *a new third party funding arrangement or a new agency arrangement*

- *Anything that could potentially expose the Council to legal action, government surcharge or other financial penalty, for example:*
 - *an action which could be subject to legal challenge*
 - *an action which could lead to fines or penalties being imposed on the Council*

- *Any action that may result in the payment of redundancy or other staff severance costs, for example:*
 - *cessation of a service leading to a surplus of staff*
 - *reduction in a service level leading to a surplus of staff*
 - *externalisation of a service (including where TUPE applies)*

- *Any action that would affect the market value of a Council asset, for example:*
 - *a reduction in the maintenance level of an asset leading to a lower asset value*

- *Any action likely to increase the Council's insurance costs, for example:*
 - *the use of a Council asset for what is perceived to be a higher risk purpose*
 - *a worsening claims record*

Glossary

Asset register

A detailed listing of land, buildings, vehicles and major items of plant and equipment (assets). Asset registers are an important record of the Council's ownership of major items, including land and buildings. They are also a useful basis for arranging appropriate insurance cover and substantiating insurance claims in the event of fire, theft or other loss.

Budget

A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them. It does not however include the forward financial forecast, which is for financial planning purposes only.

Budget Book

The publication in which the Council sets out its budget for a particular financial year.

Budgetary control

The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the Council are not over or under spent.

Budget provision

The amount approved by the Council for a particular cost centre.

Capital contributions

Sums contributed by external persons and bodies towards the cost of capital schemes to be carried out by the Council.

Capital expenditure

This generally relates to expenditure on the acquisition or enhancement of fixed assets which will be of use or benefit to the Council in providing its services for more than one year. It also includes grants to other persons and bodies for spending by them on similar purposes.

Capital programme

The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also provides estimates of the capital resources available to finance the programme and a statement of any under or over programming.

Capital receipts

The proceeds from the disposal of land and other assets which are available to finance new capital expenditure after deducting any amount which is required by statute to be paid over to the Secretary of State. Statute prevents capital receipts being used to finance revenue expenditure.

Capital resources

The resources earmarked either by statute or by the Council to meet the cost of capital expenditure instead of charging the cost directly to revenue. The definition covers borrowing, capital receipts, and grants and contributions from external persons and bodies given for capital purposes. The Council may also contribute revenue resources to the financing of capital expenditure, and for as long as these are included in the capital programme; they are regarded similarly as capital resources.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading professional body for accountants employed in the public sector. It issues Codes of Practice and other guidance as appropriate on matters which are addressed by these Regulations.

Codes of conduct

The protocols within which Members and officers will work as set out in the Constitution.

Codes of practice

Guidance issued normally by professional bodies in relation to standards which are not regulated by statute. For example, CIPFA have issued Codes of Practice giving detailed guidance on accounting standards, Internal Audit and treasury management.

Collection Fund

The fund into which Council Tax and business rates are paid, and out of which the precepts of Cumbria County Council, Cumbria Police Authority and Barrow Borough Council are met. Any surplus or deficit is shared between the various authorities on the basis of precepted amounts.

Computer systems

Commercially available software which might be acquired for use on Council computers, whether local PC or networks. For the purposes of these Regulations, the definition is not intended to cover applications to which such systems might be put.

Contracts Standing Orders

The Council's rules relating to the procurement of works, supplies and services as set out in the Constitution. These are supported by Section 8 of these Regulations.

Corporate governance

The system by which local authorities direct and control their functions and relate to their communities.

Council Tax

A local tax based on the notional capital value of residential properties. The level set by a Council for a particular year will be broadly determined by its expenditure on General Fund services less other income, use of Council reserves and government grant.

Council Tax base

A figure calculated annually to represent the number of dwellings over which the Council Tax for the following financial year may be collected. All dwellings within the District are valued by the Valuation Office Agency and classified into one of eight bands (A to H), each of which is expressed as a proportion above or below the value of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D average, after making allowance for discounts, losses, exemptions and appeals. When the Council sets the level of Council Tax for that year, it is expressed as an amount due from Band D properties.

Creditors

A person or body to whom the Council owes money.

Debtors

A person or body who owes the Council money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the Council.

DCLG

Department for Communities and Local Government.

Estimates

The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets which are being prepared for the following financial year or have been approved for the current year.

External Audit

An independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The external auditor for each Council is appointed by the Audit Commission.

Fees and charges

Charges made to the public for Council services and facilities.

Financial Regulations

That part of the Council's Constitution which provides an approved framework for the proper financial management of the Council.

Financial year

The period of twelve months commencing on the 1st April.

Forward financial forecast

The estimated value of a revenue budget head for the two financial years immediately following the budget year, or the totals of such estimates. The forecast confers no authority to spend, and is made for financial planning purposes only.

General Fund

The revenue fund of the Council covering day-to-day expenditure and income on services. The net cost on this account is met by Government Support and Council Tax.

Housing Revenue Account

The revenue account covering day-to-day expenditure and income arising from the provision of Council housing. The expenditure and income credits are defined in statute and any balance on the account is only available for spending on the housing stock. Activities relating to the strategic housing function, as opposed to the landlord function for the Council's own housing stock, are accounted for in the General Fund outside of the Housing Revenue Account.

Internal Audit

An independent appraisal function for review of the internal control system of an organisation. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

Inventory

A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a fire, theft or other event to be identified and to support any insurance claim.

Investment Strategy

A statement of policies for determining the type, value and length of investments that the Council will use to place its surplus funds and also for determining appropriate third parties with whom these investments will be placed.

Leasing

A method of acquiring the use of capital assets which is similar to renting. Normally this kind of arrangement is only suitable for vehicles, plant and equipment. Ownership of the asset remains with the leasing company and the annual rental is charged directly to the Council's revenue accounts.

Members' Allowances

A scheme of payments to elected Members of the Council in recognition of the duties and responsibilities assumed by them.

Performance Indicators

Data collection designed to measure and compare the performance of all local authorities on a consistent basis.

Precept

The amount that Councils and certain other public authorities providing services within the Barrow Borough area require to be paid from the Collection Fund to meet the cost of their services.

Prudential Indicators

The Prudential Indicators are designed to support and record local decision making regarding capital investment. The CIPFA 'Prudential Code for Capital Finance in Local Authorities' requires each local Council to agree and monitor mandatory prudential indicators.

Reserves

A Council's accumulated surplus income in excess of expenditure. Reserves are available at the discretion of the Council to meet items of expenditure in future years, and may be earmarked or held for general purposes.

Revenue

A term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes however charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

Risk

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action, event or occurrence.

Risk management

Risk management is the adoption of a planned and systematic approach to the identification, evaluation and management of risk.

Risk Management Policy and Strategy

This is approved by the Audit Committee endorsing the commitment of the Council to effective risk management and sets out the responsibility of Members, Heads of Service and all staff for the identification, control and reduction of risk and the containment of loss in all aspects of their activities.

Statement of Accounts

The Council's annual statement on its financial position for the year ending the 31st March. The report is required to be in a prescribed format and is subject to independent review.

Supplementary estimate

The approval of an increase in the level of a particular budget head, or the establishment of a new budget head, under the procedure laid down in Section 7 of these Regulations. Where an existing budget head is involved, a supplementary estimate would not normally be approved where an appropriate virement was available. Supplementary estimates above the level delegated to the Borough Treasurer may only be sanctioned by the Executive Committee.

Treasury Management

The management of the Council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks. It includes the setting of and monitoring compliance with the Prudential Indicators.

Treasury Management Policy Statement

A statement approved by the Full Council setting out the parameters within which treasury activities are to be managed.

Treasury Management Strategy

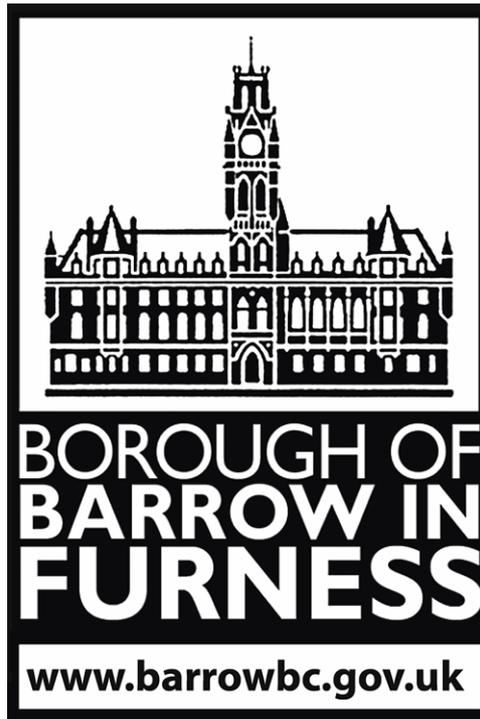
The strategy for the treasury management activities to be adopted for a particular financial year as approved by the Executive Committee within the parameters set by the Treasury Management Policy Statement.

Virement

The transfer of budget provision from one budget head to another, under the procedure laid down in Section 7 of these Regulations. Virement decisions apply to revenue expenditure budgets. Virements may not be approved between capital and revenue budget heads. Virements may be approved by officers up to an amount specified in the Regulations, by the Borough Treasurer, or by the Executive Committee.

Write off

The action taken to charge to the Council the amount due from some external party which has been found to be irrecoverable from that party. Whilst the sum remains due to the Council in law, it will no longer be shown as outstanding in the Council's accounts.



Contract Standing Orders

Reviewed February 2012

1. General

These Contract Standing Orders apply to the purchase by or on behalf of the Council of works, supplies (goods) and services with a contract value of £100,000 and above.

As a public sector body the Council is subject to the European Union (EU) Procurement Directives, which set out a legal framework for public procurement, the purpose of which is to open up the public procurement market and to ensure free movement of goods and services within the EU. The overriding principles of the European Treaty in letting contracts include: Openness, Transparency and Equality of Treatment.

The current EU financial thresholds are valid from the 1st January 2012 (they are reviewed bi-annually). Value is based on a likely spend for a particular project or in the case of a continuous need the likely spend requirement over 48 months.

When planning a project, Officers must allow sufficient time as an EU tender can take six months or more from start to finish. The steps and timescales involved are fixed. The additional time is needed to evaluate the Expressions of Interest; conduct Supplier Appraisal including financial issues; conduct site visits; allow presentations; tender evaluation and to take up references.

The Contract Standing Orders raise awareness of EU Regulations only. Officers must seek specific professional advice as deemed appropriate when undertaking contracts that fall above the EU thresholds for tendering.

Except as provided in paragraph 14 below, every contract made by the Council shall comply with these Contract Standing Orders. All contracts shall comply with EU Procurement Directives, Public Contract Regulations 2006 and UK law. The exceptions in paragraph 14 do not apply where EU Directives and Regulations relating to public sector supply contracts must be complied with.

Any agent or consultant appointed by the Council to supervise or assist on a contract shall be placed under an obligation to comply with these Contract Standing Orders and the Financial Regulations of the Council as if they were a Deputy/Chief Officer of the Council.

In these Contract Standing Orders the word tender shall have the following meaning:

- Tender - a price given by a contractor for a suitable specified contract by invitation.

For purchases below £100,000 follow the Council's Purchasing Rules.
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2. Options appraisal

Any purchase or project must be subject to the principles of options appraisal and it is expected that the Deputy/Chief Officer responsible for the purchase or project will have considered the full implications and alternative means of achieving the same

objective. The resource spent on this and the level of documentation of this process will be proportionate to the value and type of the purchase or project.

Options appraisals will be undertaken for:

- all those with a total cost of £100,000 or more, or
- other projects below this as decided by Chief Officers.

Appraisals must be approved by the Deputy/Chief Officer responsible before any report to the Executive Committee and before inclusion in the Council's budget, and the appraisal must be approved before any expenditure has been incurred.

3. Selection of Tenderers

Selecting tenderers is the stage in the procurement process when the competent contractors to bid for your contract are identified.

The selection process must incorporate an assessment of the contractors' capacity, including their financial and or economic standing and their technical or professional ability. By applying these rules, which reflect the above EU Treaty principles, the selection of competent contractors will be open and fair.

To determine the means for assessing whether prospective tenderers meet the minimum standards, Officers should relate to the purpose, nature, quantity or importance of the contract. For contracts for works or services and goods involving installation, you can assess a supplier's technical ability by taking into account their skills, efficiency, experience and reliability.

A pre-qualification questionnaire (PQQ) is a set of questions prepared to assist in assessing the suitability of prospective tenderers. They may be used to draw up a list of suitable organisations to be invited to tender for a particular contract. PQQs may include questions relating to financial standing, health and safety, experience, efficiency, reliability and skills – including current and past contract performance – management and structure, qualifications, training and workforce matters. The Council can require all contractors wishing to be invited to tender for a particular contract to answer a PQQ.

4. Tendering

Tenders will be invited from a minimum of four competent contractors, unless otherwise approved by the Executive Committee.

The tender notice will include:

- a specification of the works or services required;
- the form of tender;
- the date and details for the submission of tenders;
- the date that the contract will be let from;
- the evaluation criteria to be used in awarding the contract; and,
- a note stating that the Council is not bound to accept any tender.

5. Receipt and Opening of Tenders

Tenders will only be considered if they are returned by the time specified, in a plain envelope which is securely sealed, or through the relevant electronic software system, and bears only the word "Tender" followed by the subject to which the tender relates. The envelope must not bear any distinguishing matter or mark from which it would be possible to identify the tenderer. Written tenders shall be returned addressed to the Democratic Services Manager as required by the public notice or invitation to tender and will remain in their custody after they have been received until the time appointed for opening.

To ensure the robustness and transparency of the tendering process, all tenders for a particular contract shall be opened at the same time by a Deputy/Chief Officer together with the Chairman or Vice-Chairman of the Executive Committee and the Democratic Services Manager; or their representatives as delegated. The opening of the tenders must be evidenced in the tender opening register, or by electronic means, and include the date and time of opening.

6. Late / Invalid Tenders

Any tender received after the specified time for receipt or which does not comply with the tender instructions shall be returned to the tenderer by the Democratic Services Manager. Late tenders shall be opened by the Democratic Services Manager solely for the purpose of returning them to the sender.

7. Errors in Tenders

Where the tender is expressed as a total sum and an examination of the tender reveals errors or discrepancies which would affect the total the tenderer shall be given details of the error and discrepancies and given an opportunity of confirming or withdrawing their offer.

8. Acceptance of Tenders

Only valid tenders may be considered for the contract award; received on time and containing all relevant information.

Any Deputy/Chief Officer assessing tenders must consider all of the valid tenders received in relation to that contract and evaluate them against the predetermined criteria. The tender evaluation is reported to the Executive Committee who then award the contract to the tenderer who submits the most economically advantageous tender.

9. Negotiated Contracts

Contracts may only be negotiated where tenders have been requested and no suitable tenders have been received or in exceptional situations where the nature of the contract or the risks involved do not permit overall pricing.

In such situations Chief Officers must be consulted and will decide, in conjunction with the relevant Deputy Chief Officer, whether a negotiation process is appropriate and will receive the results of all such negotiations to report to the Executive Committee for decision before entering into a contract.

10. Letting of Contracts

Contracts over £100,000 may only be awarded by the Executive Committee; these provisions exclude the specific exceptions in paragraph 14 below.

In cases where the Council may nominate a sub-contractor to a main contractor these Contract Standing Orders shall apply to that nomination as they would to tendering procedures for ordinary contracts with the necessary modifications to wording.

Detailed guidance and assistance must be obtained for any contract that is above the EU threshold. EU Procurement Directives must be complied with and best value must be demonstrated.

11. Extending Contracts

Where a service contract has no contractual option to extend, the Executive Committee can extend that contract for up to two years with the current contractor on the same basis, or a more beneficial basis to the Council.

For works that are on a current or live contract, an extension or additional contract can be approved by the Executive Committee for similar works, in the same geographical area and at the original tender rate; subject to this not exceeding the £100,000 contract limit.

There is a presumption against contracts being extended or granted in this way, and this must not be done if the additional goods, services or works could have been included in the original contract. Similarly a contract must not be extended under this paragraph where the combined value of the original and extended contract would exceed the EU threshold limit.

12. Post Implementation Review

Projects that must be subject to a Post Implementation Review are:

- All those projects which have received an appraisal.
- Contracts where the total expected expenditure exceeds the approved total costs by the lesser of 10% or £100,000.
- Chief Officers may require a review of any other project not covered above.

The review should be carried out within three months of the final account being paid and be submitted to Management Board.

13. Written Contracts

All contracts awarded under these Orders must be made in writing, signed by both parties, retained by Legal Services and include the following:

- The works, supplies (goods), services, materials, matters or things to be carried out or supplied.
- The time within which the contract is to be performed.
- Quality requirements and/or standards which must be met.
- Requirements on the contractor to hold and maintain appropriate insurance.
- What happens in the event that the contractor fails to comply with its contractual obligations (in whole or in part).
- Requirements on the contractor to comply with all relevant equalities and health and safety legislation.
- Requirements on the contractor to comply with the Bribery Act 2010 and the Local Government Act 1972 section 117(2).
- The expectation to make use of the Council's Whistleblowing Policy and must bring it to the attention of all relevant employees and/or agents.
- The contractor must not assign, sub-contract, licence or otherwise dispose of any part of their rights or obligations under this contract without the Council's written consent.
- A performance bond, cash deposit or alternative security may be required when a contract exceeds £150,000 or if required by Chief Officers.
- The Council has a duty to disclose the details of contracts when requested under the Freedom of Information Act 2000.

For works contracts there must be a further clause:

- 2.5% of the contract value will be withheld by the Council until Internal Audit clears the Final Account.

Additionally, where appropriate contracts must include terms for liquidated damages to be paid by the contractor in case of a default.

14. Exceptions to the Contract Standing Orders

Nothing in these Contract Standing Orders shall require tenders to be invited if:

- the Executive Director and relevant Chief Officer in consultation with the Chairman or Vice-Chairman of the Executive Committee, determine that:
 - the relevant goods, work or services are required so urgently as to justify a departure from the rules; or
 - the works, goods or services are of a specialised nature and it would not be practicable to go to more than one contractor or supplier, or this would result in no genuine competition.
- Goods are purchased at auction.
- Works, goods or services are purchased through a consortium, framework, or similar body who, operate under similar Codes of Practice or who can demonstrate selection of the best source of supply.

- The Council is acting as an agent for another body who require their regulations to apply to the contract.

The exercise of any of these, and reasons for it, must be reported to the next meeting of the Executive Committee.

15. Sealing of Documents

All contracts awarded under these Contract Standing Orders require sealing as confirmation of approval by the Executive Committee.

16. Auditing

Contracts are subject to review in accordance with Financial Regulations section 19. This includes the completion of the Contract Management Checklist and Internal Audit checking the Final Account prior to payment.